



BNCCORP

NEWS RELEASE

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BNCCORP, INC. REPORTS FIRST QUARTER NET INCOME OF \$1.4 MILLION, OR \$0.40 PER DILUTED SHARE

Highlights

- **The recent results compared to net income of \$2.4 million in the first quarter of 2018, which included \$2.1 million of pre-tax gains on sales of assets**
- **Net interest income increased by \$95 thousand, or 1.4%, non-interest income decreased by \$1.4 million and non-interest expense decreased by \$86 thousand, or 0.9%, in the first quarter of 2019 compared to the first quarter of 2018**
- **Core deposits increased to \$880.9 million, rising \$20.8 million, or 2.4%, since December 31, 2018**
- **Total assets increased to \$1.0 billion at March 31, 2019 from \$971.0 million at December 31, 2018**
- **Nonperforming assets remain low at 0.22% of total assets at March 31, 2019, compared to 0.17% at December 31, 2018**
- **Book value per share increased to \$23.79 compared to \$22.26 at December 31, 2018 and \$21.87 at March 31, 2018**

BISMARCK, ND, April 26, 2019 – 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, Missouri, Arizona, and North Dakota, today reported financial results for the first quarter ended March 31, 2019.

Net income in the first quarter of 2019 was \$1.438 million, compared to \$2.396 million in the same period of 2018. First quarter 2019 diluted earnings per share was \$0.40, compared to \$0.68 in the first quarter of 2018. The change in net income from the year-ago period primarily reflected higher net interest income, significantly lower non-interest income from gains on sales of assets, lower non-interest expense, and lower income tax expense in 2019.

Net interest income in the 2019 first quarter increased \$95 thousand, or 1.4%, from the same quarter in 2018. The increase in net interest income from loan growth was partially offset by increased interest expense due to deposit growth and increased cost of funds.

Non-interest income in the first quarter of 2019 decreased by \$1.379 million, or 23.4%, from the same period in 2018. In the first quarter of 2019, mortgage banking revenues were \$586 thousand higher and gains on sales of assets were \$1.916 million lower when compared to the first quarter of 2018.

Non-interest expense in the first quarter of 2019 decreased by \$86 thousand, or 0.9%, when compared to the first quarter of 2018.

The provision for credit losses was \$0 in the first quarters of 2019 and 2018. The ratio of nonperforming assets to total assets was to 0.22% at March 31, 2019, up slightly from 0.17% at December 31, 2018. The allowance for loan losses was 1.65% of loans and leases held for investment at March 31, 2019, compared to 1.64% at December 31, 2018.

Book value per common share at March 31, 2019 was \$23.79, compared to \$22.26 at December 31, 2018. Excluding accumulated other comprehensive loss, net, book value per common share at March 31, 2019 was \$24.59, compared to \$24.24 at December 31, 2018 and \$23.05 at March 31, 2018.

Management Comments

Timothy J. Franz, BNC President and Chief Executive Officer, said, “Results for the 2019 first quarter reflected improved earnings from our core banking operations, good control of expenses, and continued strong asset quality. We continued to grow deposits in early 2019 increasing our franchise value. Relatedly, our cash-rich North Dakota clients are deleveraging, which curtailed loan growth, while our

Arizona and Minnesota locations have grown loans and as a result our loans and leases held for investment remained steady. The decrease in interest rates late in the quarter ignited mortgage banking activity resulting in improved mortgage banking revenues.”

Mr. Franz continued, “Our credit quality metrics remain good. We continue to focus on building our core banking operations and controlling costs. During the quarter our book value per share increased by \$1.53 to \$23.79, which is a reflection of our efforts to grow value for shareholders. We are poised to continue creating value as 2019 proceeds.”

First Quarter 2019 Comparison to First Quarter 2018

Net interest income for the first quarter of 2019 was \$6.955 million, an increase of \$95 thousand, or 1.4%, from \$6.860 million in the same period of 2018. The increase reflects the benefit of higher average balances of loans and leases held for investment, funds due from banks, and taxable investments and yields thereon, partially offset by increased average deposit balances and deposit costs. Overall, the net interest margin decreased to 2.99% in the first quarter of 2019 from 3.11% in the first quarter of 2018.

Interest income increased \$1.112 million, or 13.9%, to \$9.128 million in the first quarter of 2019, compared to \$8.016 million in the first quarter of 2018, as a result of higher balances and yields on loans held for investment, taxable investments, and balances due from banks. The yield on average interest earning assets was 3.93% in the first quarter of 2019, compared to 3.63% in the first quarter of 2018. While the yield on earning assets has increased, we anticipate that certain business loans, tied to indices, will continue to reprice upward in future periods assuming sustained current interest rate levels. The average balance of interest earning assets in the first quarter of 2019 increased by \$48.6 million compared to the same period of 2018. The average balance of loans and leases held for investment increased by \$36.3 million, yielding \$812 thousand of additional interest income, while the average balance of mortgage loans held for sale was lower by \$850 thousand during the same period of 2018. The average balance of investment securities was \$5.4 million lower in the first quarter of 2019 than in the first quarter of 2018. Average cash and cash equivalent balances increased \$19.4 million quarter to quarter.

Interest expense in the first quarter of 2019 was \$2.173 million, an increase of \$1.017 million, or 88.0%, from the same period in 2018. The cost of interest-bearing liabilities was 1.12% in the current quarter compared to 0.66% in the same period of 2018. Interest expense increased on deposits as a result of higher

balances and market-driven cost increases for consumer certificates of deposit and money market accounts. The cost of core deposits was 0.85% at March 31, 2019, 0.67% at December 31, 2018, and 0.39% at March 31, 2018. Through our focus on building strong customer relationships, BNC has successfully retained and grown its deposit base over many years in an environment where rate competition has been increasing.

Provision for credit losses was \$0 in the first quarters of 2019 and 2018.

Non-interest income for the first quarter of 2019 was \$4.502 million, a decrease of \$1.379 million, or 23.4%, from \$5.881 million in the first quarter of 2018. Gains on sales of assets were \$1.916 million lower in the first quarter of 2019 compared to the same period of 2018, when the Company realized substantial gains on sales of investments. Gains on sales of assets can vary significantly from period to period. Mortgage banking revenue was \$3.087 million in the first quarter of 2019, an increase of \$586 thousand when compared to \$2.501 million in the first quarter of 2018, primarily due to a drop in mortgage rates in the first quarter of 2019.

Non-interest expense for the first quarter of 2019 decreased \$86 thousand, or 0.9%, to \$9.682 million, from \$9.768 million in the first quarter of 2018. Salaries and employee benefits expense decreased \$112 thousand and professional services expense decreased \$36 thousand when compared to first quarter of 2018. Marketing and promotion expenses increased \$135 thousand due to the increased marketing cost of quality mortgage loan leads.

In the first quarter of 2019, income tax expense was \$337 thousand, compared to \$577 thousand in the first quarter of 2018. The effective tax rate was 19.0% in the first quarter of 2019, compared to 19.4% in the same period of 2018.

Net income was \$1.438 million, or \$0.40 per diluted share, in the first quarter of 2019. Net income in the first quarter of 2018 was \$2.396 million, or \$0.68 per diluted share.

Assets, Liabilities and Equity

Total assets were \$1.0 billion at March 31, 2019, an increase of \$29.9 million, or 3.1%, compared to \$971.0 million at December 31, 2018. Loans and leases held for investment aggregated \$464.7 million at March 31, 2019, a decrease of \$3.8 million since December 31, 2018 as new loan fundings were essentially

offset by loan pre-payments. Loans held for sale as of March 31, 2019 were \$40.8 million, increasing \$18.0 million from December 31, 2018. Investment securities increased \$24.2 million during the first quarter of 2019, while cash and cash equivalents decreased \$11.6 million.

Total deposits increased \$29.4 million to \$878.0 million at March 31, 2019, compared to \$848.6 million at December 31, 2018. At March 31, 2019, core deposits, which include recurring customer repurchase agreement balances and exclude certain brokered deposit, increased \$20.8 million to \$880.9 million, or 2.4%, from \$860.1 million as of December 31, 2018.

The table below shows total deposits since 2015:

(In Thousands)	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
ND Bakken Branches	\$ 199,074	\$ 185,713	\$ 168,981	\$ 178,677	\$ 190,670
ND Non-Bakken Branches	442,920	431,246	435,255	384,476	388,630
Total ND Branches	641,994	616,959	604,236	563,153	579,300
Brokered Deposits	-	-	-	-	33,363
Other	236,012	231,646	213,570	189,474	167,786
Total Deposits	<u>\$ 878,006</u>	<u>\$ 848,605</u>	<u>\$ 817,806</u>	<u>\$ 752,627</u>	<u>\$ 780,449</u>

Trust assets under management or administration increased \$24.7 million, or 7.7%, to \$345.1 million at March 31, 2019, compared to \$320.4 million at December 31, 2018, as market values rebounded in the first quarter and we continue to capture wealth generated by commercial customers and convert new customers to BNC's wealth management services. Since January 1, 2016, assets under management or administration have increased by approximately \$96.7 million, or 38.9%.

Capital

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

At March 31, 2019, our capital ratios exceeded all regulatory capital thresholds, including the capital conservation buffer.

A summary of our capital ratios at March 31, 2019 and December 31, 2018 is presented below:

	March 31, 2019	December 31, 2018
BNCCORP, INC (Consolidated)		
Tier 1 leverage	10.08%	9.97%
Total risk based capital	19.90%	20.26%
Common equity tier 1 risk based capital	14.44%	14.67%
Tier 1 risk based capital	16.97%	17.28%
Tangible common equity	8.29%	7.99%
BNC National Bank		
Tier 1 leverage	10.07%	9.92%
Total risk based capital	18.20%	18.44%
Common equity tier 1 risk based capital	16.95%	17.19%
Tier 1 risk based capital	16.95%	17.19%

The Common Equity Tier 1 ratio, which is generally a comparison of a bank’s core equity capital to its total risk weighted assets, is a measure of the current risk profile of our asset base from a regulatory perspective. The Tier 1 leverage ratio, which is based on average assets, does not consider the mix of risk-weighted assets. In recent periods, regulators have required Tier 1 leverage ratios that significantly exceed “Well Capitalized” ratio levels. As a result, management believes the Bank’s Tier 1 leverage ratio is our most restrictive capital measurement and we are managing the Tier 1 leverage ratio to levels significantly above the “Well Capitalized” ratio threshold.

The Company routinely evaluates the sufficiency of its capital in order to ensure compliance with regulatory capital standards and to provide a source of strength for the Bank. We manage capital by assessing the composition of capital and the amounts available for growth, risk, or other purposes.

Book value per common share of the Company was \$23.79 as of March 31, 2019, compared to \$22.26 at December 31, 2018. Book value per common share, excluding accumulated other comprehensive loss, net was \$24.59 at March 31, 2019, compared to \$24.24 at December 31, 2018 and \$23.05 as of March 31, 2018.

Asset Quality

The allowance for credit losses was \$7.7 million at March 31, 2019 and December 31, 2018. The allowance for credit losses as a percentage of total loans at March 31, 2019 decreased to 1.52%, from 1.57% at December 31, 2018. The allowance as a percentage of loans and leases held for investment at March 31, 2019 was 1.65% and 1.64% at December 31, 2018.

Nonperforming assets were \$2.2 million at March 31, 2019 and \$1.7 million at December 31, 2018. The ratio of nonperforming assets to total assets was 0.22% at March 31, 2019 and 0.17% at December 31, 2018. Nonperforming loans were \$2.2 million at March 31, 2019 and \$1.7 million at December 31, 2018.

At March 31, 2019, BNC had \$10.5 million of classified loans, \$1.9 million of loans on non-accrual, no other real estate owned, and \$5 thousand of repossessed assets. At December 31, 2018, BNC had \$10.7 million of classified loans, \$1.7 million of loans on non-accrual, no other real estate owned, and no repossessed assets. BNC had \$5.2 million of potentially problematic loans, which are risk rated “watch list”, at March 31, 2019 and December 31, 2018.

In recent periods, economic activity in western North Dakota, influenced by the energy sector, has improved. However, it will take time to absorb capacity built in earlier periods, particularly in the commercial real estate sector. The region is driven by the commodity-based industries of energy and agriculture, which can be volatile and impacted by a variety of influences. For example, the impact of recent increases in global tariffs and lower commodity prices on North Dakota farmers adds a measure of uncertainty to the region’s agriculture sector. Prolonged periods of lower commodity prices or market disruption could have an adverse impact on our loan portfolio and our operating results.

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 13 locations. BNC also conducts mortgage banking from 12 locations in Illinois, Kansas, Missouri, 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 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 GAAP. Such non-GAAP financial measures include the tangible common equity to total period end assets ratio. 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,		
	March 31, 2019	December 31, 2018	March 31, 2018
SELECTED INCOME STATEMENT DATA			
Interest income	\$ 9,128	\$ 9,106	\$ 8,016
Interest expense	2,173	1,836	1,156
Net interest income	6,955	7,270	6,860
Provision for credit losses	-	-	-
Non-interest income	4,502	3,430	5,881
Non-interest expense	9,682	9,425	9,768
Income before income taxes	1,775	1,275	2,973
Income tax expense	337	47	577
Net income	1,438	1,228	2,396
EARNINGS PER SHARE DATA			
Basic earnings per common share	\$ 0.41	\$ 0.35	\$ 0.69
Diluted earnings per common share	\$ 0.40	\$ 0.35	\$ 0.68

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands, except share data)	For the Quarter Ended		
	March 31, 2019	December 31, 2018	March 31, 2018
ANALYSIS OF NON-INTEREST INCOME			
Bank charges and service fees	\$ 646	\$ 742	\$ 652
Wealth management revenues	443	412	477
Mortgage banking revenues	3,087	2,141	2,501
Gains on sales of loans, net	102	9	3
Gains on sales of investments, net	64	20	2,079
Other	160	106	169
Total non-interest income	\$ 4,502	\$ 3,430	\$ 5,881
ANALYSIS OF NON-INTEREST EXPENSE			
Salaries and employee benefits	\$ 5,118	\$ 4,571	\$ 5,230
Professional services	754	879	790
Data processing fees	1,039	1,050	997
Marketing and promotion	1,010	1,087	875
Occupancy	559	663	585
Regulatory costs	132	135	140
Depreciation and amortization	361	366	406
Office supplies and postage	136	138	164
Other	573	536	581
Total non-interest expense	\$ 9,682	\$ 9,425	\$ 9,768
WEIGHTED AVERAGE SHARES			
Common shares outstanding (a)	3,518,390	3,507,426	3,487,155
Dilutive effect of share-based compensation	37,455	42,781	60,272
Adjusted weighted average shares (b)	3,555,845	3,550,207	3,547,427

(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		
	March 31, 2019	December 31, 2018	March 31, 2018
SELECTED BALANCE SHEET DATA			
Total assets	\$ 1,000,884	\$ 971,027	\$ 996,111
Loans held for sale-mortgage banking	40,806	22,788	24,159
Loans and leases held for investment	464,683	468,468	435,224
Total loans	505,489	491,256	459,383
Allowance for credit losses	(7,677)	(7,692)	(7,811)
Investment securities available for sale	435,659	411,509	441,020
Earning assets	940,714	910,051	939,962
Total deposits	878,006	848,605	870,101
Core deposits (1)	880,893	860,099	858,661
Other borrowings	27,895	36,503	43,570
Cash and cash equivalents	13,618	25,185	51,505
OTHER SELECTED DATA			
Net unrealized losses in accumulated other comprehensive loss	\$ (2,815)	\$ (6,928)	\$ (4,091)
Trust assets under supervision	\$ 345,090	\$ 320,414	\$ 319,525
Total common stockholders' equity	\$ 83,089	\$ 77,753	\$ 75,925
Book value per common share	\$ 23.79	\$ 22.26	\$ 21.87
Book value per common share excluding accumulated other comprehensive loss, net	\$ 24.59	\$ 24.24	\$ 23.05
Full time equivalent employees	249	252	250
Common shares outstanding	3,493,298	3,493,298	3,471,992
CAPITAL RATIOS			
Common equity Tier 1 risk-based capital (Consolidated)	14.44%	14.67%	14.56%
Tier 1 leverage (Consolidated)	10.08%	9.97%	9.97%
Tier 1 risk-based capital (Consolidated)	16.97%	17.28%	17.30%
Total risk-based capital (Consolidated)	19.90%	20.26%	20.38%
Tangible common equity (Consolidated)	8.29%	7.99%	7.60%
Common equity Tier 1 risk-based capital (Bank)	16.95%	17.19%	17.51%
Tier 1 leverage (Bank)	10.07%	9.92%	10.09%
Tier 1 risk-based capital (Bank)	16.95%	17.19%	17.51%
Total risk-based capital (Bank)	18.20%	18.44%	18.77%
Tangible common equity (Bank)	9.82%	9.53%	9.27%

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

BNCCORP, INC.

CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	For the Quarter Ended March 31,	
	2019	2018
AVERAGE BALANCES		
Total assets	\$ 999,828	\$ 951,610
Loans held for sale-mortgage banking	22,892	23,742
Loans and leases held for investment	466,377	430,048
Total loans	489,269	453,790
Investment securities available for sale	425,802	431,228
Earning assets	942,808	894,224
Total deposits	879,694	819,941
Core deposits	888,108	822,398
Total equity	78,724	77,369
Cash and cash equivalents	42,157	22,792
KEY RATIOS		
Return on average common stockholders' equity (a)	6.84%	12.25%
Return on average assets (b)	0.58%	1.02%
Net interest margin	2.99%	3.11%
Efficiency ratio (Consolidated)	84.50%	76.66%
Efficiency ratio (Bank)	80.65%	73.41%

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

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

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	As of		
	March 31, 2019	December 31, 2018	March 31, 2018
ASSET QUALITY			
Loans 90 days or more delinquent and still accruing interest	\$ 267	\$ -	\$ -
Non-accrual loans	1,888	1,686	1,950
Total nonperforming loans	\$ 2,155	\$ 1,686	\$ 1,950
Repossessed assets, net	5	-	-
Total nonperforming assets	\$ 2,160	\$ 1,686	\$ 1,950
Allowance for credit losses	\$ 7,677	\$ 7,692	\$ 7,811
Troubled debt restructured loans	\$ 3,330	\$ 3,348	\$ 1,891
Ratio of total nonperforming loans to total loans	0.43%	0.34%	0.42%
Ratio of total nonperforming assets to total assets	0.22%	0.17%	0.20%
Ratio of nonperforming loans to total assets	0.22%	0.17%	0.20%
Ratio of allowance for credit losses to loans and leases held for investment	1.65%	1.64%	1.79%
Ratio of allowance for credit losses to total loans	1.52%	1.57%	1.70%
Ratio of allowance for credit losses to nonperforming loans	356%	456%	401%

(In thousands)	For the Quarter Ended March 31,	
	2019	2018
Changes in Nonperforming Loans:		
Balance, beginning of period	\$ 1,686	\$ 1,978
Additions to nonperforming	537	66
Charge-offs	(12)	(31)
Reclassified back to performing	-	(26)
Principal payments received	(51)	(37)
Transferred to repossessed assets	(5)	-
Balance, end of period	\$ 2,155	\$ 1,950

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	For the Quarter Ended March 31,	
	2019	2018
Changes in Allowance for Credit Losses:		
Balance, beginning of period	\$ 7,692	\$ 7,861
Provision	-	-
Loans charged off	(22)	(57)
Loan recoveries	7	7
Balance, end of period	\$ 7,677	\$ 7,811
Ratio of net charge-offs to average total loans	(0.003)%	(0.011)%
Ratio of net charge-offs to average total loans, annualized	(0.012)%	(0.044)%

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	As of		
	March 31, 2019	December 31, 2018	March 31, 2018
CREDIT CONCENTRATIONS			
North Dakota			
Commercial and industrial	\$ 44,138	\$ 45,241	\$ 35,630
Construction	3,042	4,439	6,303
Agricultural	26,415	25,525	23,610
Land and land development	7,695	7,932	8,186
Owner-occupied commercial real estate	37,825	42,591	42,465
Commercial real estate	109,733	109,829	108,888
Small business administration	5,551	5,044	4,608
Consumer	62,326	62,212	56,925
Subtotal loans held for investment	<u>\$ 296,725</u>	<u>\$ 302,813</u>	<u>\$ 286,615</u>
Consolidated			
Commercial and industrial	\$ 67,808	\$ 66,544	\$ 53,135
Construction	19,282	21,257	13,605
Agricultural	26,738	26,426	24,220
Land and land development	12,437	11,398	13,704
Owner-occupied commercial real estate	54,228	56,916	50,549
Commercial real estate	172,415	174,868	178,070
Small business administration	33,573	32,505	28,163
Consumer	77,716	78,055	73,271
Total loans held for investment	<u>\$ 464,197</u>	<u>\$ 467,969</u>	<u>\$ 434,717</u>