



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

BNC National Bank (Holding Company: BNCCORP, INC.)

Person to be contacted regarding this report:	Timothy Franz
UST Sequence Number:	483
CPP Funds Received:	20,093,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Jan 16, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	0001248162
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	57197
City:	Bismarck
State:	North Dakota

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	In early 2009 we were able to increase lending knowing that our capital would be fortified by the TARP proceeds. We curtailed lending as 2009 progressed as borrowers incurred financial challenges and reports from peers and advisors warned regulatory scrutiny would be extraordinary.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	We are a bank primarily focused on serving small to midsize businesses and accordingly we made small business loans. We also have a mortgage banking division and in this part of our business we made conforming residential mortgage loans.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	In 2009 we also invested in non-agency mortgage backed securities. We shifted toward these assets because they offered attractive returns. Our concerns about lending (see comments above) also motivated a shift to investment securities.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Throughout 2009 we stress tested our portfolio and in the third quarter we recorded a large provision for losses on non-performing assets.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	In connection with the provision recorded in the third quarter we also charged off a significant amount of distressed loans.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	We retained \$5,000,000 of funds at the holding company. The plan was to retain funds to either service the TARP investment or have available to support the subsidiary bank if it needed capital in the future.

What actions were you able to avoid because of the capital infusion of CPP funds?

We were able to avoid a significant reduction in regulatory capital at the bank despite recording a large provision for credit losses which resulted in losses. Our capital levels at the end of 2009 were essentially the same as the beginning of the year (pre-TARP investment).

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

We were able to pro-actively address problem credits without impairing capital.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.