



BNCCORP

NEWS RELEASE

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BNCCORP, INC. REPORTS THIRD QUARTER RESULTS; CAPITAL CONTINUES TO EXCEED “WELL CAPITALIZED” STANDARDS

Third Quarter Overview

- Net loss is \$(21.890) million or \$(6.81) per diluted share
- Quarterly provisions for loan and real estate losses aggregate \$27 million
- Core sources of earnings rise: net interest income is up 15.3%, non-interest income rises 44.8%
- Allowance for loans losses is strengthened, increasing to 3.49% of loans
- Consolidated tier 1 capital of 8.23% and total risk-based capital of 13.13% continue to surpass “well capitalized” requirements
- Core deposits rise 10%

BISMARCK, ND, October 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 and nine month periods ended September 30, 2009.

Net loss was \$(21.890) million, or \$(6.81) per diluted share, for the third quarter ended September 30, 2009. This compared to net income of \$505 thousand, or \$0.15 per diluted share, in the third quarter of 2008. Net loss for the first nine months of 2009 was \$(20.751) million, or \$(6.64) per

diluted share, compared to net income of \$2.567 million, or \$0.77 per diluted share, for the first nine months of 2008.

BNC's third quarter results reflected strong growth in core earnings, coupled with significant provisions for credit losses and recognition of valuation allowances on net deferred tax assets. Net interest income and non-interest income continued to deliver double digit percentage increases while non-credit related expenses increased at a moderate rate. The rising core earnings were offset by significant increases in credit costs as the Company charged down problem assets and more than doubled its allowance for loan losses. Because of the large losses it was necessary for net deferred tax assets to be completely reserved.

Gregory K. Cleveland, BNCCORP President and Chief Executive Officer, stated, "The fundamentals of our business are solid, as demonstrated by the increase in our net interest income, non-interest income, and core deposits. That said, the banking sector is besieged by credit deterioration, and we have not been immune to these conditions. Our non-performing assets have been trending upward along with much of the industry, and increased particularly in the recent quarter. We have addressed these issues head-on with higher provisions for the third quarter. Fortunately, we also took early action to fortify our capital position before the economic downturn hit with full force. The benefits of strengthening our capital position were demonstrated this quarter as we were able to withstand large credit costs and maintain capital ratios in excess of the 'well capitalized' regulatory standards."

Third Quarter Results

Net interest income for the third quarter of 2009 was \$7.853 million, an increase of \$1.043 million, or 15.3%, from \$6.810 million in the same period of 2008. The net interest margin for the current period increased to 3.70% from 3.55% in the same period of 2008. Investment earnings, growth in non-interest bearing deposits and lower interest rates on interest bearing liabilities combined to increase net interest income. Increases in non-accrual assets compressed net interest margin.

The provision for credit losses was \$22.300 million in the third quarter of 2009, compared to \$1.800 million in the third quarter of 2008. Macroeconomic forces are significantly impairing the ability of borrowers to repay debt, resulting in elevated credit losses throughout the financial industry.

Specific factors that contributed to the Company's large provision include the migration of several credits to non-performing status, decline in collateral values and efforts to restructure problem loans.

Non-interest income for the third quarter of 2009 was \$3.488 million, an increase of \$1.079 million, up 44.8% from \$2.409 million in the same period of 2008. Low interest rates and government sponsorship in the secondary market have created conditions that favor mortgage banking revenues, which rose by \$1.441 million, or 200%, from the third quarter of 2008. These increases were partially offset by lower wealth management revenues, which declined due to fewer fees for managing documents on insurance products sold by others.

Non-interest expenses were significantly impacted by real estate costs and impairment charges on intangible assets, aggregating \$5.110 million. As a result, total non-interest expense increased by \$5.870 million to \$12.745 million in the third quarter of 2009 compared to \$6.875 million in the same period of 2008. Real estate costs, which aggregated \$4.701 million, increased as the Company began to receive substantive expressions of interest on certain properties at prices below appraised value and carrying values were reduced. Charges for goodwill of \$409 thousand were recognized as management concluded the intangibles were impaired.

Excluding the impact of real estate costs and impairment charges, non-interest expense increased \$789 thousand, or 11.5%. This increase primarily relates to expanded mortgage banking operations which incurred expenses that were approximately \$1.000 million higher in the third quarter of 2009 than in the same period of 2008.

A tax benefit of \$1.814 million, or 7.7% of pre-tax losses, was recognized during the third quarter of 2009. This benefit reflects the net effect of recording a tax benefit of \$9.134 million generated by operating losses and a deferred tax valuation allowance of \$7.320 million. The valuation allowance, which reduced net deferred tax assets to \$0, was required because of the magnitude of losses incurred. Tax expense in the third quarter of 2008 was \$39 thousand which resulted in an effective tax rate of 7.3%. The effective tax rate in 2008 is relatively low because a significant portion of pre-tax earnings originated from tax exempt sources.

Net loss attributed to common shareholders was \$(22.220) million, or \$(6.81) per share, for the third quarter after accounting for dividends paid on preferred stock and amortization of issuance discounts

on preferred stock. These costs aggregated \$330 thousand in the third quarter of 2009. Net income available to common shareholders in 2008 was \$505 thousand, or \$0.15 per diluted share.

Nine Months Ended September 30, 2009

Net interest income for the nine month period ended September 30, 2009 was \$22.351 million, an increase of \$2.504 million, or 12.6%, from \$19.847 million in the same period of 2008. The net interest margin for the nine months was 3.62% in 2009 and 3.69% in 2008. Investment earnings, growth in non-interest bearing deposits, and lower interest rates on interest bearing liabilities combined to increase net interest income. Increases in non-accrual assets compressed net interest margin.

The provision for credit losses was \$26.000 million in the first nine months of 2009 compared to \$4.600 million in the first nine months 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 \$11.529 million, an increase \$3.462 million, or 42.9%, compared to \$8.067 million in 2008. Growth in mortgage banking revenues, which was \$4.183 million higher, and gains on sales of investments, which were \$1.777 million higher in the first nine months of 2009 than in the same period of 2008, 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 the current level. We expect that mortgage banking revenues will remain strong as long as refinancing of residential loans continues. In the first nine months of 2008, the Company 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 declined compared to the prior period, and are expected to continue to decline.

In the first nine months of 2009, non-interest expense increased by \$10.503 million to \$30.195 million, from \$19.692 million in 2008. Real estate costs, which aggregated \$7.281 million in the first nine months of 2009, increased as real estate continues to devalue. FDIC assessments were \$874 thousand higher in 2009 as the banking industry is charged to replenish the depository insurance fund. We expect FDIC assessments to remain elevated in future periods. Excluding increases in real

estate costs, FDIC assessments and impairment charges aggregating \$8.133 million, non-interest costs increased by \$2.370 million, or 12%, in the nine month period ended September 30, 2009 compared to the same period in 2008. Mortgage banking expenses constituted approximately \$2.400 million of this increase.

The tax benefit in 2009 was \$1.564 million, or 7.0%, of pre-tax losses in the nine month period ended September 30, 2009. This benefit reflects the net effect of tax benefits resulting from operating losses and the cost of recording a valuation allowance for net deferred tax assets. In the same period of 2008, tax expense was \$1.055 million, resulting in an effective tax rate of 29.1%. There was no expense associated with a valuation allowance recorded on net deferred tax assets in 2008.

Overall, the net loss attributable to common shareholders in the first nine months of 2009 was \$(21.674) million, or \$(6.64) per diluted share, compared to net income of \$2.567 million, or \$0.77 per diluted share in the 2008 period. Net loss attributed to common shareholders includes dividends paid on preferred stock and amortization of issuance discounts on the preferred stock. These costs were \$923 thousand in the first nine months of 2009.

Assets, Liabilities and Equity

Total assets were \$903.0 million at September 30, 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 \$10.3 million because of growth in mortgage banking operations, investment securities were \$34.7 million higher than at the beginning of the year, while loans held for investment were essentially flat. BNC recently increased investments to take advantage of opportunities to improve net interest spread and improve liquidity. BNC remains committed to its clients and communities we serve, but concerns about the impact of current recessionary conditions on the credit worthiness of borrowers has made it challenging to add solid credits.

Total liabilities, including deposits, at September 30, 2009 increased by \$38.1 million to \$845.6 million compared to \$807.5 million at December 31, 2008. Growth in core deposits has been significant during 2009.

Total deposits were \$777.9 million at September 30, 2009, increasing by \$102.6 million from 2008 year-end. Core deposits aggregated \$633.2 million at September 30, 2009 and \$575.6 million at December 31, 2008, an increase of \$57.6 million or 10.0%. Wholesale deposits aggregated \$144.7 million at September 30, 2009, an increase of \$45.0 million since the end of 2008. Approximately three-fourths of wholesale deposits are callable and are primarily used to fund investments.

Increases in deposits have allowed the Company to reduce borrowings from the FHLB. Available borrowing capacity from the FHLB was in excess of \$120.0 million as of September 30, 2009.

Total equity was \$57.4 million at September 30, 2009, compared to \$53.9 million at December 31, 2008.

The book value per common share was \$11.30 as of September 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 \$11.08 as of September 30, 2009, compared to \$17.82 as of December 31, 2008.

Trust assets under supervision were \$385.4 million at September 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

The Company's capital levels significantly exceeded the regulatory requirements for "well-capitalized" institutions at September 30, 2009. At that date, the tier 1 leverage ratio was 8.23% (versus a 4.00% requirement), the tier 1 risk-based capital ratio was 11.28% (requirement of 4.00%), and the total risk-based capital ratio was 13.13% (requirement of 8.00%). Tangible common equity at September 30, 2009 was 4.10%.

At September 30, 2009, the Company's subsidiary, BNC National Bank, had a tier 1 leverage ratio of 6.53% (versus a 5.00% "well-capitalized" requirement), a tier 1 risk-based capital ratio of 8.94% ("well-capitalized" requirement of 6.00%), and a total risk-based capital ratio of 12.46% ("well-capitalized" requirement of 10.00%). BNC National Bank's risk based capital of \$83.2 million was

\$16.4 million greater than the \$66.8 million required to meet the “well capitalized” threshold. Tangible common equity at September 30, 2009 was 6.62%.

Asset Quality

Due to challenging economic conditions, credit risk is elevated. As a result, the Company is carefully monitoring asset quality and taking what we believe to be prudent and appropriate action to strengthen its credit metrics. The Company’s provision for credit losses in the 2009 third quarter was \$22.300 million, and exceeded loans charged off by \$10.635 million.

The allowance for credit losses was \$21.0 million and \$8.8 million at September 30, 2009 and December 31, 2008, respectively. The allowance for credit losses as a percentage of total loans at September 30, 2009 was 3.49%, compared with 1.50% at December 31, 2008. The allowance for credit losses as a percentage of loans and leases held for investment at September 30, 2009 was 3.85%, compared with 1.61% at December 31, 2008. The ratio of total nonperforming assets to total assets was 5.22% at September 30, 2009, compared with 3.84% at December 31, 2008. The ratio of the allowance for credit losses to total nonperforming loans as of September 30, 2009 was 57% compared to 38% at December 31, 2008.

At September 30, 2009, BNC had \$56.8 million of classified loans, \$36.4 million of loans on non-accrual and \$10.4 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. Recently the Company has received substantive offers for certain foreclosed properties but remains uncertain about the prospective buyers’ ultimate capacity to close. The ability to close such sales will have an impact on the future balance of real estate.

BNC has significant concentrations of land and construction loans, which account for 13% of total loans. At September 30, 2009, the Company had construction loans of \$32.3 million and land and land development loans aggregating \$46.3 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, “In an environment marked by further uncertainty, we will continue to manage the business of BNC with an eye toward preserving our strength, stability and capacity to serve our customers. Economic metrics are populated with mixed signals, but it is our view the recession will continue until employment rates improve and excessive debt is purged. The country has too many businesses and consumers struggling with lower incomes that marginally service debt. These circumstances make lending difficult and imply deflationary trends for the near term. Government at all levels will be experiencing revenue shortfalls, and the methods they use to resolve budget imbalances will have a significant impact on the economy. Under such conditions, we will continue to focus on maintaining a solid capital base, core profitability and a prudent approach to managing asset quality.”

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 nine 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 September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
SELECTED INCOME STATEMENT DATA				
Interest income	\$11,611	\$11,694	\$33,703	\$34,575
Interest expense	3,758	4,884	11,352	14,728
Net interest income	7,853	6,810	22,351	19,847
Provision for credit losses	22,300	1,800	26,000	4,600
Non-interest income	3,488	2,409	11,529	8,067
Non-interest expense	12,745	6,875	30,195	19,692
Income (loss) before income taxes	(23,704)	544	(22,315)	3,622
Income tax (benefit) expense	(1,814)	39	(1,564)	1,055
Net income (loss)	(21,890)	505	(20,751)	2,567
Preferred stock costs	(330)	-	(923)	-
Net income (loss) available to common shareholders	\$(22,220)	\$505	\$(21,674)	\$2,567
EARNINGS PER SHARE DATA				
Basic earnings (loss) per common share	\$(6.81)	\$0.16	\$(6.64)	\$0.78
Diluted earnings (loss) per common share	\$(6.81)	\$0.15	\$(6.64)	\$0.77

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands, except share, per share and full time equivalent data)	As of		
	September 30, 2009	December 31, 2008	September 30, 2008
SELECTED BALANCE SHEET DATA			
Total assets	\$ 903,006	\$ 861,498	\$ 838,319
Loans held for sale	23,689	13,403	6,390
Participating interests in mortgage loans	31,436	28,584	28,246
Loans and leases held for investment	545,603	542,753	533,148
Total loans	600,728	584,740	567,784
Allowance for credit losses	(20,988)	(8,751)	(8,395)
Investment securities available for sale	244,592	209,857	211,763
Other real estate, net	10,446	10,189	5,098
Earning assets	833,604	791,844	778,374
Total deposits	777,865	675,321	643,748
Core deposits	633,174	575,637	549,619
Other borrowings	58,213	124,454	130,656
OTHER SELECTED DATA			
Net unrealized gains (losses) in investment portfolio, pretax	\$ 1,143	\$ (7,805)	\$ (4,541)
Trust assets under supervision	\$ 385,414	\$ 320,340	\$ 331,293
Total common stockholders' equity	\$ 37,204	\$ 53,947	\$ 55,890
Book value per common share	\$ 11.30	\$ 16.35	\$ 16.89
Effect of net unrealized gains (losses) on securities available for sale, net of tax, on book value per common share	\$ 0.22	\$ (1.47)	\$ (0.85)
Book value per common share, excluding effect of unrealized gains (losses) on securities	\$ 11.08	\$ 17.82	17.74
Full time equivalent employees	324	238	240
Common shares outstanding	3,293,445	3,299,163	3,311,741
CAPITAL RATIOS			
Tier 1 leverage (Consolidated)	8.23%	9.01%	9.35%
Tier 1 risk-based capital (Consolidated)	11.28%	11.15%	11.49%
Total risk-based capital (Consolidated)	13.13%	12.95%	13.25%
Tangible common equity (Consolidated)	4.10%	6.21%	6.59%
Tier 1 leverage (BNC National Bank)	6.53%	9.34%	9.70%
Tier 1 risk-based capital (BNC National Bank)	8.94%	11.56%	11.92%
Total risk-based capital (BNC National Bank)	12.46%	12.81%	13.17%
Tangible capital (BNC National Bank)	6.62%	8.77%	9.24%

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands)	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
AVERAGE BALANCES				
Total assets	\$915,682	\$823,784	\$898,589	\$ 775,603
Loans held for sale	21,515	4,080	23,296	3,195
Participating interests in mortgage loans	29,584	24,798	28,372	24,209
Loans and leases held for investment	553,747	526,548	550,092	518,037
Total loans	604,846	555,426	601,760	545,441
Investment securities available for sale	235,249	207,062	224,294	173,585
Earning assets	841,929	762,865	826,362	718,921
Total deposits	755,013	628,794	710,821	592,828
Core deposits	615,681	538,692	589,998	525,956
Total equity	76,640	56,008	74,771	58,542

KEY RATIOS

Return on average common stockholders' equity	(156.24)%	3.58%	(52.03)%	5.86%
Return on average assets	(9.48)%	0.24%	(3.09)%	0.44%
Net interest margin	3.70%	3.55%	3.62%	3.69%
Efficiency ratio	112.38%	74.57%	89.12%	70.55%
Efficiency ratio, excluding gains on sales of securities, provisions for real estate losses and	69.13%	76.63%	70.69%	71.18%

As of

(In thousands)	September 30, 2009	December 31, 2008	September 30, 2008
ASSET QUALITY			
Loans 90 days or more delinquent and still accruing interest	\$ 252	\$ 6	\$ 26
Non-accrual loans	36,430	22,909	21,120
Total nonperforming loans	\$ 36,682	\$ 22,915	\$ 21,146
Other real estate, net	10,446	10,189	5,098
Total nonperforming assets	\$ 47,128	\$ 33,104	\$ 26,244
Allowance for credit losses	\$ 20,988	\$ 8,751	\$ 8,395
Ratio of total nonperforming loans to total loans	6.11%	3.92%	3.72%
Ratio of total nonperforming assets to total assets	5.22%	3.84%	3.13%
Ratio of allowance for credit losses to loans and leases held for investment	3.85%	1.61%	1.57%
Ratio of allowance for credit losses to total loans	3.49%	1.50%	1.48%
Ratio of allowance for credit losses to nonperforming loans	57%	38%	40%

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands)	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Changes in Allowance for Credit Losses:				
Balance, beginning of period	\$10,339	\$7,065	\$8,751	\$6,599
Provision	22,300	1,800	26,000	4,600
Loans charged off	(11,665)	(674)	(13,935)	(3,051)
Loan recoveries	14	204	172	247
Balance, end of period	<u>\$20,988</u>	<u>\$8,395</u>	<u>\$20,988</u>	<u>\$8,395</u>
Ratio of net charge-offs to average total loans	(1.926)%	(0.085)%	(2.287)%	(0.514)%
Ratio of net charge-offs to average total loans, annualized	(7.705)%	(0.338)%	(3.049)%	(0.685)%

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands, except share data)	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
ANALYSIS OF NON-INTEREST INCOME				
Bank charges and service fees	\$562	\$511	\$1,662	\$1,520
Wealth management revenues	433	691	1,512	2,215
Mortgage banking revenues	2,163	722	5,655	1,472
Gains on sales of commercial real estate loans	2	36	88	1,075
Net gain (loss) on sales of assets	-	(18)	-	776
Net gain on sales of securities	153	247	2,024	247
Other	175	220	588	762
Total non-interest income	\$3,488	\$2,409	\$11,529	\$8,067
ANALYSIS OF NON-INTEREST EXPENSE				
Salaries and employee benefits	\$3,803	\$3,725	\$11,238	\$11,086
Other real estate costs	4,701	29	7,281	431
Professional services	667	411	1,936	893
Occupancy	617	605	1,886	1,594
Data processing fees	607	560	1,681	1,620
Depreciation and amortization	402	346	1,132	1,015
Marketing and promotion	360	311	866	773
FDIC and other assessments	323	117	1,101	227
Office supplies and postage	144	134	442	381
Other	1,121	637	2,632	1,672
Total non-interest expense	\$12,745	\$6,875	\$30,195	\$ 19,692
WEIGHTED AVERAGE SHARES				
Common shares outstanding (a)	3,261,831	3,243,388	3,261,831	3,308,747
Incremental shares from assumed conversion of options and contingent shares	7,524	18,557	15,855	29,373
Adjusted weighted average shares (b)	3,269,355	3,261,945	3,277,686	3,338,120

(a) Denominator for Basic Earnings Per Common Share

(b) Denominator for Diluted Earnings Per Common Share