



BNCCORP

NEWS RELEASE

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BNCCORP, INC. REPORTS FOURTH QUARTER NET INCOME OF \$1.975 MILLION, OR \$0.50 PER DILUTED SHARE

2009 Fourth Quarter Overview

- **Net interest income rises 5.4% from 2008 fourth quarter, to \$7.338 million**
- **Non-interest income grows 92.6% from 2008 fourth quarter, to \$4.484 million**
- **Mortgage banking revenues increase to \$2.735 million, compared to \$629 thousand in 2008**
- **Quarterly provisions for loan and real estate costs aggregate \$1.750 million**
- **Allowance for credit losses is \$18.047 million, 3.49% of loans held for investment**
- **Core deposits increase \$64.6 million, or 11.2%, in 2009**
- **Sales of assets generate net gains, reduce total assets and drive increase in regulatory capital**

BISMARCK, ND, January 26, 2010 – 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, Nebraska, Missouri, Minnesota and Arizona, today reported financial results for the fourth quarter and full year ended December 31, 2009.

Net income was \$1.975 million, or \$0.50 per diluted share, for the fourth quarter ended December 31, 2009. This compared to a net loss of \$(349) thousand, or \$(0.11) per diluted share, in the fourth

quarter of 2008.

BNC's 2009 fourth quarter results reflect higher net interest income and non-interest income, and lower credit costs, while non-interest expenses, excluding the impact of OREO costs, increased in support of mortgage banking activities. Sales of assets generated net gains and reduced total assets. Profits combined with lower assets generated an increase in regulatory capital during the fourth quarter of 2009. Nonperforming assets were reduced in the fourth quarter, primarily through sales of foreclosed properties.

Net loss for the full year 2009 was \$(18.776) million, or \$(6.14) per diluted share, compared to net income of \$2.218 million, or \$0.67 per diluted share, for the full year 2008. The loss for the full year is primarily the result of the significant provisions for credit losses recorded in the third quarter.

Gregory K. Cleveland, BNCCORP President and Chief Executive Officer, stated, "The community banking sector has been pressed by a range of severe economic forces this past year. In this environment, we are pleased to report a solid fourth quarter, characterized by growth in net interest income and non-interest income and lower credit costs. At the same time, our full year results are indicative of the challenges BNC and the industry faced throughout 2009. As we turn to 2010, a robust economic recovery is still elusive and asset values remain soft in most of the country, which implies that virtually all institutions will continue to face credit challenges. Accordingly, we will manage our capital aggressively while we focus on core deposits and asset quality."

Fourth Quarter Results

Net interest income for the fourth quarter of 2009 was \$7.338 million, an increase of \$374 thousand, or 5.4%, from \$6.964 million in the same period of 2008. The net interest margin for the current period decreased to 3.48% from 3.52% 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. Nonperforming assets continue to compress the net interest margin.

The provision for credit losses was \$1.000 million in the fourth quarter of 2009, compared to \$3.150 million in the fourth quarter of 2008. The exceptionally large provision for credit losses in the third quarter of 2009 established a platform for a return to more modest provisions in the most recent

quarter when we did not experience any unanticipated credit deterioration.

Non-interest income for the fourth quarter of 2009 was \$4.484 million, an increase of \$2.156 million, up 92.6% from \$2.328 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 \$2.106 million, or 335%, from the fourth quarter of 2008. We also sold certain assets in order to reduce total assets and generate net gains on sales which increased regulatory capital. The opportunity to sell assets at attractive prices can vary from period to period.

Non-interest expense, excluding other real estate costs, increased by \$1.295 million to \$8.020 million in the fourth quarter of 2009 compared to \$6.725 million in the same period of 2008. This increase primarily relates to expanded mortgage banking operations, resulting in expenses that were approximately \$1.500 million higher in the fourth quarter of 2009 than in the same period of 2008. Real estate costs, which aggregated \$888 thousand, increased by \$804 thousand, as the Company continues to reduce carrying values of other real estate. Regulatory assessments, including FDIC deposit insurance costs, increased industry-wide throughout 2009 and are expected to continue to increase significantly in 2010.

A tax benefit of \$61 thousand was recognized during the fourth quarter of 2009. Due to losses incurred in 2009, we will recover all federal taxes paid in periods available for carry back and generated federal tax losses to carry forward of approximately \$1.800 million. Due to valuation allowances recorded earlier in 2009, there are no net deferred tax assets recorded as of December 31, 2009. The tax benefit in the fourth quarter of 2008 was \$318 thousand due to a pre-tax loss.

Net income attributed to common shareholders was \$1.644 million, or \$0.50 per share, for the fourth quarter after accounting for dividends paid on preferred stock and amortization of issuance discounts on preferred stock. These costs aggregated \$331 thousand in the fourth quarter of 2009. Net loss attributed to common shareholders in 2008 was \$(349) thousand, or \$(0.11) per diluted share.

Year Ended December 31, 2009

Net interest income in 2009 was \$29.689 million, an increase of \$2.878 million, or 10.7%, from \$26.811 million in 2008. The net interest margin was 3.58% in 2009 and 3.64% in 2008. Investment

earnings 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 \$27.000 million in 2009 compared to \$7.750 million in 2008. The higher provision for credit losses in 2009 reflects macroeconomic forces which impaired 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 nonperforming status, decline in collateral values and efforts to restructure problem loans.

Non-interest income in 2009 was \$16.013 million, an increase \$5.618 million, or 54.04%, compared to \$10.395 million in 2008. Growth in mortgage banking revenues, which was \$6.289 million higher than 2008, and gains on sales of investments, which were \$2.603 million higher in 2009 than in 2008, propelled the increase in non-interest income. The increases from mortgage banking and investment sales in 2009 were partially offset by losses on sales of loans which aggregated \$(339) thousand. In 2008, the Company benefited from gains on sales of fixed assets and commercial real estate loans which aggregated \$1.891 million. Neither of these types of sales resulted in gains during 2009. Wealth management revenues declined in 2009 compared to the prior period, because of fewer fees for managing documents on insurance products sold by others.

Non-interest expense, excluding the impact of other real estate costs, increased by \$4.948 million to \$30.934 million compared to \$25.986 million in 2008. The increases are primarily attributable to growth in mortgage banking operations, higher industry-wide FDIC assessments and impairment charges. Expanded mortgage banking operations incurred expenses of approximately \$6.000 million in 2009 compared to \$2.000 million in 2008. Regulatory assessments, including FDIC deposit insurance, were \$1.066 million higher in 2009 as the banking industry was charged to replenish the deposit insurance fund. We expect regulatory assessments to remain elevated in future periods. Intangible asset impairment charges in the third quarter of 2009 aggregated \$409 thousand. Real estate costs aggregated \$8.169 million in 2009 compared to \$515 thousand in 2008, due to continued devaluation of real estate.

The tax benefit in 2009 was \$1.625 million, or 8.0%, of pre-tax losses 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 \$737 thousand, resulting in an effective tax rate of 24.9%. There was no expense in 2008 associated with a valuation allowance for net deferred tax assets.

Overall, the net loss attributable to common shareholders in 2009 was \$(20.030) million, or \$(6.14) per diluted share, compared to net income of \$2.218 million, or \$0.67 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 \$1.254 million in 2009.

Assets, Liabilities and Equity

Total assets were \$868.1 million at December 31, 2009, an increase of \$6.6 million, or 1%, compared to \$861.5 million at December 31, 2008. Loans held for sale and participating interests in mortgage loans increased by \$20.7 million due to growth in mortgage banking operations. Investment securities were essentially flat, while loans held for investment decreased by \$25.6 million. BNC favored investments during 2009 in order to increase net interest income and improve liquidity. Loans held for investment declined in 2009 due to repayments, charge offs and sales of loans that were accretive to capital in the short-term. While BNC remains committed to serving its clients and communities, recessionary conditions may lead to reduced credit demand and may negatively impact credit worthiness of borrowers.

Since September 30, 2009 total assets have decreased by \$34.9 million. The decrease was effectuated primarily through the sales of investments and loans and resulted in improved regulatory capital ratios.

Total deposits were \$756.0 million at December 31, 2009, increasing by \$80.7 million from 2008 year-end. Core deposits aggregated \$640.2 million at December 31, 2009 and \$575.6 million at December 31, 2008, an increase of \$64.6 million or 11.2%. Increases in core deposits allowed the Company to reduce borrowings from the FHLB. Available borrowing capacity from the FHLB was in excess of \$110 million as of December 31, 2009. Wholesale deposits aggregated \$115.8 million at December 31, 2009, an increase of \$16.1 million since the end of 2008. Wholesale deposits are primarily used to fund investments. Approximately four-fifths of wholesale deposits are callable and also tend to have longer maturities, generally not due until 2012 and later years.

Total equity was \$57.3 million at December 31, 2009, compared to \$53.9 million at December 31, 2008.

The book value per common share was \$11.24 as of December 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 \$11.54 as of December 31, 2009, compared to \$17.82 as of December 31, 2008.

Trust assets under supervision were \$342.5 million at December 31, 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

Banks and bank holding companies generally operate under two sets of regulatory capital requirements. At December 31, 2009, BNC's tier 1 leverage ratio was 8.58%, the tier 1 risk-based capital ratio was 12.32%, and the total risk-based capital ratio was 14.15%. Tangible common equity at December 31, 2009 was 4.23%.

At December 31, 2009, BNC National Bank, had a tier 1 leverage ratio of 8.54%, a tier 1 risk-based capital ratio of 12.25%, and a total risk-based capital ratio of 13.52%.

In January of 2010, the Company deferred interest payments on subordinated debentures as it is permitted to do pursuant to contractual terms of the indentures. Interest payments were deferred, even as the Company is "well-capitalized", because management concluded it is prudent to preserve resources that may be used to enhance regulatory capital while the resources are available. Interest on the subordinated debt continues to accrue.

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 we believe to be prudent

and appropriate action to strengthen its credit metrics.

The Company's provision for credit losses and other real estate costs was \$1.750 million in the fourth quarter of 2009.

The allowance for credit losses was \$18.047 million and \$8.751 million at December 31, 2009 and December 31, 2008, respectively. The allowance for credit losses as a percentage of total loans at December 31, 2009 was increased to 3.11%, compared with 1.50% at December 31, 2008. The allowance for credit losses as a percentage of loans and leases held for investment at December 31, 2009 was 3.49%, compared with 1.61% at December 31, 2008. The ratio of total nonperforming assets to total assets was 4.97% at December 31, 2009, compared with 3.84% at December 31, 2008. The ratio of the allowance for credit losses to total nonperforming loans as of December 31, 2009 was 50% compared to 38% at December 31, 2008.

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. 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 amount of classified loans and non-accrual loans are elevated compared to historical amounts. While the number of non-accrual loans is relatively small, economic conditions and financial stress exhibited by borrowers indicate it may take several periods to significantly reduce problematic loans.

Since September 30, 2009, other real estate has declined by \$3.2 million. The decrease is primarily the result of sales of foreclosed assets. The assets were effectively sold at the carrying value of the assets.

BNC has significant concentrations of land and construction loans, which account for 11% of total loans. At December 31, 2009, the Company had construction loans of \$19.1 million and land and land development loans aggregating \$48.0 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, “While the economic decline appears to have moderated in the latter part of 2009, a full recovery is far from assured at this time. Many businesses remain handicapped by the inability to grow revenues. Given the inability to foresee economic conditions with clarity, a number of businesses remain defensive, and rightfully so. Consumers generally remain challenged by excessive debt or employment concerns. While some governmental actions appear to have benefited certain market participants, increased governmental influence may also present a new set of challenges. Until employment and business investment improve, we envision deflationary trends and increased risk for assets typically available to community banks. Under such conditions we will manage capital aggressively, concentrate on core deposits and take a prudent approach to 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 ten 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 HIGHLIGHTS
(Unaudited)

(In thousands, except per share data)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2009	2008	2009	2008
SELECTED INCOME STATEMENT DATA				
Interest income	\$10,885	\$11,451	\$44,588	\$46,026
Interest expense	3,547	4,487	14,899	19,215
Net interest income	7,338	6,964	29,689	26,811
Provision for credit losses	1,000	3,150	27,000	7,750
Non-interest income	4,484	2,328	16,013	10,395
Non-interest expense	8,908	6,809	39,103	26,501
Income (loss) before income taxes	1,914	(667)	(20,401)	2,955
Income tax (benefit) expense	(61)	(318)	(1,625)	737
Net income (loss)	1,975	(349)	(18,776)	2,218
Preferred stock costs	(331)	-	(1,254)	-
Net income (loss) available to common shareholders	\$1,644	\$(349)	\$(20,030)	\$2,218
EARNINGS PER SHARE DATA				
Basic earnings (loss) per common share	\$0.50	\$(0.11)	\$(6.14)	\$0.67
Diluted earnings (loss) per common share	\$0.50	\$(0.11)	\$(6.14)	\$0.67

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands, except share, per share and full time equivalent data)	As of		
	December 31, 2009	September 30, 2009	December 31, 2008
SELECTED BALANCE SHEET DATA			
Total assets	\$868,083	\$ 903,006	\$ 861,498
Loans held for sale	24,130	23,689	13,403
Participating interests in mortgage loans	38,534	31,436	28,584
Loans and leases held for investment	517,108	545,603	542,753
Total loans	579,772	600,728	584,740
Allowance for credit losses	(18,047)	(20,988)	(8,751)
Investment securities available for sale	212,661	244,592	209,857
Other real estate, net	7,253	10,446	10,189
Earning assets	802,078	833,604	791,844
Total deposits	755,963	777,865	675,321
Core deposits	640,169	633,174	575,637
Other borrowings	48,080	58,213	124,454
OTHER SELECTED DATA			
Net unrealized gains (losses) in investment portfolio, pretax	\$ (297)	\$ 1,143	\$ (7,805)
Trust assets under supervision	\$ 342,451	\$ 385,414	\$ 320,340
Total common stockholders' equity	\$ 36,980	\$ 37,204	\$ 53,947
Book value per common share	\$ 11.24	\$ 11.30	\$ 16.35
Effect of net unrealized gains (losses) on securities available for sale, net of tax, on book value per common share	\$ (0.30)	\$ 0.22	\$ (1.47)
Book value per common share, excluding effect of unrealized gains (losses) on securities	\$ 11.54	\$ 11.08	\$ 17.82
Full time equivalent employees	318	324	238
Common shares outstanding	3,290,219	3,293,445	3,299,163
CAPITAL RATIOS			
Tier 1 leverage (Consolidated)	8.58%	8.23%	9.01%
Tier 1 risk-based capital (Consolidated)	12.32%	11.28%	11.15%
Total risk-based capital (Consolidated)	14.15%	13.13%	12.95%
Tangible common equity (Consolidated)	4.23%	4.10%	6.21%
Tier 1 leverage (BNC National Bank)	8.54%	6.53%	9.34%
Tier 1 risk-based capital (BNC National Bank)	12.25%	8.94%	11.56%
Total risk-based capital (BNC National Bank)	13.52%	12.46%	12.81%
Tangible capital (BNC National Bank)	8.65%	6.62%	8.77%

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2009	2008	2009	2008
AVERAGE BALANCES				
Total assets	\$905,097	\$850,264	\$900,216	\$794,268
Loans held for sale	24,391	4,759	23,570	3,586
Participating interests in mortgage loans	33,617	26,127	29,683	27,469
Loans and leases held for investment	539,068	547,130	547,336	525,311
Total loans	597,076	578,016	600,589	553,585
Investment securities available for sale	235,643	210,428	227,131	182,796
Earning assets	836,338	787,046	828,856	735,953
Total deposits	780,408	666,599	728,218	611,271
Core deposits	648,923	570,957	604,729	537,206
Total equity	59,226	54,806	70,884	57,608
KEY RATIOS				
Return on average common stockholders' equity	16.75%	(2.53)%	(38.88)%	3.85%
Return on average assets	0.87%	(0.16)%	(2.09)%	0.28%
Net interest margin	3.48%	3.52%	3.58%	3.64%
Efficiency ratio	75.35%	73.27%	85.56%	71.22%
Efficiency ratio, excluding gains on sales of securities, provisions for real estate losses and	74.19%	73.27%	71.49%	71.70%

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands)	As of		
	December 31, 2009	September 30, 2009	December 31, 2008
ASSET QUALITY			
Loans 90 days or more delinquent and still accruing interest	\$ 1	\$ 252	\$ 6
Non-accrual loans	35,889	36,430	22,909
Total nonperforming loans	\$ 35,890	\$ 36,682	\$ 22,915
Other real estate, net	7,253	10,446	10,189
Total nonperforming assets	\$ 43,143	\$ 47,128	\$ 33,104
Allowance for credit losses	\$ 18,047	\$ 20,988	\$ 8,751
Ratio of total nonperforming loans to total loans	6.19%	6.11%	3.92%
Ratio of total nonperforming assets to total assets	4.97%	5.22%	3.84%
Ratio of allowance for credit losses to loans and leases held for investment	3.49%	3.85%	1.61%
Ratio of allowance for credit losses to total loans	3.11%	3.49%	1.50%
Ratio of allowance for credit losses to nonperforming loans	50%	57%	38%

(In thousands)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2009	2008	2009	2008
Changes in Allowance for Credit Losses:				
Balance, beginning of period	\$20,988	\$8,395	\$8,751	\$6,599
Provision	1,000	3,150	27,000	7,750
Loans charged off	(3,941)	(2,895)	(17,876)	(5,946)
Loan recoveries	-	101	172	348
Balance, end of period	\$18,047	\$8,751	\$18,047	\$8,751
Ratio of net charge-offs to average total loans	(0.660)%	(0.483)%	(2.948)%	(0.507)%
Ratio of net charge-offs to average total loans, annualized	(2.640)%	(1.934)%	(2.948)%	(0.507)%

BNCCORP, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

(In thousands, except share data)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2009	2008	2009	2008
ANALYSIS OF NON-INTEREST INCOME				
Bank charges and service fees	\$ 670	\$ 817	\$ 2,332	\$ 2,337
Wealth management revenues	544	611	2,056	2,826
Mortgage banking revenues	2,735	629	8,390	2,101
Gains (losses) on sales of loans, net	(427)	41	(339)	1,116
Gain on sales of premises and equipment	-	(1)	-	775
Gains on sales of securities, net	826	-	2,850	247
Other	136	231	724	993
Total non-interest income	\$ 4,484	\$ 2,328	\$ 16,013	\$ 10,395
ANALYSIS OF NON-INTEREST EXPENSE				
Salaries and employee benefits	\$ 3,770	\$ 3,587	\$ 15,008	\$ 14,673
Professional services	1,128	284	3,064	1,177
Other real estate costs	888	84	8,169	515
Data processing fees	649	582	2,330	2,202
Occupancy	622	546	2,508	2,140
Marketing and promotion	411	354	1,277	1,127
Regulatory assessments	365	173	1,466	400
Depreciation and amortization	333	360	1,465	1,375
Office supplies and postage	169	152	611	533
Other	573	687	3,205	2,359
Total non-interest expense	\$ 8,908	\$ 6,809	\$ 39,103	\$ 26,501
WEIGHTED AVERAGE SHARES				
Common shares outstanding (a)	3,275,279	3,233,740	3,261,831	3,291,697
Incremental shares from assumed conversion of options and contingent shares	-	3,437	11,891	27,528
Adjusted weighted average shares (b)	3,275,279	3,237,177	3,273,722	3,319,225

(a) Denominator for Basic Earnings Per Common Share

(b) Denominator for Diluted Earnings Per Common Share