



# BNCCORP

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## NEWS RELEASE

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### **BNCCORP, INC. REPORTS FOURTH QUARTER NET INCOME ROSE 31.9% TO \$2.5 MILLION, OR \$0.57 PER DILUTED SHARE**

#### **2014 Fourth Quarter and Full Year Overview**

- Net interest income increases by \$666 thousand, or 11.1%, compared to 2013 fourth quarter
- Non-interest income increases by \$1.387 million, or 30.1%, compared to 2013 fourth quarter
- Non-interest expense increases by 10.7% compared to the 2013 fourth quarter and decreases by 3.6% for full year
- Nonperforming assets decreased to \$317 thousand, or 0.03% of total assets at end of 2014
- Full year 2014 net income is \$8.5 million or \$1.91 per diluted share
- Totals assets grow 10.8% to \$934.4 million, loans held for investment grow 13.5% to \$360.4 million and core deposits grow 13.9% to \$773.3 million in 2014
- Return on assets is 0.94% and return on common equity is 12.37% in 2014
- Book value per common share is \$18.28 at December 31, 2014

BISMARCK, ND, January 26, 2015 – BNCCORP, INC. (BNC or the Company) (OTCQX Markets: BNCC), which operates community banking and wealth management businesses in North Dakota, Arizona and Minnesota, and has mortgage banking offices in Illinois, Kansas,

Nebraska, Minnesota, Arizona and North Dakota, today reported financial results for the fourth quarter and year ended December 31, 2014.

Net income for the 2014 fourth quarter was \$2.479 million, or \$0.57 per diluted share. This compared to net income of \$1.879 million, or \$0.44 per diluted share, in the fourth quarter of 2013. Results for the fourth quarter of 2014 include higher net interest income and non-interest income. This was partially offset by higher non-interest expense. The provisions for credit losses were \$0 in the fourth quarters of 2014 and 2013 as credit quality continued to improve throughout 2013 and 2014. Nonperforming assets decreased to \$317 thousand at December 31, 2014, compared to \$6.7 million at December 31, 2013. The ratio of nonperforming assets to total assets was 0.03% at December 31, 2014 and 0.79% at December 31, 2013.

Timothy J. Franz, BNCCORP President and Chief Executive Officer, said, “Our strong fourth quarter tops off a very good year. Growing core banking operations was a key objective in 2014 and we are pleased to have delivered impressive increases in total assets, core deposits and loans held for investment. These increases translated into a 32% year over year increase in our net interest margin which moves our business toward more consistent performance. We also continued to focus on credit quality and, as a result, we currently have a very low level of nonperforming assets. Overall, we are pleased to have delivered good results and our people can be proud of their efforts.”

Mr. Franz continued, “While the recent energy boom in North Dakota has been a catalyst for transformational growth, as we begin 2015 oil prices are significantly lower and this region could be impacted by volatility associated with energy driven economies. Thus far, BNC has yet to be notably impacted, but should the recent decline in oil prices continue for an extended period, the North Dakota economy will be subdued compared to recent periods. The extent and duration of any such impact cannot be predicted at this time and as a result we will re-double our customary diligence and management discipline. Our recent successes have generated a strong capital base and excellent asset quality ratios which will position the Company well if economic conditions become less robust. Despite the current caution, we remain optimistic about the operating environment in North Dakota over the long term, as even a more modest rate of growth could be strong relative to other regions.”

## **Fourth Quarter Results**

Net interest income for the fourth quarter of 2014 was \$6.679 million, an increase of \$666 thousand, or 11.1%, from \$6.013 million in the same period of 2013. Interest income rose as the average balance of interest earning assets increased by \$112.7 million when compared to the fourth quarter of 2013. Importantly, the average loans held for investment increased \$41.8 million, or 13.9%, compared to the prior year quarter as initiatives to grow loans have demonstrated results. On average, loans held for sale increased by \$9.5 million when compared to the fourth quarter of 2013. The yield on earning assets decreased to 3.28% in the fourth quarter of 2014, compared to 3.55% in the fourth quarter of 2013. The net interest margin for the fourth quarter was 2.98%, compared to 3.07% in the same period of 2013. Net interest income in fourth quarter 2013 was aided by approximately \$337 thousand of interest income recognized on nonaccrual loans that returned to performing status during the quarter.

Interest expense decreased despite exceptional growth in deposits, as we have been able to lower the rates paid on deposits. The cost of interest bearing liabilities declined to 0.40% in the current quarter, compared to 0.59% in the same period of 2013. The Company's redemption of subordinated debentures in the third quarter 2014 contributed to lower interest expense. The cost of core deposits declined to 0.16% in the current quarter, compared to 0.20% in the same period of 2013.

The provision for loan losses was \$0 in the fourth quarters of 2014 and 2013.

Non-interest income for the fourth quarter of 2014 was \$5.995 million, an increase of \$1.387 million, or 30.1% from \$4.608 million in the fourth quarter of 2013. The increase primarily relates to a 74% increase in mortgage banking revenues, which aggregated \$3.363 million, compared to \$1.931 million in the fourth quarter of 2013. Mortgage banking revenues benefited from lower rates in the fourth quarter of 2014. In the current quarter, investments in Small Business Investment Companies (SBIC's) generated revenue of \$1.566 million compared to \$1.419 million in the same period of 2013. We invested in the SBIC's several years ago and one of the investments has made distributions from the sale of the underlying companies. While it is difficult to predict the timing, or amount of such distributions, we currently anticipate further distributions in future periods. During the fourth quarter of 2014 we recorded a loss on sales of

investments of \$475 thousand, compared to \$0 in the same period of 2013. The 2014 fourth quarter included gains on sales of SBA loans of \$227 thousand, compared to \$224 thousand in the same period of 2013. Bank fees and service charges were \$848 thousand in the fourth quarter of 2014, an increase of 23.6% compared to the fourth quarter of 2013.

Non-interest expense for the fourth quarter of 2014 was \$8.938 million, an increase of \$864 thousand, or 10.7%, from \$8.074 million in the fourth quarter of 2013. This increase relates to increased mortgage production costs and increased incentive compensation related to robust loan and deposit growth in 2014.

In the fourth quarter of 2014, we recorded a tax expense of \$1.257 million equating to an effective tax rate of 33.65%. We recorded tax expense of \$668 thousand in the fourth quarter of 2013, which resulted in an effective tax rate of 26.23%. The increased effective tax rate in the fourth quarter 2014 primarily relates to higher taxable income from SBIC investments. The lower effective tax rate in the fourth quarter of 2013 is due to the annual impact of increased tax exempt investments and non-taxable life insurance proceeds.

Net income available to common shareholders was \$2.004 million, or \$0.57 per diluted share, for the fourth quarter of 2014 after accounting for dividends accrued on preferred stock. These costs aggregated \$475 thousand in the fourth quarter of 2014 and \$339 thousand in the same period of 2013 as the preferred dividend rate increased from 5% to 9% in the first quarter 2014. Net income available to common shareholders in the fourth quarter of 2013 was \$1.540 million, or \$0.44 per diluted share.

### **Year Ended December 31, 2014**

Net interest income in 2014 was \$25.956 million, an increase of \$6.111 million, or 30.8%, from \$19.845 million in 2013. We grew assets steadily in 2014, as the average balance of earning assets was \$844.6 million, compared to \$747.7 million in the prior year. The net interest margin in 2014 increased to 3.07%, compared to 2.65% in 2013. The yield on earning assets was 3.47% in 2014, compared to 3.17% in 2013. The cost of interest bearing liabilities was 0.50% in 2014, compared to 0.63% in 2013. The cost of core deposits in 2014 was 0.17%, compared to 0.23% in 2013.

In 2014, we reversed previously recorded provisions for credit losses aggregating \$800 thousand as a result of improved credit quality. This compared to a provision of \$700 thousand in 2013, which was recorded in the first quarter of the year. Nonperforming loans were \$61 thousand at December 31, 2014 compared to \$5.6 million at December 31, 2013. Nonperforming assets decreased to \$317 thousand at December 31, 2014 from \$6.7 million at December 31, 2013.

Non-interest income in 2014 was \$20.454 million compared to \$29.285 million in 2013. Excluding the impact of non-recurring insurance proceeds aggregating \$1.055 million in 2013, non-interest income in 2014 decreased by \$7.776 million or 27.5%. Non-interest income was significantly influenced by mortgage banking revenues of \$11.818 million in 2014 compared to \$19.344 million in 2013. In 2014, mortgage banking revenues lagged 2013 until the fourth quarter when lower interest rates resulted in increased mortgage refinance activity and higher revenues. Gains on sales of investments were lower in 2014 aggregating \$53 thousand, compared to \$1.247 million in the same period of 2013. Gains on sales of SBA loans were \$1.915 million in 2014, compared to \$1.632 million in 2013. Gains on sales of loans and investments can vary from period to period. We also experienced an increase in bank charges and service fees of \$287 thousand, or 10.7% in 2014, reflecting growth in deposits and new accounts. Non-interest income in 2014 and 2013 included \$1.718 million and \$1.587 million, respectively, of revenues related to SBIC investments. While it is difficult to predict the amount or timing of SBIC revenue, we currently anticipate there will be distributions in future periods.

Non-interest expense decreased 3.6% to \$34.680 million in 2014, compared to \$35.981 million during 2013. Excluding the impact of non-recurring impairment charge and reductions of post-retirement benefits, which netted to \$1.326 million in 2013, non-interest expense in 2014 increased by \$25 thousand, or 0.1%.

During 2014, we recorded tax expense of \$4.071 million, which resulted in an effective tax rate of 32.49%. Tax expense of \$3.822 million was recorded in 2013, which resulted in an effective tax rate of 30.70%. The lower effective tax rate in 2013 is due to the impact of tax exempt investments and non-taxable life insurance proceeds.

Net income available to common shareholders was \$6.663 million, or \$1.91 per diluted share, in

2014 after accounting for dividends accrued on preferred stock. These costs aggregated \$1.796 million in 2014 and \$1.320 million in the same period of 2013 as the preferred dividend rate increased from 5% to 9% in the first quarter 2014. Net income available to common shareholders in 2013 was \$7.307 million, or \$2.11 per diluted share.

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

Total assets were \$934.4 million at December 31, 2014, an increase of \$91.3 million, or 10.8%, compared to \$843.1 million at December 31, 2013. The increases in recent periods have been funded primarily by growing deposits in North Dakota as this region has experienced robust economic conditions for much of 2013 and 2014.

Loans held for investment, which aggregated \$360.8 million at December 31, 2014, increased by \$42.9 million since December 31, 2013. In recent periods the economic prosperity in North Dakota has stimulated loan growth; however, these conditions also result in exceptional liquidity for many businesses and our clients in North Dakota have been generally predisposed to repay loans on an accelerated basis. Such repayments impeded loan growth during 2014.

Total deposits were \$811.2 million at December 31, 2014, increasing by \$88.0 million from 2013 year-end. Core deposit balances were \$773.3 million at December 31, 2014 and \$678.7 million at December 31, 2013. We anticipate that our customers may deploy up to \$50 million of amounts currently held in deposits and, as a result, our deposit growth in 2015 could be muted.

The table below shows changes since 2010:

In thousands	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
ND Bakken Branches	\$ 178,565	\$ 166,904	\$ 144,662	\$ 125,884	\$ 97,347
ND Non-Bakken Branches	433,129	382,225	335,452	285,488	281,684
Total ND Branches	<u>611,694</u>	<u>549,129</u>	<u>480,114</u>	<u>411,372</u>	<u>379,031</u>
Other	199,537	174,100	169,490	164,883	282,080
Total Deposits	<u>\$ 811,231</u>	<u>\$ 723,229</u>	<u>\$ 649,604</u>	<u>\$ 576,255</u>	<u>\$ 661,111</u>

In the fourth quarter 2014, the Company repaid the \$2.3 million long-term debt owed to the Bank of North Dakota.

In August 2014, we redeemed \$7.5 million of subordinated debentures. These debentures accrued interest at 12.05%. Redemption costs of \$356 thousand were accrued in the second quarter of 2014.

Trust assets under management or administration increased to \$257.4 million at December 31, 2014, compared to \$249.7 million at December 31, 2013 as this department is capturing wealth being created by the exceptionally strong economic conditions in North Dakota.

## **Capital**

Banks and their bank holding companies operate under separate regulatory capital requirements.

At December 31, 2014, BNCCORP's tier 1 leverage ratio was 9.94%, the tier 1 risk-based capital ratio was 19.85%, and the total risk-based capital ratio was 21.10%.

At December 31, 2014, BNCCORP's tangible common equity as a percent of assets was 6.67% compared to 5.79% at December 31, 2013. Common shareholder equity at December 31, 2014 was \$62.4 million and we had preferred stock and subordinated debentures outstanding which aggregated \$36.1 million at December 31, 2014.

Book value per common share of the Company was \$18.28 as of December 31, 2014, compared to \$14.45 at December 31, 2013. Book value per common share, excluding accumulated other comprehensive income, was \$16.72 as of December 31, 2014, compared to \$14.89 at December 31, 2013.

At December 31, 2014, BNC National Bank had a tier 1 leverage ratio of 9.13%, a tier 1 risk-based capital ratio of 18.48%, and a total risk-based capital ratio of 19.73%. At December 31, 2014, tangible common equity of BNC National Bank was 9.83% of total Bank assets.

In July of 2013, the Federal Reserve issued new regulatory capital standards for community banks which incorporate some of the capital requirements addressed in the Basel III framework and begin to be effective January 1, 2015. We have reviewed estimates of our regulatory capital ratios under the new Basel III framework and expect to be in compliance with these standards.

## Asset Quality

Nonperforming assets were \$317 thousand at December 31, 2014, down from \$6.7 million at December 31, 2013. The decrease in nonperforming assets primarily relates to one significant relationship returning to performing status and the sale of other real estate. The ratio of nonperforming assets to total assets was 0.03% at December 31, 2014 and 0.79% at December 31, 2013. Nonperforming loans were \$61 thousand at December 31, 2014, down from \$5.6 million at December 31, 2013.

The allowance for credit losses was \$8.6 million at December 31, 2014, compared to \$9.8 million at December 31, 2013. The reduction of the allowance for credit losses reflects the reduction in nonperforming and classified loans. While the recent decreases in oil and agricultural commodity prices have yet to have a significant negative effect, prolonged declines could have a detrimental economic impact on the North Dakota economy. The allowance for credit losses as a percentage of total loans at December 31, 2014 was 2.11%, compared to 2.81% at December 31, 2013. The allowance for credit losses as a percentage of loans and leases held for investment at December 31, 2014 was 2.38%, compared to 3.10% at December 31, 2013.

At December 31, 2014, BNC had \$9.1 million of classified loans, \$56 thousand of loans on non-accrual and \$256 thousand of other real estate owned. At December 31, 2013, BNC had \$13.5 million of classified loans, \$4.7 million of loans on non-accrual and \$1.1 million of other real estate owned.

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 North Dakota, Arizona and Minnesota from 15 locations. BNC also conducts mortgage banking from 14 offices in Illinois, Kansas, Nebraska, Minnesota, Arizona and North Dakota.

This news release may contain "forward-looking statements" within the meaning of the safe harbor provisions 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”, “future” and other expressions relating to future periods. Examples of forward-looking statements include, among others, statements we make regarding our belief that we have exceptional liquidity, our expectations regarding future market conditions and our ability to capture opportunities and pursue growth strategies, our expected operating results such as revenue growth and earnings, and our expectations of the effects of the regulatory environment on our earnings for the foreseeable future. Forward-looking statements are neither historical facts nor assurances of future performance. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, but are not limited to: the impact of current and future regulation; the 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 mortgage banking revenues and 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.

This press release contains references to financial measures which are not defined in generally accepted accounting principles ("GAAP"). Such non-GAAP financial measures include the Company's tangible equity to assets ratio and information presented excluding nonrecurring transactions. These non-GAAP financial measures have been included as the Company believes they are helpful for investors to analyze and evaluate the Company's financial condition.

(Financial tables attached)

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

(In thousands, except per share data)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2014	2013	2014	2013
<b>SELECTED INCOME STATEMENT DATA</b>				
Interest income	\$ 7,349	\$ 6,937	\$ 29,264	\$ 23,706
Interest expense	670	924	3,308	3,861
Net interest income	6,679	6,013	25,956	19,845
Provision (reduction) for credit losses	-	-	(800)	700
Non-interest income	5,995	4,608	20,454	29,285
Non-interest expense	8,938	8,074	34,680	35,981
Income before income taxes	3,736	2,547	12,530	12,449
Income tax expense	1,257	668	4,071	3,822
Net income	2,479	1,879	8,459	8,627
Preferred stock costs	475	339	1,796	1,320
Net income available to common shareholders	\$ 2,004	\$ 1,540	\$ 6,663	\$ 7,307
<b>EARNINGS PER SHARE DATA</b>				
Basic earnings per common share	\$ 0.59	\$ 0.46	\$ 1.98	\$ 2.22
Diluted earnings per common share	\$ 0.57	\$ 0.44	\$ 1.91	\$ 2.11

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

(In thousands, except share data)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2014	2013	2014	2013
<b>ANALYSIS OF NON-INTEREST INCOME</b>				
Bank charges and service fees	\$ 848	\$ 686	\$ 2,962	\$ 2,675
Wealth management revenues	318	325	1,384	1,260
Mortgage banking revenues	3,363	1,931	11,818	19,344
Gains on sales of loans, net	227	224	1,915	1,632
Gains (losses) on sales of securities, net	(475)	-	53	1,247
Other	1,714	1,442	2,322	2,072
Subtotal non-interest income	5,995	4,608	20,454	28,230
Life insurance benefit received	-	-	-	1,055
Total non-interest income	\$ 5,995	\$ 4,608	\$ 20,454	\$ 29,285
<b>ANALYSIS OF NON-INTEREST EXPENSE</b>				
Salaries and employee benefits	\$ 4,556	\$ 3,677	\$ 17,773	\$ 16,842
Professional services	795	727	3,032	3,610
Data processing fees	749	852	2,932	3,070
Marketing and promotion	853	781	2,974	2,708
Occupancy	503	629	2,064	2,394
Regulatory costs	174	150	640	830
Depreciation and amortization	346	304	1,268	1,232
Office supplies and postage	192	152	687	613
Other real estate costs	13	38	72	126
Other	757	840	3,238	3,230
Subtotal non-interest expense	8,938	8,074	34,680	34,655
Impairment charge	-	-	-	1,500
Post retirement benefits reduction	-	-	-	(174)
Total non-interest expense	\$ 8,938	\$ 8,074	\$ 34,680	\$ 35,981
<b>WEIGHTED AVERAGE SHARES</b>				
Common shares outstanding (a)	3,386,187	3,314,806	3,369,021	3,297,235
Incremental shares from assumed conversion of options and contingent shares	117,785	166,426	122,233	171,155
Adjusted weighted average shares (b)	3,503,972	3,481,232	3,491,254	3,468,390

(a) Denominator for basic earnings per common share

(b) Denominator for diluted earnings per common share

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

(In thousands, except share, per share and full time equivalent data)	As of		
	December 31, 2014	September 30, 2014	December 31, 2013
<b>SELECTED BALANCE SHEET DATA</b>			
Total assets	\$ 934,419	\$ 899,720	\$ 843,123
Loans held for sale-mortgage banking	47,109	42,441	32,870
Loans and leases held for investment	360,789	335,364	317,928
Total loans	407,898	377,805	350,798
Allowance for credit losses	(8,601)	(8,675)	(9,847)
Investment securities available for sale	449,333	456,192	435,719
Other real estate, net	256	1,056	1,056
Earning assets	880,988	841,712	787,519
Total deposits	811,231	774,266	723,229
Core deposits (1)	773,279	740,748	678,670
Other borrowings	31,020	38,032	42,399
Cash and cash equivalents	41,124	28,781	18,871
<b>OTHER SELECTED DATA</b>			
Net unrealized gains (losses) in accumulated other comprehensive income	\$ 5,324	\$ 3,625	\$ (1,468)
Trust assets under supervision	\$ 257,400	\$ 255,929	\$ 249,691
Total common stockholders' equity	\$ 62,390	\$ 58,658	\$ 48,767
Book value per common share	\$ 18.28	\$ 17.18	\$ 14.45
Book value per common share excluding accumulated other comprehensive income, net	\$ 16.72	\$ 16.12	\$ 14.89
Full time equivalent employees	249	255	236
Common shares outstanding	3,413,854	3,413,854	3,374,601
<b>CAPITAL RATIOS</b>			
Tier 1 leverage (Consolidated)	9.94%	10.13%	10.94%
Tier 1 risk-based capital (Consolidated)	19.85%	20.22%	21.67%
Total risk-based capital (Consolidated)	21.10%	21.48%	23.15%
Tangible common equity (Consolidated)	6.67%	6.51%	5.79%
Tier 1 leverage (BNC National Bank)	9.13%	10.12%	10.06%
Tier 1 risk-based capital (BNC National Bank)	18.48%	20.34%	20.13%
Total risk-based capital (BNC National Bank)	19.73%	21.60%	21.40%
Tangible capital (BNC National Bank)	9.83%	10.56%	9.82%

(1) Core deposits consist of all deposits and agreements to repurchase and exclude certain brokered certificates of deposit.

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

(In thousands)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2014	2013	2014	2013
<b>AVERAGE BALANCES</b>				
Total assets	\$ 943,689	\$ 832,892	\$ 899,409	\$ 807,549
Loans held for sale-mortgage banking	37,408	27,882	30,513	56,779
Loans and leases held for investment	342,536	300,727	331,982	284,344
Total loans	379,944	328,609	362,495	341,123
Investment securities available for sale	452,583	435,193	446,535	359,119
Earning assets	888,828	776,125	844,558	747,729
Total deposits	813,763	708,687	773,233	686,606
Core deposits	781,747	666,983	735,701	640,647
Total equity	81,972	70,951	76,995	70,472
Cash and cash equivalents	74,125	30,500	52,890	65,062
<b>KEY RATIOS</b>				
Return on average common stockholders' equity (a)	14.11%	12.29%	12.37%	15.15%
Return on average assets (b)	1.04%	0.90%	0.94%	1.07%
Net interest margin	2.98%	3.07%	3.07%	2.65%
Efficiency ratio	70.52%	76.02%	74.73%	73.24%
Efficiency ratio (Adjusted) (c)	70.52%	76.02%	74.73%	71.72%
Efficiency ratio (BNC National Bank)	70.23%	74.38%	70.73%	70.45%

(a) Return on average common stockholders' equity is calculated by using the net income available to common shareholders as the numerator and equity (less preferred stock and accumulated other comprehensive income) as the denominator.

(b) Return on average assets is calculated by using net income as the numerator and average total assets as the denominator.

(c) Efficiency ratio is adjusted to exclude insurance receipts and impairment charges for the twelve month period ending December 31, 2013.

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

(In thousands)	As of		
	December 31, 2014	September 30, 2014	December 31, 2013
<b>ASSET QUALITY</b>			
Loans 90 days or more delinquent and still accruing interest	\$ 5	\$ 18	\$ 961
Non-accrual loans	56	112	4,656
Total nonperforming loans	\$ 61	\$ 130	\$ 5,617
Other real estate, net	256	1,056	1,056
Total nonperforming assets	\$ 317	\$ 1,186	\$ 6,673
Allowance for credit losses	\$ 8,601	\$ 8,675	\$ 9,847
Troubled debt restructured loans	\$ 5,105	\$ 5,136	\$ 8,544
Ratio of total nonperforming loans to total loans	0.01%	0.03%	1.60%
Ratio of total nonperforming assets to total assets	0.03%	0.13%	0.79%
Ratio of nonperforming loans to total assets	0.01%	0.01%	0.67%
Ratio of allowance for credit losses to loans and leases held for investment	2.38%	2.59%	3.10%
Ratio of allowance for credit losses to total loans	2.11%	2.30%	2.81%
Ratio of allowance for credit losses to nonperforming loans	14,100%	6,673%	175%

(In thousands)	For the Quarter		For the Twelve Months	
	Ended December 31,		Ended December 31,	
	2014	2013	2014	2013
<b>Changes in Nonperforming Loans:</b>				
Balance, beginning of period	\$ 130	\$ 10,129	\$ 5,617	\$ 10,512
Additions to nonperforming	5	1,420	203	2,231
Charge-offs	(12)	(26)	(692)	(935)
Reclassified back to performing	(58)	(5,811)	(3,235)	(5,830)
Principal payments received	(4)	(95)	(1,135)	(337)
Transferred to repossessed assets	-	-	-	(24)
Transferred to other real estate owned	-	-	(697)	-
Balance, end of period	\$ 61	\$ 5,617	\$ 61	\$ 5,617

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

(In thousands)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2014	2013	2014	2013
<b>Changes in Allowance for Credit Losses:</b>				
Balance, beginning of period	\$ 8,675	\$ 9,897	\$ 9,847	\$ 10,091
Provision (reduction)	-	-	(800)	700
Loans charged off	(77)	(126)	(782)	(1,109)
Loan recoveries	3	76	336	165
Balance, end of period	<u>\$ 8,601</u>	<u>\$ 9,847</u>	<u>\$ 8,601</u>	<u>\$ 9,847</u>
Ratio of net charge-offs to average total loans	(0.019)%	(0.015)%	(0.123)%	(0.277)%
Ratio of net charge-offs to average total loans, annualized	(0.078)%	(0.061)%	(0.123)%	(0.277)%

(In thousands)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2014	2013	2014	2013
<b>Changes in Other Real Estate:</b>				
Balance, beginning of period	\$ 1,056	\$ 2,186	\$ 1,056	\$ 5,131
Transfers from nonperforming loans	-	-	697	-
Transfers from premises and equipment	-	-	-	800
Real estate sold	(838)	(1,184)	(1,587)	(4,897)
Net gains (losses) on sale of assets	38	-	90	8
Provision	-	54	-	14
Balance, end of period	<u>\$ 256</u>	<u>\$ 1,056</u>	<u>\$ 256</u>	<u>\$ 1,056</u>

(In thousands)	As of		
	December 31, 2014	September 30, 2014	December 31, 2013
Other real estate	\$ 954	\$ 1,754	\$ 3,250
Valuation allowance	(698)	(698)	(2,194)
Other real estate, net	<u>\$ 256</u>	<u>\$ 1,056</u>	<u>\$ 1,056</u>

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

(In thousands)	As of	
	December 31, 2014	December 31, 2013
<b>CREDIT CONCENTRATIONS</b>		
<b>North Dakota</b>		
Commercial and industrial	\$ 56,681	\$ 73,277
Construction	20,894	13,082
Agricultural	16,732	16,847
Land and land development	10,468	10,611
Owner-occupied commercial real estate	38,035	28,435
Commercial real estate	55,349	35,654
Small business administration	1,247	2,188
Consumer	33,127	31,695
Subtotal	\$ 232,533	\$ 211,789
<b>Arizona</b>		
Commercial and industrial	\$ 11,798	\$ 3,021
Construction	2,242	-
Agricultural	-	-
Land and land development	3,778	5,102
Owner-occupied commercial real estate	2,581	1,571
Commercial real estate	14,396	16,306
Small business administration	25,586	15,502
Consumer	3,082	2,248
Subtotal	\$ 63,463	\$ 43,750
<b>Minnesota</b>		
Commercial and industrial	\$ 121	\$ 794
Construction	-	-
Agricultural	18	21
Land and land development	708	578
Owner-occupied commercial real estate	-	-
Commercial real estate	8,861	15,589
Small business administration	104	91
Consumer	1,233	1,241
Subtotal	\$ 11,045	\$ 18,314