BNC BANCORP

March 9, 2009

Mr. Neil M. Barofsky
Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

Re: BNC Bancorp, Thomasville, North Carolina
Use of TARP Capital Purchase Program funds

Dear Mr. Barofsky:

BNC Bancorp is the holding company for Bank of North Carolina, a commercial bank chartered under North Carolina law in 1991 and headquartered in Thomasville, North Carolina. BNC Bancorp is a participant in the Troubled Asset Relief Program, having issued through the Capital Purchase Program on December 5, 2008 31,260 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, to the United States Department of the Treasury, along with a warrant to purchase 543,337 of BNC Bancorp common stock, no par value per share, for an aggregate purchase price of $31,260,000. As requested in your February 6, 2009 letter, we are providing the information contained in this letter and in the attachments to assist your office with the audit of TARP participants' use of funds.

If after review of this letter and attachments you have any questions or require additional information, please call me at (336) 869-9200. You may also call Mr. David B. Spencer, Chief Financial Officer, for information at the same number.

Bank of North Carolina and its market

Bank of North Carolina's primary market area is the I-85 and I-40 corridor in central North Carolina, which the bank services through full-service offices in Thomasville, High Point, Salisbury, Greensboro, Archdale, Lexington, Kernersville, Harrisburg, Welcome, and Oak Ridge, along with limited-service banking offices in Winston-Salem and Mooresville, North Carolina. The primary employers in the market – known as the Piedmont Triad – have traditionally been furniture and textile manufacturers, but over the years most of those companies have closed, leaving many people unemployed. Among the first areas to experience the economic recession that has spread across the country, few large-scale employers remain in our market. Instead our market depends on small businesses to fill the gap left by the decline in the furniture and textile manufacturing businesses.

Despite the challenging economic environment, we have achieved robust growth of approximately 20% annually since 2001, growth that has been supported with consistently strong capital. As we stated in our February 10, 2009 press release reporting financial results for 2008, we finished 2008 with total assets of approximately $1.6 billion, a Tier 1 risk-based capital ratio of 9.99% and a total risk-based capital ratio of 11.83%. The 200 basis-point increase over capital levels at September 30, 2008 is due to the

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December 5, 2008 infusion of $31.3 million of Capital Purchase Program funds. Our leverage ratio at the end of 2008 was 8.77%, up from 7.14% on September 30, 2008. A copy of our February 10, 2009 press release accompanies this letter.

Our participation in the TARP Capital Purchase Program

Encouraged by the FDIC to apply for participation in the TARP Capital Purchase Program, we were among the first to apply. concluding that the Capital Purchase Program gave us the opportunity to raise capital quickly, at low cost, and with little shareholder dilution. And as we stated in our December 8. 2008 press release announcing our receipt of Capital Purchase Program funds, we considered it our responsibility to participate. rewarding the taxpayers of our communities with an even healthier, more highly capitalized company, better enabling us to serve our customers and communities with access to affordable and reasonably underwritten consumer and commercial credit. supporting economic growth in our communities with loans to creditworthy businesses. and supplying affordable financing to individuals at a time when secondary markets remain in turmoil. We have put the Capital Purchase program funds to use as we stated we would, greatly increasing our lending in the three-month period ended February 28, 2009 by comparison to the same three-month period one year ago. Although we also stated in our December 8, 2008 press release that the Capital Purchase Program funds would enhance BNC Bancorp's opportunities for strategic acquisition and expansion during a period of what we expect to be accelerated industry consolidation, we have identified no specific acquisition and expansion opportunities and no Capital Purchase Program funds have been or are expected in the immediate future to be dedicated to financing acquisitions or similar expansion opportunities. A copy of our December 8, 2008 press release also accompanies this letter.

We have no unused Capital Purchase Program funds. Of the total $31.3 million Capital Purchase Program funds, $7 million was applied immediately to repayment of borrowings outstanding under a $20 million line of credit with a Georgia-based financial institution, a line of credit we had drawn upon as a source of bank capital contributions at a time when capital markets were seized up and not functioning. Outstanding borrowings under the line of credit were $7.5 million on December 5. 2008, and by the end of the day we had repaid all but $500,000. Another $22 million of the Capital Purchase Program funds were contributed by us to Bank of North Carolina. The remaining funds. approximately $2 million. have been retained by BNC Bancorp for general corporate purposes and commingled with other holding company funds.

Lending. The $22 million contributed to the bank has not been segregated from other bank capital but is instead being employed by the bank in the ordinary course of its lending and investment activities. Consistent with the November 12. 2008 *Interagency Statement on Meeting the Needs of Creditworthy Borrowers*. the Capital Purchase Program funds held by Bank of North Carolina have enhanced the bank's ability to fund responsible lending and have enabled the bank to better satisfy the credit needs of households and businesses in our market. We believe it is clear that the Capital Purchase Program funds have had a direct and significant impact on Bank of North Carolina's lending. contributing in the three-month period ended February 28. 2009 to a 47% increase in new and renewed loans by comparison to the same three-month period in the preceding year. as follows –

new and renewed loans three months ended February 29, 2008		new and renewed loans three months ended February 28, 2009	
December 2007	$32.072.294	December 2008	$51,183,143
January 2008	29.352,875	January 2009	51,102,023
February 2008	41,356.905	February 2009	48.585,861
total	$102.782.074	total	$150.871,027

This Capital Purchase Program-funded increase in new and renewed loans reversed a trend of decelerating growth that became pronounced in June of 2008. By the end of June 2008 – before the crisis in the credit markets had taken hold – bank management had already embarked upon a course of slower growth, anticipating that loan growth would slow throughout the remainder of 2008 and into 2009.

The first program we initiated after receiving Capital Purchase Program funds is our Builder Participation Program. This Program makes available up to $100 million of in-house credit to qualified buyers who purchase residential housing inventory currently being financed as part of our residential construction loan portfolio. With the secondary mortgage market functioning inefficiently, we have increased our in-house commitment to fill the credit vacuum, providing builders in our market with a source of qualified buyers and making affordable and rational credit more readily accessible. The Builder Participation Program is a major commitment on our part to help stabilize the housing market in our communities and provide credit locally. To date, Bank of North Carolina has provided credit in the amount of approximately $5.6 million through the Builder Participation Program since receiving Capital Purchase Program funds. The Builder Participation Program is described on our website at www.bankofnc.com. A copy of the information on the web page accompanies this letter.

Despite the depressed state of the residential housing market, our residential mortgage lending volume actually has increased. In December 2008 we closed 24 residential mortgage loans aggregating $4.847.744, followed by 12 loans aggregating $2.580,782 in January 2009 and 44 loans aggregating $7,898,918 in February 2009, for a total of 80 loans and $15.3 million in the three-month period, compared to 71 loans and $13.9 million in the comparable three-month period one year ago. Although this increase does not in isolation appear to be significant, based on market conditions it is a reason for optimism that residential mortgage lending increased at all, as it did particularly in February 2009. It is more difficult to obtain loan approval today than it was one year ago. This is primarily due to appraisals not supporting values assigned to the mortgage property. Because of a marked decline in real estate sales, determining the fair market value of a property using comparable sales data has become a greater challenge.

Enhanced loan loss protection. The additional capital attributable to the infusion of Capital Purchase Program funds bolsters our organization's cushion against further loan losses. Because of the economy's impact on our borrowers, we continue to experience higher levels of past due and non-performing assets than we have in the past. Non-performing assets and credit losses increased in the fourth quarter of 2008, as we expected they would. As we stated in our February 10, 2009 earnings release, although we expect non-performing assets and losses to stay above historical levels throughout 2009, we remain optimistic that NPAs and losses will remain manageable.

Investments. As we stated in our February 10, 2009 earnings release for the year ended December 31, 2008, management began in early November of 2008 implementing a strategy to deploy capital into government agency mortgage-backed securities, well before rates in the government agency mortgage-backed securities markets began to decline due to aggressive purchases by the Federal Reserve, by the Treasury Department, and by other community banks seeking to leverage their new Capital Purchase Program funds. That strategy continued after Bank of North Carolina received its $22 million portion of the Capital Purchase Program funds, with the bank purchasing $280 million of FNMA and FHLMC mortgage-backed securities in November and December of 2008, promoting secondary housing market liquidity and single-family housing loan availability. The bank has also purchased $70 million of bank-qualified municipal securities since October of 2008, providing much-needed support for municipal markets.

We have maintained the cash dividend rate. In this challenging economic environment many companies – particularly financial institutions – have lately reduced or eliminated altogether cash dividends. Because of BNC Bancorp's capital strength and sound balance sheet, we have not. Cash dividends for the fourth quarter of 2008 were $0.05 per share, on earnings of $0.07 per share. We have maintained our dividend in order to support investor confidence in our long-term strategic plan and in our ability to generate sufficient capital to fund future dividends and growth opportunities.

Executive Compensation

The board of directors and the executive officers of BNC Bancorp are aware of the executive compensation limitations associated with TARP and with receipt of Capital Purchase Program funds, including –

1) under the Emergency Economic Stabilization Act of 2008 and implementing rules and guidance issued by the Treasury Department in 2008 and in 2009:

- the requirement that incentive compensation arrangements exclude incentives for senior executive officers to take unnecessary and excessive risks that threaten the value of the company,

- the required recovery of bonus or incentive compensation paid based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate,

- the prohibition against payment of so-called golden parachute payments to a selected class of officers, and

- the $500,000 compensation deduction limit for compensation paid to a selected class of officers, and

2) under the American Recovery and Reinvestment Act of 2009:

- the required annual submission of executive compensation arrangements to a non-binding, advisory vote of shareholders,

- under rules to be established by the Treasury Department, the prohibition of all bonus and incentive awards (other than restricted stock under limited conditions) to a selected class of officers, including at the very least the five most highly compensated executives in the case of a company that, like BNC Bancorp, received more than $25 million of Capital Purchase Program funds,

- the required establishment of an independent compensation committee of the board,

- the mandatory adoption by the board of a policy governing luxury expenditures, and

- the potential claim by the Treasury Department for reimbursement of bonuses or other compensation paid to a selected class of officers before enactment of the American Recovery and Reinvestment Act of 2009.

As your office is aware, the new executive compensation limitations of the Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009 are without precedent in Federal law, are barely five months old but have nevertheless changed significantly within that short period, are not absolutely clear and settled in all cases in which the limitations potentially apply, and in some cases will not even be effective until the Treasury Department issues additional rules and guidance. Nevertheless, we are working diligently to determine precisely how these new executive compensation apply to the executive compensation arrangements of BNC Bancorp and Bank of North Carolina. The new executive compensation limitations will be taken into account by the board and by the board's compensation committee in future compensation decisions.

As required by section 111(e) of the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009, at the 2009 annual meeting of shareholders BNC Bancorp will permit a separate shareholder vote to approve the executive compensation disclosed in BNC Bancorp's proxy statement for the meeting. The proposal will be non-binding, and the results of the shareholder vote will be advisory only. Information about the proposal to approve executive compensation will be included in BNC Bancorp's proxy statement, which we expect to mail to shareholders in April 2009.

We have identified the class of senior executive officers who will be identified in the compensation disclosures required to be included in BNC Bancorp's proxy statement for the 2009 annual meeting and who will therefore be most affected by the executive compensation limitations. All of these officers have executed agreements making their existing compensation arrangements subject to any superseding requirements implemented by the Treasury Department under the TARP Capital Purchase Program. The senior executive officers in 2009 are –

- W. Swope Montgomery Jr., President and Chief Executive Officer,
- David B. Spencer, Executive Vice President and Chief Financial Officer,
- Richard D. Callicutt II, Executive Vice President and Chief Operating Officer,
- Thomas M. Nelson, Senior Vice President, and
- William Harvey McMurray III, Senior Vice President.

As a public company with securities registered with the SEC under the Securities Exchange Act of 1934, BNC Bancorp has been required for many years to adhere to SEC compensation disclosure principles, including rules requiring detailed disclosures of executive compensation actually paid and detailed disclosures of the basis upon which compensation decisions are made. Consistent with SEC disclosure principles and evolving compensation practices in the industry. BNC Bancorp had already established an independent compensation committee of the board long before the Emergency Economic Stabilization Act of 2008 became law. Since its formation the compensation committee's role has grown and become more demanding, reflecting the increased attention paid to public company executive compensation practices by the SEC, by the media, and by stockholder advocates in recent years. particularly in times of crisis that have led to the enactment of legislation such as the Sarbanes-Oxley Act of 2002, the Economic Stabilization Act of 2008, and the American Recovery and Reinvestment Act of 2009.

Comprised entirely of outside directors who are independent of management, the Compensation Committee of BNC Bancorp's board of directors adopted a resolution affirming the committee's review of executive compensation arrangements. After discussions about the executive compensation arrangements with our Chief Financial Officer. Mr. David B. Spencer, who also acts as the Chief Risk Officer, and review of information and literature provided by independent legal counsel concerning executive compensation trends and recent developments in executive compensation, the committee determined that the executive compensation arrangements of BNC Bancorp and Bank of North Carolina for senior executive officers and others affected by the TARP-related executive compensation rules and guidelines exclude incentives that would lead the senior executive officers and others to take unnecessary and excessive risks that threaten the value of the corporation. A statement of the Compensation Committee affirming this conclusion will be included in BNC Bancorp's proxy statement for the 2009 annual meeting. but a copy of the resolution adopted by the committee accompanies this letter.

We expect that the compensation committee's role will expand in the coming years, now that executive compensation practices are no longer merely a matter of the exercise by a board of its obligation to exercise sound business judgement but are now also a matter of compliance with Federal law. We are working with our accounting and payroll department to ensure compliance with the $500,000 compensation deduction limitation applicable to compensation of selected officers. We have reviewed the employment agreements and salary continuation agreements of senior executive officers to determine whether the new executive compensation limitations have any impact on those agreements. We have determined that the executive compensation limitations do indeed have an impact on those agreements. For example, [redacted]

b(4)

Cash compensation and bonuses are paid exclusively by Bank of North Carolina. not by BNC Bancorp. Equity-based incentive arrangements are of course arrangements that exist at the level of the holding company only. The five senior executive officers of Bank of North Carolina and BNC Bancorp who will be named in and whose compensation will be disclosed in BNC Bancorp's proxy statement for the 2009 annual meeting received cash bonuses for 2008. The cash bonus payments made in December 2008 to these individuals are shown in the following table, which for comparison purposes also shows the bonuses paid for the previous year, as reported in BNC Bancorp's April 22, 2008 proxy statement for the 2008 annual meeting –

	bonus for 2008, paid on December 26, 2008	bonus amounts for 2007, reported in the Summary Compensation Table of the proxy statement for the 2008 annual meeting *
W. Swope Montgomery Jr.	$ 55,000	$138,000
David B. Spencer	$ 54,000	$100,800
Richard D. Callicutt II	$ 55,000	$101,000
Thomas Nelson	$ 9,000	not a named executive officer in 2008
William McMurray	$ 5,000	not a named executive officer in 2008

The bonuses for 2008 and for 2007 were paid in accordance with our Compensation for Stakeholders program, an incentive bonus arrangement that has formed an essential part of our total compensation package for over seven years. The Compensation for Stakeholders program awards improvements in areas such as average loans, average core deposits, net interest income, net interest margin, efficiency ratio, non-interest income, while deducting for unacceptable levels of credit quality, including charge-offs, nonperforming assets, and loans past due. This program reinforces a culture in which employees' interests are closely aligned with those of our shareholders, promoting consistent, long-term earnings growth and superior shareholder returns while maintaining exceptional credit quality, efficient deployment of non-interest expenses, and a strong correlation between expansion and profitability. In short, we believe the terms of the Compensation for Stakeholders program are entirely consistent with the admonition of the Emergency Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009 that executive compensation exclude incentives for senior executive officers to take unnecessary and excessive risks that threaten the value of the company.

We also maintain an Omnibus Stock Ownership and Long Term Incentive Plan under which we may grant stock options, restricted stock, stock appreciation rights, and performance-based awards, potential awards that enhance our ability to attract and retain employees of outstanding ability and our ability to establish incentive for employees to make material contributions to our success. The value of awards under the omnibus plan can be contingent both upon the market performance of our common stock and the achievement of financial and other performance objectives. In fact, as we stated in our April 22, 2008 proxy statement for the 2008 annual meeting of shareholders, we intend to associate the vesting of awards to the achievement of selected financial performance goals, rather than providing for awards that become vested merely with the passage of time and that accrue value merely because of changes in the price of our stock. This does not mean that we will not grant time-based vesting awards or that we will not grant options or other awards that accrue value in direct correlation to changes in the price of our stock. We will, however, make a greater effort to customize awards – particularly for the highest level executives – so that award vesting and award values bear a strong correlation to long-term shareholder interests. No awards were made to the senior executive officers in 2007 under the omnibus plan, none were made in 2008, and none have been made in 2009. The omnibus plan is administered by the independent compensation committee of BNC Bancorp's board.

With assistance as necessary from compensation consultants and other independent advisors the board and its independent compensation committee will continue to review the evolving executive compensation limitations of the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009, including regulations and guidance issued by the Treasury Department. The board and committee will continue to analyze the application of those limitations to the specific executive compensation practices of BNC Bancorp and Bank of North Carolina, making changes as necessary and seeking to establish and refine an executive compensation program that promotes the long-term interests of all shareholders in a sound and prosperous financial institution. We believe our executive compensation practices are consistent with that goal, but the process of review and refinement is, always has been, and will always be ongoing, even when the Treasury Department no longer holds our preferred stock.

Certification

I, W. Swope Montgomery Jr., certify that: I have reviewed this response and supporting documents and, based on my knowledge, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which statements were made, not misleading.

W. Swope Montgomery Jr.
President and Chief Executive Officer

BNC Bancorp Receives $31.3 Million Investment From the U.S. Treasury's Capital Purchase Program

Company Release - 12/08/2008 14:30

THOMASVILLE, N.C., Dec. 8 /PRNewswire-FirstCall/ -- (NASDAQ-SMALL:BNCN) BNC Bancorp (Nasdaq: BNCN), the parent company of (NASDAQ-SMALL:BNCN) Bank of North Carolina, announced that it has received a $31.3 million investment from the U.S. Treasury under the Capital Purchase Program. The transaction is part of the Treasury's program which is designed to provide capital to healthy, well-managed financial institutions to increase their ability to provide much needed credit to businesses and consumers. The $31.3 million in Senior Preferred shares and warrants to purchase common stock represents 3% of the Company's risk-weighted assets as of September 30, 2008. (NASDAQ-SMALL:BNCN) BNC Bancorp intends to use the proceeds for general corporate purposes with an emphasis on meeting the credit needs of its customers and communities.

(Logo: http://www.newscom.com/cgi-bin/prnh/20030917/BNCLOGO)

"While the Capital Purchase Program is voluntary and (NASDAQ-SMALL:BNCN) BNC Bancorp's financial health remains strong, we believe it was our responsibility to participate and reward the taxpayers of our communities with an even healthier, more highly capitalized Company. We believe that participation will enable us to better support economic growth in our communities by providing loans to creditworthy businesses and supplying affordable financing to individuals at a time when secondary markets remain in turmoil," said W. Swope Montgomery, President and CEO. "This capital will also add greater flexibility in considering strategic acquisition, investment, or expansion opportunities that will likely become available as the financial services industry continues to consolidate."

The Senior Preferred shares pay a dividend of 5% per year for the first five years and 9% per year thereafter. The Preferred Stock may be redeemed for 100% of the issue price. However, for a period of three years from the date of investment, the Senior Preferred shares may only be redeemed if 25% of the purchase price is attributable to a qualifying equity offering. In conjunction with the purchase of Senior Preferred shares, the Treasury received a warrant to purchase 543,337 shares of (NASDAQ-SMALL:BNCN) BNC Bancorp common stock with an exercise price of $8.63. The exercise price was calculated based on the average of closing prices of the Company's common stock on the 20 trading days ending on the last trading day prior to the date of the Treasury's approval of the Company's application under the program.

(NASDAQ-SMALL:BNCN) BNC Bancorp is the parent Company of (NASDAQ-SMALL:BNCN) Bank of North Carolina, a $1.3 billion commercial bank that provides a complete line of banking and financial services to individuals and businesses through full-service banking offices located in the cities of Thomasville, High Point, Salisbury, Greensboro, Archdale, Lexington, Kernersville, Harrisburg, Welcome and Oak Ridge, North Carolina. In addition, the Bank operates limited service banking offices in Winston-Salem and Mooresville, North Carolina. (NASDAQ-SMALL:BNCN) Bank of North Carolina is insured by the FDIC and is an equal housing lender. (NASDAQ-SMALL:BNCN) BNC Bancorp's stock is quoted in the NASDAQ Capital Market under the symbol "BNCN."

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written and oral forward-looking statements within the meaning of certain securities laws, including in this press release, in other filings with the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications. These forward-looking statements include, among others, statements with respect to our objectives for 2008 and beyond, and the medium and long term strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the strength of the North Carolina economy in general and the strength of the local economies within North Carolina in which we conduct operations; the strength of the United States economy; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Board of Governors of the Federal Reserve System in the United States; judicial decisions; the effects of competition in the markets in which we operate; inflation; the timely development and introduction of new products and services in receptive markets; the impact of changes in the laws and regulations regulating financial services (including banking, insurance and securities); changes in tax laws; technological changes; our ability to complete strategic acquisitions and to integrate acquisitions; judicial or regulatory proceedings; changes in consumer spending and saving habits; the possible impact on our businesses of international conflicts and other developments including those relating to the war on terrorism; and our anticipation of and success in managing the risks implicated by the foregoing.

SOURCE (NASDAQ-SMALL:BNCN) BNC Bancorp

Contact: W. Swope Montgomery, Jr., President and CEO of BNC Bancorp, +1-336-476-9200

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Temporary Increase in Deposit Insurance Coverage

On Oct. 3, 2008 FDIC deposit insurance temporarily increased from $100,000 to $250,000 per depositor through Dec. 31, 2009

Builder Participation Program

Through our Builder Participation Program, qualified buyers can purchase specific homes under our limited time special offering package options. **Click anywhere on the 30-second video below to play.**

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A) 4.75% Rate (4.85% Annual Percentage Rate)/10 Yr.Fixed/30 Yr. Amortization
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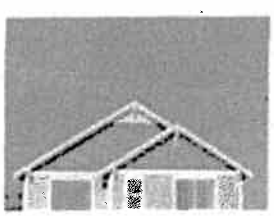
Example A: $100,000 at 95% financing, 4.85% APR for 10 years fixed on a 30 year amortization –
119 payments at $495.56 and 1 payment of $77,182.62.

Example B: $100,000 at 95% financing, 4.98% APR for 15 years fixed on a 30 year amortization –
179 payments at $563.48 and 1 payment of $67,767.14.



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For more information, contact either of the following;
Pat Quesinberry

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1-800-262-7175 or 336-476-9200

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BNC Bancorp Announces Profits for the 2008 Fourth Quarter and Full-Year

Company Release - 02/10/2009 14:08

THOMASVILLE, N.C., Feb. 10 /PRNewswire-FirstCall/ -- (NASDAQ-SMALL:BNCN) BNC Bancorp (Nasdaq: BNCN) today reported earnings for the fourth quarter and the full-year 2008. For the fourth quarter, net income totaled $626,000 and net income available to common shareholders totaled $483,000, or $0.07 per diluted common share, compared with $1.55 million, or $0.22 per diluted common share, earned in the fourth quarter of 2007.

(Logo: http://www.newscom.com/cgi-bin/prnh/20030917/BNCLOGO)

For the year ended Dec. 31, 2008, net income totaled $3.99 million and net income available to common shareholders totaled $3.85 million, or $0.52 per diluted common share, compared to $7.44 million, or $1.05 per diluted common share, earned for the year ended Dec. 31, 2007.

Operating earnings available to common shareholders for the full year of 2008 totaled $4.12 million, or $0.56 per diluted common share, compared to $7.44 million, or $1.05 per diluted common share in 2007. The 2008 results exclude $413,000 in after-tax charges relating to a one-time separation of employment settlement and $141,000 in after-tax securities gains, both incurred during the second quarter of 2008.

Total assets as of Dec. 31, 2008 were $1.57 billion, an increase of 39.2 percent compared with $1.13 billion as of Dec. 31, 2007. Total loans on Dec. 31, 2008 were $1.01 billion, an increase of 8.07 percent from the $932.6 million reported as of Dec. 31, 2007. Investment securities increased to $422.6 million at the end of 2008, an increase of $334.9 million, or 381.9%, when compared to the $87.7 million outstanding at the end of 2007. Deposits increased 34.0 percent over the same one-year period.

W. Swope Montgomery, Jr., President and Chief Executive Officer, said, "While our Company is not immune to the effects of the economic slowdown in terms of higher credit costs, we are very pleased with the overall results from the fourth quarter. During the fourth quarter our Company earned $0.07 per common share, maintained our non-performing assets at manageable levels, increased our capital through our participation in the Capital Purchase Program (CPP), effectively and profitably leveraged a portion of this new capital, initiated a Builder Participation Program to help spur housing activity in our local markets and significantly improved our liquidity ratios. The challenging economy and actions by our government are unprecedented and we are fully aware of the impact they may have on our industry and on our performance. However, we remain focused on running a safe and sound institution and are convinced that there will be a number of opportunities for those companies that keep their focus on creating long-term shareholder value."

"We have devoted a tremendous amount of effort to identifying the risk within our loan portfolio, particularly within the real estate sectors, and are taking what we believe are the appropriate actions to minimize future losses. We also realize that in this unprecedented economy this is an ongoing, fluid process that requires our constant focus and evaluation. Unfortunately, there is no perfect template for this type credit cycle, however, we are convinced that recognizing any impairments early, working with those customers who show a desire to honor their obligations, and effectively utilizing both internal and external resources will ultimately lead to the most productive path for our Company and shareholders," said Montgomery.

Provision for Loan Losses and Asset Quality

"As expected we did see an increase in non-performing assets and credit losses during the quarter," Montgomery continued. "In this unprecedented economy, our company is working very diligently to resolve each of the non-performing relationships and keep our charge-offs at manageable levels. Despite our efforts to work with our customers to attain a positive resolution, our strategy is to recognize and record impairments promptly, and move troubled assets through our process as quickly as possible. While the extent or depth of the economic downturn is uncertain, we remain optimistic that our non-performing assets and losses will remain manageable; however, we expect they will stay above historical levels throughout 2009."

Non-performing assets as a percentage of total assets at Dec. 31, 2008 were at 1.17 percent, up from .89 percent as of Sept. 30, 2008, and .54 percent at Dec. 31, 2007. The allowance for loan and lease losses at Dec. 31, 2008 increased $1.42 million, or 12.1 percent, from year ago levels. The allowance for loan and lease losses of $13.2 million is 1.31 percent of total loans outstanding at the end of 2008, down from 1.38 percent at the prior quarter end, and up from 1.26 percent at the end of 2007.

The fourth quarter provision for loan losses was $2.7 million, an increase of $200,000 compared to the charge for the third quarter of 2008, and up $1.95 million compared to the fourth quarter of 2007. Net charge-offs for the quarter were $3.3 million, with $1.4 million relating to the resolution of a previously identified workout credit where the loss had been earlier identified and allocated in our internal allowance risk matrix.

Mr. Montgomery noted, "The investment portfolio continues to perform as intended with all investments in government agencies or high quality bank-qualified municipal securities. Company policy has always been to take little credit risk in the investment portfolio and this commitment to quality has served us well during these turbulent times. To-date, there have been no impairment charges in our investment portfolio."

Tax equivalent net interest income for the fourth quarter of 2008 increased $630,000 or 7.3 percent compared to the same three-month period in 2007. Components of the change in net interest income for the comparable quarters were: the increase in earning assets contributed a $969,000 increase, while the reduction in net interest margin reduced net interest income by $315,000. The Company reported a tax equivalent net interest margin of 3.02% for the fourth quarter of 2008, compared to 3.19% for the third quarter of 2008, and 3.37% for the fourth quarter of 2007. The decrease in net interest margin over the last fifteen months resulted from the prolonged actions by the Federal Reserve to aggressively reduce key benchmark lending rates. "Over the coming 12 months we have $637 million in CD's maturing with an average cost of 3.26%. If rates remain at current levels, we anticipate significant margin improvement as these deposits reprice," said Montgomery.

Deployment and Use of Treasury Capital Investment

During the fourth quarter of 2008, the U.S. Treasury invested $31.3 million in (NASDAQ-SMALL:BNCN) BNC Bancorp through the CPP. This program has received much attention in the media, and while there are many written terms and conditions of the program, our reasoning for participating was to better enable our Company to serve our customers and communities with access to affordable and reasonably underwritten consumer and commercial credit.

Our Company has a history of commitment to our local economy and in the fourth quarter we took this strong commitment a step further with the announcement of the Builder Participation Program. This program was designed to provide up to $100 million in available in-house credit to qualified buyers who purchase residential housing inventory listed on our website and currently being financed as part of our residential construction loan portfolio. With the secondary mortgage market not functioning efficiently, we have stepped up our in-house commitment to help fill that void, and provide our builders with a source for qualified buyers to access affordable and deserving credit. Our Builder Participation Program is a major commitment on our part to help stabilize the housing market in our communities, and provide credit locally when secondary markets are not functioning as intended.

Also in the fourth quarter, when the Treasury announced their plans to offer capital injections into healthy banks, our management recognized that there were significant advantages to being an early recipient, and therefore we were one of the first to apply for and receive the CPP. In early November, well before rates in the mortgage backed securities markets began to decline due to aggressive purchases by the Federal Reserve, the Treasury, and other community banks looking to leverage their new capital, management began implementing our strategy to deploy a portion of the CPP capital into government agency mortgage-backed securities. This strategy resulted in the Company investing $315 million in government backed securities during the fourth quarter with an average tax-equivalent yield of 5.70%.

Growth in Capital

(NASDAQ-SMALL:BNCN) BNC Bancorp's leverage ratio was 8.77%, up from 7.14% in the third quarter of 2008. In addition, the Company's Tier 1 risk-based capital and total risk-based capital ratios were 9.99% and 11.83%, respectively, up from 7.77% and 9.74%, respectively, at Sept. 30, 2008. These increases reflect the $31.3 million of capital invested by the U.S. Treasury on Dec. 5, 2008.

In December, the Board of Directors declared a $0.05 per share quarterly dividend, payable Feb. 20, 2009 to shareholders of record on Feb. 6, 2009. "While there are many companies reducing or eliminating dividends as a result of these challenging economic times, as a result of (NASDAQ-SMALL:BNCN) BNC Bancorp's capital strength and healthy balance sheet, we are pleased to be able to continue our cash dividend at the same annualized rate. The initiation of a quarterly cash dividend signals an ongoing confidence in our Company's long-term strategic plan and ability to generate sufficient capital to fund future dividends and growth opportunities," said W. Swope Montgomery Jr., President and CEO.

(NASDAQ-SMALL:BNCN) BNC Bancorp is the parent Company of (NASDAQ-SMALL:BNCN) Bank of North Carolina, a $1.57 billion commercial bank that provides a complete line of banking and financial services to individuals and businesses through full-service banking offices located in the cities of Thomasville, High Point, Salisbury, Greensboro, Archdale, Lexington, Kernersville, Harrisburg, Welcome and Oak Ridge, North Carolina. In addition, the Bank operates limited service banking offices in Winston-Salem and Mooresville, North Carolina. (NASDAQ-SMALL:BNCN) Bank of North Carolina is insured by the FDIC and is an equal housing lender. (NASDAQ-SMALL:BNCN) BNC Bancorp's stock is quoted in the Nasdaq Capital Market under the symbol "BNCN."

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written and oral forward-looking statements within the meaning of certain securities laws, including in this press release, in other filings with the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications. These forward-looking statements include, among others, statements with respect to our objectives for 2008 and beyond, and the medium and long terms strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the strength of the North Carolina economy and real estate markets in general and the strength of the local economies and real estate markets within North Carolina in which we conduct operations; the strength of the United States economy; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Board of Governors of the Federal Reserve System in the United States; judicial decisions; the effects of competition in the markets in which we operate; inflation; the timely development and introduction of new products and services in receptive markets; the impact of changes in the laws and regulations regulating financial services (including banking, insurance and securities); changes in tax laws; technological changes; our ability to complete strategic acquisitions and to integrate acquisitions; judicial or regulatory proceedings; changes in consumer spending and saving habits; the possible impact on our businesses of international conflicts and other developments including those relating to the war on terrorism; and our anticipation of and success in managing the risks implicated by the foregoing.

TARP Funds in NC to Help Out the Homebuilder Community

BY BRAD FINKELSTEIN

NEW YORK—It is not only the large players that are disclosing how they plan to spend their Troubled Asset Relief Program funds. A trio of North Carolina-based institutions have tied their spending of the government money to programs to help out the homebuilder community.

Citizens South Bank, Gastonia, N.C., said it will use all of its $20.5 million in TARP money to create a 30-year residential loan program with a starting interest rate of 3.5% in an effort to stimulate its local housing market.

The loan program has a maximum rate of 5.5% and waives closing costs.

The program will bring together builders and developers, who are Citizens South customers and have extra housing stock or residential lots ready for sale, with consumers who are looking for the best possible mortgage rate. Participating builders and developers will agree to pay the closing costs on the mortgages as a form of assistance to qualified homebuyers.

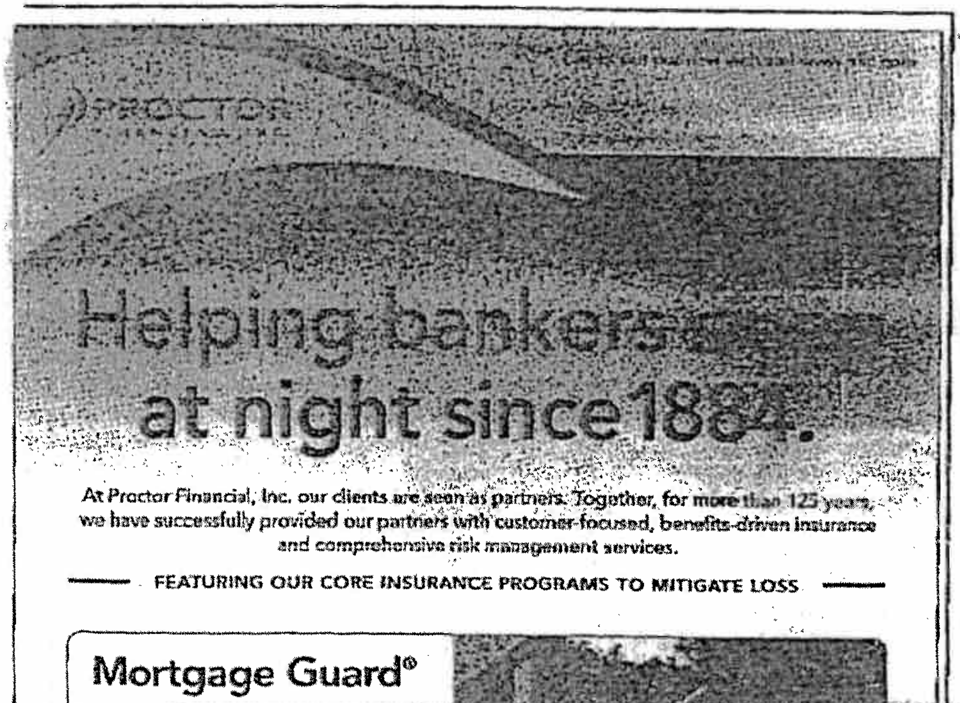
The start rate of 3.5% is set for the first 24 months; then the loan adjusts to the 5.5% rate. Applicants will be qualified at the 5.5% rate. Citizens South will hold the loans in portfolio.

BNC Bancorp, Thomasville, N.C., received $31.3 million in TARP funds. A portion of that money was used in the fourth quarter as part of the funding to purchase $315 million in government agency mortgage-backed securities.

It has also made a commitment of $100 million for its Builder Participation Program, where consumers can purchase from the residential housing inventory listed on its website which BNC is providing construction loan funding.

At the Bank of Oak Ridge (N.C.), Ron Black, chief executive, said its Community Loan Investment Program uses the TARP funds to provide financing on specific homes and lots in the Triad area.

"Without this special financing and incentives, these homes and lots would most likely sit vacant. This program allows homebuyers the opportunity to move forward with getting their dream home. This, in turn, allows homebuilders to put people to work and get a return on their investment," Mr. Black said.



Homebuilder Bankruptcies Rising

BY JENNIFER HARMON

NEW YORK—Based on a review of the 33 U.S. homebuilders with more than $10 million in revenue, nearly 30% are in financial distress and in danger of filing for bankruptcy, according to an analysis by Grant Thornton Corporate Advisory and Restructuring Services.

"It's striking when you see just how much cash flow has continued to decline for the better builders," said John Bittner, partner at Grant Thornton.

better negotiation position with the lender."

According to Grant Thornton principal Tim Skillman, Southern California and Florida are key markets to watch for evidence of a national turnaround.

"We won't begin to see a recovery until these regions bottom out," he said. "The indicator will not be the quantity of sales, but the median price of homes sold."

ATTN: Rick Callicatt

BNC Bancorp
Compensation Committee Meeting
March 3, 2009

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BNC BANCORP
COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS

March 3, 2009

b(4)