



BNCCORP

NEWS RELEASE

FOR FURTHER INFORMATION:
WEBSITE: www.bnccorp.com

GREGORY K. CLEVELAND
TELEPHONE: (602) 852-3526

TIMOTHY J. FRANZ
TELEPHONE: (612) 305-2213

BNCCORP, INC. REPORTS A PROFIT OF \$523 THOUSAND, OR \$0.06 PER DILUTED SHARE FOR THE SECOND QUARTER OF 2009

Overview

- **Year to date net income is \$ 1.139 million or \$0.17 per diluted share**
- **Net interest income in the second quarter is 12.6% higher than 2008 second quarter**
- **Non-interest income rises 29.4% in the second quarter, driven by mortgage banking revenues and gains on sales of investments**
- **Second quarter provisions for loans and real estate losses aggregate \$3.955 million; \$1.955 million higher than 2008 second quarter**
- **Allowance for loans losses increases to 1.70% of loans**
- **Total risk based capital increases to a very strong 16.13% as of quarter end, exceeding the “well-capitalized” requirement**

BISMARCK, ND, July 30, 2009 – BNCCORP, Inc. (BNC) (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, Missouri and Arizona, today reported financial results for the three months and six months ended June 30, 2009.

Net income was \$523 thousand, or \$0.06 per diluted share, for the second quarter ended June 30, 2009. This compared to a net income of \$700 thousand, or \$0.21 per diluted share, in the second

quarter of 2008. Net income for the first half of 2009 was \$1.139 million, or \$0.17 per diluted share, compared to net income of \$2.062 million, or \$0.61 per diluted share, for the first half of 2008.

BNCCORP's 2009 second quarter results reflected higher net interest income, primarily due to growth in earning assets and lower cost liabilities, as well as an increase in non-interest income from mortgage banking operations and gains on securities sales. These factors were offset by increased provisions for loan and real estate losses due to the current weak economic conditions, and higher non-interest expenses, including a sharp increase in deposit insurance premiums assessed by the FDIC against all depository institutions during the period.

Gregory K. Cleveland, BNCCORP President and Chief Executive Officer, stated, "In a challenging economic environment, with no immediate certainty of an upturn, we believe regulatory capital is paramount. We are fortunate to be in a strong position, with all of our capital ratios in excess of "well-capitalized" regulatory standards. It is also important for all community banks to maintain liquidity and we are constantly focused on liquidity. Due to the recent growth of our core deposits we have improved this critical part of our operations. While we are pleased to have recorded a net profit this quarter, we expect to face significant challenges in the months ahead. As a result, we have very modest expectations for the remainder of the year and are maintaining our focus on prudent operations and a strong capital cushion."

Second Quarter Results

Net interest income for the second quarter of 2009 was \$7.616 million, an increase of \$851 thousand, or 12.6%, from \$6.765 million in the same period of 2008. The net interest margin for the current period decreased slightly to 3.68% from 3.74% in the same period of 2008. Growth in loans and investments combined with lower interest rates on liabilities drove the increase in net interest income. These improvements were partially offset by increases in non-accrual assets and the compressed net interest margin.

The provision for credit losses was \$2.000 million in the second quarters of both 2009 and 2008. Due to depressed economic conditions, provisions for loan losses are expected to be elevated for the remainder of 2009 and into 2010.

Non-interest income for the second quarter of 2009 was \$4.345 million, an increase of \$987 thousand, up 29.4% from \$3.358 million in the same period of 2008. Mortgage banking operations continue to expand, and this growth combined with the low interest rate environment pushed mortgage banking revenues \$1.290 million higher for the second quarter of 2009 than for the second quarter of 2008. Gains on sales of investments were \$986 thousand in the second quarter of 2009, while there were no similar gains in 2008. Gains on sales of fixed assets were \$0 in the second quarter of 2009 compared to gains of \$794 thousand in 2008 due to a non-recurring event. Wealth management revenues declined due to fewer fees for managing documents on insurance products sold by others.

In the second quarter of 2009, non-interest expense increased by \$2.312 million, or 32.7 %, to \$9.390 million compared to \$7.078 million in the same period of 2008. In the second quarter of 2009, the FDIC assessed depository institutions to replenish the FDIC's depository insurance fund, thus increasing BNC's insurance premium by \$411 thousand during the period. Further assessments are anticipated before the end of 2009. The provision for real estate losses was \$1.955 million higher in the second quarter of 2009 than in the same period of 2008 as a result of the continued devaluation of real estate that has occurred in most of the country. Expenses from mortgage banking operations were approximately \$600 thousand higher in the second quarter of 2009 than in the same period of 2008 mostly due to the higher mortgage banking volume.

Tax expense was \$48 thousand during the second quarter of 2009 which resulted in an effective tax rate of 8.4 %. Tax expense in the second quarter of 2008 was \$345 thousand which resulted in an effective tax rate of 33.0%. The effective tax rate was lower in 2009 because a greater portion of the Company's pre-tax earnings originated from tax exempt sources.

Net income available to common shareholders was \$196 thousand for the second quarter after dividends paid on preferred stock and amortization of issuance discounts on preferred stock. These costs contributed to the decrease in earnings per share in the second quarter of 2009 as compared to the second quarter of 2008.

Six Months Ended June 30, 2009

Net interest income for the six-month period ended June 30, 2009 was \$14.498 million, an increase of \$1.461 million, or 11.2%, from \$13.037 million in the same period of 2008. The net interest margin for the six months was 3.57% in 2009 and 3.76% in 2008. The increase in net interest income is the result of asset growth and lower rates on interest bearing liabilities. The growth increase in net interest income was tempered by increases in non-accrual assets and the compressed net interest margin.

The provision for credit losses was \$3.700 million in the first half of 2009 compared to \$2.800 million in the first half of 2008. The higher provision for credit losses in 2009 reflects the deteriorating economic environment, the amount and trend of nonperforming loans, and other factors based on management's regular ongoing evaluation of the loan portfolio.

Non-interest income in 2009 was \$8.041 million, an increase \$2.383 million, or 42 %, compared to \$5.658 million in 2008. Growth in mortgage banking revenues, which were \$ 2.742 million higher in the first half of 2009 than the same period of 2008, as well as gains on sales of investments of \$1.871 million propelled the increase in non-interest income. Gains on sales of investments will vary from period to period and are not expected to continue at this level. We expect that mortgage banking revenues will remain strong so long as the current boom related to refinancing of residential loans continues. In the first six months of 2008 we benefited from gains on sales of fixed assets and commercial real estate loans which aggregated 1.833 million. Neither of these activities occurred at significant levels in 2009. Wealth management revenues for the first half of 2009 are declining for reasons previously stated and are expected to continue to decline.

In the first half of 2009, non-interest expense increased by \$4.633 million to \$17.450 million, from \$12.817 million in 2008. The provision for real estate losses was \$2.705 million higher in the first half of 2009 as real estate continued to devalue. Mortgage banking expenses were approximately \$1.400 million higher in the first six months of 2009 than in the same period of 2008. Non-interest expenses also increased in 2009 because of the previously noted FDIC assessment.

Tax expense in 2009 was \$250 thousand which resulted in an effective tax rate of 18.0%, versus tax expense of \$1.016 million in 2008 which resulted in an effective tax rate of 33.0%. The effective tax

rate was lower in 2009 because a greater portion of the Company's pre-tax earnings originated from tax exempt sources.

Overall, net income in the first half of 2009 was \$1.139 million, or \$0.17 per diluted share, compared to \$2.062 million, or \$0.61 per diluted share in the 2008 period. Net income available to common shareholders was \$546 thousand in the first half of 2009, representing amounts available after dividends paid on preferred stock and amortization of issuance discounts on the preferred stock. These costs contributed to the decrease in earnings per share in the first half of 2009.

Assets, Liabilities and Equity

Total assets were \$914.1 million at June 30, 2009, an increase of \$52.6 million, or 6.1%, compared to \$861.5 million at December 31, 2008. Loans held for sale increased by \$15.3 million because of growth in mortgage banking operations, while investment securities were \$27.0 million higher than at the beginning of the year. BNC continues to increase investments because there are opportunities to improve the net interest spread in non-agency securities. Loans have grown since the beginning of the year and BNC remains committed to our clients and the communities we serve. However, the Company noted that due to our concerns about the impact of current economic conditions on the credit worthiness of our clients and prospects, it will be a challenge to add solid credits as the recession continues.

Total liabilities, including deposits, at June 30, 2009 increased by \$30.9 million to \$838.4 million compared to \$807.5 million at December 31, 2008.

Total deposits were \$734.4 million at June 30, 2009, increasing by \$59.1 million from 2008 year-end. Core deposits aggregated \$601.3 million at June 30, 2009 and \$575.6 million at December 31, 2008, an increase of \$25.7 million or 4.5%. Wholesale deposits aggregated \$133.1 million at June 30, 2009, an increase of \$33.4 million since the beginning of the year. Wholesale deposits are primarily used to fund investments.

Increases in deposits have allowed us to reduce borrowings from the FHLB. Available borrowings capacity from the FHLB was in excess of \$100 million as of June 30, 2009.

Total common stockholders' equity was \$55.5 million at June 30, 2009, compared to \$53.9 million at December 31, 2008.

The book value per common share was \$16.82 as of June 30, 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 \$17.91 as of June 30, 2009, compared to \$17.82 as of December 31, 2008.

Trust assets under supervision were \$420.6 million at June 30, 2009, compared to \$320.3 million at December 31, 2008. The increase in assets under supervision relates to growth in our employee benefit areas and appreciation of securities in 2009.

Regulatory Capital

Maintaining adequate regulatory capital is mission critical for community banks. Compared to many competitors and regulatory requirements, we believe that BNC is in a strong position.

The Company's capital levels significantly exceeded the regulatory requirements for "well-capitalized" institutions at June 30, 2009. At that date, the tier 1 leverage ratio was 11.20% (versus a 5.00% "well-capitalized" requirement), the tier 1 risk-based capital ratio was 14.88% ("well-capitalized" requirement of 6.00%), and the total risk-based capital ratio was 16.13% ("well-capitalized" requirement of 10.00%). Our tangible common equity at June 30, 2009 was 6.00%.

At June 30, 2009, the Company's subsidiary, BNC National Bank, had total risk-based capital of \$104.3 million, which was \$36.2 million greater than the \$68.1 million required to meet the "well-capitalized" threshold. BNC National Bank's tangible capital was 8.48% of total assets at June 30, 2009.

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 \$10.3 million and \$8.8 million at June 30, 2009 and December 31, 2008, respectively. The allowance for credit losses as a percentage of total loans at June 30, 2009 was 1.70%, compared with 1.50% at December 31, 2008. The allowance for credit losses as a percentage of loans and leases held for investment at June 30, 2009 was 1.88%, compared with 1.61% at December 31, 2008. The ratio of total nonperforming assets to total assets was 4.61% at June 30, 2009, compared with 3.84% at December 31, 2008. The ratio of the allowance for credit losses to total nonperforming loans as of June 30, 2009 was 35% compared to 38% at December 31, 2008.

At June 30, 2009 BNC had \$57.4 million of classified loans, \$29.2 million of loans on non-accrual and \$13.0 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. 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 significant concentrations of land and construction loans, which account for 15.9% of total loans. At June 30, 2009, the Company had construction loans of \$41.2 million and land and land development loans aggregating \$55.4 million. At December 31, 2008, the Company had construction loans of \$37.7 million and land and land development loans aggregating \$61.8 million.

Outlook

Mr. Cleveland noted, “We remain wary of economic conditions and continue to observe businesses and consumers struggling in this stressful economy. Frankly, we do not see any solid indications the recession is nearing an end. So long as real estate values, general business conditions and consumer demand continue to decline, BNC and many other community banks are likely to experience significant credit losses. This will impair earnings and BNC will not be immune. More than ever, these conditions underscore the vital importance of having a strong capital base, and we are fortunate that BNC’s efforts to fortify the balance sheet have placed us in a position to withstand harsh economic realities.”

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 20 locations. BNC also conducts mortgage banking from six 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)

(In thousands, except per share data)	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
SELECTED INCOME STATEMENT DATA				
Interest income	\$11,413	\$11,496	\$22,092	\$22,881
Interest expense	3,797	4,731	7,594	9,844
Net interest income	7,616	6,765	14,498	13,037
Provision for credit losses	2,000	2,000	3,700	2,800
Non-interest income	4,345	3,358	8,041	5,658
Non-interest expense	9,390	7,078	17,450	12,817
Income before income taxes	571	1,045	1,389	3,078
Income tax expense	48	345	250	1,016
Net income	523	700	1,139	2,062
Preferred stock costs	(327)	-	(593)	-
Net income available to common shareholders	\$196	\$700	\$546	\$2,062

EARNINGS PER SHARE DATA

Basic earnings per common share	\$0.06	\$0.22	\$0.17	\$0.62
Diluted earnings per common share	\$0.06	\$0.21	\$0.17	\$0.61

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands, except share, per share and full time equivalent data)	As of		
	June 30, 2009	December 31, 2008	June 30, 2008
SELECTED BALANCE SHEET DATA			
Total assets	\$ 914,117	\$ 861,498	\$ 821,721
Loans held for sale	28,696	13,403	5,758
Participating interests in mortgage loans	30,801	28,584	25,333
Loans and leases held for investment	548,971	542,753	525,875
Total loans	608,468	584,740	556,966
Allowance for credit losses	(10,339)	(8,751)	(7,065)
Investment securities available for sale	236,904	209,857	200,312
Other real estate, net	12,984	10,189	5,098
Earning assets	842,575	791,844	757,290
Total deposits	734,364	675,321	625,339
Core deposits	601,275	575,637	537,786
Other borrowings	95,173	124,454	131,180
OTHER SELECTED DATA			
Net unrealized gains (losses) in investment portfolio, pretax	\$ (5,789)	\$ (7,805)	\$ (1,728)
Trust assets under supervision	\$ 420,616	\$ 320,340	\$ 338,062
Total common stockholders' equity	\$ 55,496	\$ 53,947	\$ 56,941
Book value per common share	\$ 16.82	\$ 16.35	\$ 17.25
Effect of net unrealized gains (losses) on securities available for sale, net of tax, on book value per common share	\$ (1.09)	\$ (1.47)	\$ (0.32)
Book value per common share, excluding effect of unrealized gains (losses) on securities	\$ 17.91	\$ 17.82	\$ 17.57
Full time equivalent employees	312	238	228
Common shares outstanding	3,299,163	3,299,163	3,301,211
CAPITAL RATIOS			
Tier 1 leverage (Consolidated)	11.20%	9.01%	9.76%
Tier 1 risk-based capital (Consolidated)	14.88%	11.15%	11.37%
Total risk-based capital (Consolidated)	16.13%	12.95%	12.99%
Tangible common equity (Consolidated)	6.00%	6.21%	6.84%
Tier 1 leverage (BNC National Bank)	8.94%	9.34%	10.20%
Tier 1 risk-based capital (BNC National Bank)	11.86%	11.56%	11.89%
Total risk-based capital (BNC National Bank)	15.32%	12.81%	12.93%
Tangible capital (BNC National Bank)	8.48%	8.77%	9.60%

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands)	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
AVERAGE BALANCES				
Total assets	\$903,613	\$782,001	\$890,043	\$ 751,512
Loans held for sale	25,037	5,131	24,186	2,752
Participating interests in mortgage loans	29,407	25,121	27,767	23,914
Loans and leases held for investment	546,908	520,678	548,264	513,783
Total loans	601,352	550,930	600,217	540,449
Investment securities available for sale	230,131	176,448	218,816	156,847
Earning assets	829,900	727,412	818,578	696,950
Total deposits	713,997	601,915	688,725	574,846
Core deposits	589,723	526,910	577,156	519,587
Common stockholders' equity	55,009	58,602	55,328	59,809

KEY RATIOS

Return on average common stockholders' equity	1.43%	4.81%	1.99%	6.93%
Return on average assets	0.23%	0.36%	0.26%	0.55%
Net interest margin	3.68%	3.74%	3.57%	3.76%
Efficiency ratio	78.51%	69.92%	77.42%	68.56%
Efficiency ratio, excluding gains on sales of securities and provisions for real estate losses	67.86%	69.92%	71.39%	68.19%

As of

(In thousands)	June 30, 2009	December 31, 2008	June 30, 2008
ASSET QUALITY			
Loans 90 days or more delinquent and still accruing interest	\$ 3	\$ 6	\$ 639
Non-accrual loans	29,159	22,909	7,184
Total nonperforming loans	\$ 29,162	\$ 22,915	\$ 7,823
Other real estate, net	12,984	10,189	5,098
Total nonperforming assets	\$ 42,146	\$ 33,104	\$ 12,921
Allowance for credit losses	\$ 10,339	\$ 8,751	\$ 7,065
Ratio of total nonperforming loans to total loans	4.79%	3.92%	1.40%
Ratio of total nonperforming assets to total assets	4.61%	3.84%	1.57%
Ratio of allowance for credit losses to loans and leases held for investment	1.88%	1.61%	1.34%
Ratio of allowance for credit losses to total loans	1.70%	1.50%	1.27%
Ratio of allowance for credit losses to nonperforming loans	35%	38%	90%

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands)	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Changes in Allowance for Credit Losses:				
Balance, beginning of period	\$9,674	\$7,178	\$8,751	\$6,599
Provision	2,000	2,000	3,700	2,800
Loans charged off	(1,488)	(2,145)	(2,270)	(2,377)
Loan recoveries	153	32	158	43
Balance, end of period	<u>\$10,339</u>	<u>\$7,065</u>	<u>\$10,339</u>	<u>\$7,065</u>
Ratio of net charge-offs to average total loans	(0.222)%	(0.384)%	(0.352)%	(0.432)%
Ratio of net charge-offs to average total loans, annualized	(0.888)%	(1.534)%	(0.704)%	(0.864)%

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands, except share data)	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
ANALYSIS OF NON-INTEREST INCOME				
Bank charges and service fees	\$521	\$518	\$1,100	\$1,009
Wealth management revenues	495	768	1,079	1,524
Mortgage banking revenues	2,066	776	3,492	750
Gains on sales of commercial real estate loans	86	253	86	1,039
Net gain on sales of assets	-	794	-	794
Net gain on sales of securities	968	-	1,871	-
Other	209	249	413	542
Total non-interest income	\$4,345	\$3,358	\$8,041	\$5,658
ANALYSIS OF NON-INTEREST EXPENSE				
Salaries and employee benefits	\$3,696	\$3,938	\$7,435	\$7,361
Other real estate costs	1,673	402	2,580	402
Professional services	772	293	1,269	482
Occupancy	630	547	1,269	989
FDIC and other assessments	599	56	778	110
Data processing fees	535	554	1,074	1,060
Depreciation and amortization	359	327	730	669
Marketing and promotion	321	267	506	462
Office supplies and postage	157	136	298	247
Other	648	558	1,511	1,035
Total non-interest expense	\$9,390	\$7,078	\$17,450	\$ 12,817
WEIGHTED AVERAGE SHARES				
Common shares outstanding (a)	3,261,831	3,248,101	3,261,831	3,327,961
Incremental shares from assumed conversion of options and contingent shares	28,569	46,458	20,021	44,059
Adjusted weighted average shares (b)	3,290,400	3,294,559	3,281,852	3,372,020

(a) Denominator for Basic Earnings Per Common Share

(b) Denominator for Diluted Earnings Per Common Share