

Press Release

Source: BNC Bancorp

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

THOMASVILLE, N.C., / -- 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.

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 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

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 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.

BNC Bancorp is the parent Company of 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. Bank of North Carolina is insured by the FDIC and is an equal housing lender. BNC Bancorp's stock is quoted in the Nasdaq Capital Market under the symbol "BNCN."

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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.