



***Corporate Governance Policy for
BNC Bancorp and subsidiary
Bank of North Carolina***

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Accountability: Board of Directors*

Mission Statement

The primary goal of BNC Bancorp (“BNC”) Board of Directors is to maximize shareholder value over the long term. This should be achieved by creating superior quality and value for BNC shareholders and the Bank of North Carolina (the “Bank”) customers, employees, suppliers, and the communities in which the Bank operates or is located – by focusing on perpetuating a successful business and by optimizing financial returns. The Board is responsible for ensuring that management’s processes, policies and decisions further this goal.

A strong Board of Directors that is able to exercise independent judgment is the critical element of corporate accountability.

Article I **Board of Directors**

1.1 General Guidelines for Board Members

- Every director owes a duty of loyalty to BNC and the Bank and is expected to act in the best interest of the BNC shareholders as a whole.
- Directors should determine policy and direct and oversee management’s implementation of Board policies.
- Directors should not attempt to micro-manage issues or problems that are the responsibility of the officers of BNC and the Bank.
- Directors should be prepared for meetings and management will strive to deliver materials in advance of meetings.
- Directors are expected to assist the officers and management of the Bank in developing new business, but must be careful not to create undue pressure on bank officers to accommodate any particular individual or business.
- Directors must keep all board and committee information about BNC, the Bank and the Bank’s customers confidential at all times.
- Each director should use his/her best efforts to avoid conflicts of interest. When a director finds himself/ herself in a potential conflict of interest, his/her responsibility is to (1) formally inform the Board of the conflict and, (2) disqualify himself/herself from discussing or voting on that item.

- If a director is involved in situations that harm the reputation of BNC or the Bank, he/she should voluntarily resign from the Board. These situations include, but are not limited to, personal bankruptcy, public indictments, or unethical practices and/or behavior.

1.2 Size of Board; Mix of Inside and Outside Directors

Subject to BNC and the Bank's Articles of Incorporation and By-Laws, the Board will fix, from time to time, by resolution, the number of directors constituting the Board, guided by the recommendations of the Nominating and Corporate Governance Committee.

The Board believes that as a matter of policy there should be a significant majority of independent outside directors on the Board, and no more than two inside directors. The Board is willing to have members of management (officers of BNC or the Bank), in addition to the chief executive officer, as directors. However, Board membership is not necessary or a prerequisite to any higher management position in BNC or the Bank.

1.3 Nomination of Directors; Diversity

Nominees for director will be selected on the basis of outstanding achievement in their personal careers, integrity, relevant experience, understanding of the business environment generally and the banking and related businesses of BNC and the Bank specifically, and willingness to devote adequate time to Board duties. The Board is committed to diversified membership. The Board will not discriminate on the basis of race, color, national origin, gender, religion or disability in selecting nominees.

1.4 Independence of Outside Directors

An independent director is one who is free of any relationship (other than the ownership of BNC stock) that could interfere with or compromise the exercise of independent judgment. When determining the independence of outside directors the Nominating and Corporate Governance Committee shall consider the definition of "Independence" in Section 301 of the Sarbanes-Oxley Act of 2002, and any rules or regulations promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002. As a matter of policy, neither BNC nor the Bank will enter into significant commercial loan or lease relationships with directors or companies or other entities controlled by directors, where the independence of an outside director could be compromised.

In general, an "independent" director is one who:

- Has not received during the current year or any of the three preceding years, remuneration, other than de minimis remuneration, as a result of services as an advisor, consultant or legal counsel to BNC or the Bank or any member of senior management or was a significant customer or supplier of BNC or the Bank;
- Has no personal service contract with BNC or the Bank or a member of senior management;

- Is not employed by a company where an executive officer of BNC is a director;
- Has not had a business relationship required to be disclosed under Securities and Exchange Commission regulations other than for service as a director or for which no more than de minimis remuneration was received in any one year;
- Is not affiliated with a not-for-profit entity that receives significant contributions from BNC or the Bank;
- Has not had any of the relationships described above with an affiliate of BNC or the Bank;
- Is not a member of the immediate family of any person described above.

1.5 Retirement Age

As required by the Bylaws of both BNC and the Bank, Board members shall resign at 70 years of age.

1.6 Selection of Chairman and Vice Chairman of the Board

The Nominating and Corporate Governance Committee shall recommend to the full Board of Directors for election by the full Board, its nominees for a chairman and vice-chairman. A term limitation of three to five years for the chairman of the Board of Directors is recommended and desirable.

1.7 Board Access to Senior Management

While directors shall have unrestricted, full and complete access to senior management, it is expected that directors will use appropriate discretion to ensure that such contact is not distracting to the business operation of BNC and the Bank.

Article II **Committees of the Board**

2.1 Number of Committees

BNC's current standing committees are: Audit, Compensation, Executive and Nominating and Corporate Governance.

The Bank's current standing committees are: Asset Liability and Loan. There will, from time to time, be occasions on which either Board may want to form a new committee or dissolve a current committee depending upon circumstances. Committee membership on the Audit, Compensation, Nominating and Corporate Governance Committees must consist only of outside "independent" directors. The number of directors serving on each committee, shall be at the discretion of the Boards of BNC and the Bank so as to be effective and efficient.

2.2 Audit Committee

Members. This committee is composed of not less than three members, appointed annually by the Board upon recommendation from the Nominating and Corporate Governance Committee, all of whom are independent directors. All members shall be able to read and understand fundamental financial statements, including BNC's and the Bank's balance sheet, income statement and cash flow statement, and, to the extent available, at least one member shall have accounting or related financial management expertise.

Functions.

- Responsible for the appointment, compensation, retention, termination and provide oversight of any registered public accounting firm employed by the Company for the purpose of preparing or issuing an audit report or related work.
- Pre-approve any permitted non-audit services to be provided by the Company's auditor.
- Meet at least semiannually with BNC's and the Bank's registered public accountants to review and discuss the scope and estimated cost of the annual audit program and the results of the auditors' work, including reports, management letters and the accountant's review of BNC's and the Bank's accounting procedures and internal controls.
- Serve as a channel of communication between the Boards and the registered public accountants and resolve disagreements between management and the accountants regarding financial reporting.
- Meet periodically with the chief executive officer and the chief financial officer to review internal audit organization, adequacy of resources committed to the function, the adequacy of the system of internal control, procedures, programs and results of activities.
- Review as appropriate changes in accounting standards or rules; any unusual accrual or reserve having a material effect; adequacy of tax reserves; outstanding litigation and related reserves for exposure.
- Review on a continuing basis the administration of BNC's and the Bank's regulatory compliance program and the chief financial officer's code of ethics.
- Require the registered public accountants to provide a written statement of all relationships between the accountants and BNC and the Bank consistent with Independence Standards Board Standard No. 1.
- Review and reassess the adequacy of the Audit Committee Charter annually.
- Report the Charter, Charter amendments, and activities of the Audit Committee in BNC's proxy statement as appropriate.
- In addition to its specific audit functions, satisfy itself generally that the accounting practices and internal control systems throughout BNC and the Bank are adequate to assure reliable and informative financial reporting, to safeguard corporate assets, to assure compliance with the laws and regulations to which BNC and the Bank are subject and to ensure adherence to a high standard of business conduct.

2.3 Compensation Committee

The following principles govern all compensation paid by BNC and/or the Bank to directors, officers and employees:

- Compensation arrangements shall emphasize pay for performance and encourage retention of those employees who enhance BNC's and the Bank's performance;
- Compensation arrangements shall promote ownership of BNC's stock to align the interests of management and stockholders;
- Compensation arrangements shall maintain an appropriate balance between base salary and long-term and annual incentive compensation;
- In approving compensation, the recent compensation history of the senior officer, including special or unusual compensation payments, shall be taken into consideration;
- Any cash incentive compensation plans for senior officers which may be adopted by the Board shall link pay to achievement of financial goals set in advance by the Compensation Committee;
- The Compensation Committee shall set annual and long-term performance goals for the senior officers and evaluate such officer's performance against such goals and the performance of the BNC's peer companies; and
- While the Chief Executive Officer may meet with the Compensation Committee to provide input on senior officers, the Compensation Committee shall meet at least once a year in executive session, without the chief executive officer.

2.4 Executive Committee

The Executive Committees of the BNC Board and the Bank Board will be comprised of those members designated by each respective Board. The chief executive officer and, if a different person, the chairman shall be members of the Executive Committee. The Executive Committee shall have all the powers and duties of the Board, except as limited by law, and shall function, in its discretion, between Board meetings and while the Board is not in session. The Executive Committee is responsible for implementing the policy decisions of the Board.

2.5 Nominating and Corporate Governance Committee

Members. The BNC Nominating and Corporate Governance Committee consists of not less than three members, appointed annually by the Board, all of whom are independent directors.

Functions.

- In consultation with the chairman of the board and chief executive officer, the Nominating and Corporate Governance Committee will make recommendations to the Board concerning the size and needs of the Boards.
- In consultation with the chairman of the board and chief executive officer, the Committee will consider candidates to nominate to fill vacant Board positions. Candidates will be selected for their character, judgment, business experience, time commitment and acumen. Final approval shall be determined by the full Board.

- The invitation to a potential new director to stand for election to either the BNC or the Bank Board should be extended by the respective chairman of the Board, the respective chief executive officer and the chairman of the Nominating and Corporate Governance Committee on behalf of the entire Board of Directors.
- In consultation with the chairman of the board and chief executive officer, the Committee will be responsible for the periodic review and interpretation of the corporate governance policies and guidelines, as well as consideration of other corporate governance issues that, from time to time, merit consideration by the entire Board.
- After consultation with the chairman, chief executive officer, and with consideration of the desires of individual Board members, the Committee shall recommend assignments to the various standing committees to the full Board for its appointment. The Committee will consider rotating committee appointments periodically in order to give directors broad exposure to various aspects of the business of BNC and the Bank. The Committee will consider policies relating to the Board and directors, including committee structure and size, share ownership and retirement and resignation.
- The Committee will nominate annually a slate of senior officers for Board consideration and approval.
- The Nominating and Corporate Governance Committee is responsible for reviewing with the Boards on an annual basis the appropriate skills and characteristics required of Board members in the context of the current make-up of each Board. This assessment should include issues of diversity, age, and skills (such as understanding of and experience with manufacturing technologies, financial analysis, human resources, and international background, etc.), all in the context of an assessment of perceived needs of each Board at that point in time.
- Annually, the Nominating and Corporate Governance Committee shall conduct an assessment of each Board's performance. Such assessment shall include an evaluation by each director of the Board's performance, effectiveness and personal dynamics. In addition, each director shall self-evaluate his or her individual performance and effectiveness as a Board member and will personally review such evaluation with the chairman.
- The Nominating and Corporate Governance Committee shall report periodically to the Boards on the status of compensation of BNC's and the Bank's directors in relation to other comparable community banks and holding companies. Changes in compensation and benefits, if any, should come at the suggestion of the Committee, but with full discussion and concurrence by the Board.

2.6 Frequency and Length of Committee Meetings

Chairpersons of each committee, in consultation with committee members and appropriate members of senior management, will determine the frequency and length of meetings.

2.7 Committee Agenda

The chairperson of each committee, in consultation with the appropriate members of management, will prepare the committee's agenda for each meeting.

Article III

Board of Directors' Meetings

3.1 Selection of Agenda Items for Board Meetings

The chairman of the board and/or the chief executive officer will establish the agenda for each meeting of the Board of Directors. Board members are expected to recommend agenda items as they deem necessary and appropriate.

3.2 Executive Sessions

As necessary, each Board, at its discretion, will call executive sessions which only "outside" directors will attend. Generally, a specific topic that is the responsibility of one of the Board committees would be the reason for such a session, and in such circumstance, the chairperson of that committee will chair such an executive session.

Formal deliberations and/or votes concerning the business and affairs BNC and/or the Bank, including without limitation the election of officers, will occur only during regular or special meetings of the Board, and not at executive sessions.

3.3 *Board Materials Distributed in Advance*

Information, documentation and data that are important to the Board's understanding of the business to be conducted should be distributed in writing to the directors before the Board meetings. Management will endeavor to provide on a timely basis material that is concise, informative and clear.

3.4 *Presentations*

Background materials for presentations on specific subjects should be sent to the directors sufficiently in advance so that directors have the opportunity to review the materials. Discussion time during the meetings shall be focused on questions or issues that the directors have about the material. Each director is charged with coming to meetings sufficiently prepared to discuss agenda items in an efficient manner. On those occasions, when the subject matter is too sensitive to provide in writing prior to the meeting, the presentation will be openly discussed at the Board meeting. When there is no prior distribution of a presentation on a sensitive subject, the chairman may elect to contact each director by telephone in advance of the meeting to discuss the subject and the principal issue the Board needs to consider.

3.5 Strategic Planning

The Boards will hold an annual strategic planning session, with the timing and agenda to be determined by the chairman of the Bank Strategic Planning Committee with concurrence of the Boards. During this session long-term initiatives and goals should be considered and discussed.

3.6 Regular Attendance of Non-Directors at Board Meetings; Meeting of Outside Directors

Non-directors who are executive officers of BNC and the Bank and general counsel or special legal counsel may attend Board meetings as necessary and appropriate upon invitation of the chairman and/or chief executive officer.

Should the chairman and/or the chief executive officer want others to attend Board meetings on a regular basis, it is expected that this suggestion would be made to the Board for its concurrence. Each director's attendance at Board meetings and appropriate respective committee meetings is expected and required except for valid excuses. Directors of BNC and the Bank missing more than 25% of the scheduled board meetings during a year will submit a personal plan to the chairman of the board and Nominating and Corporate Governance Committee chairman to resolve the attendance problem.

Article IV **Board of Directors and Committees' Policies**

4.1 Succession Planning

The Board of Directors shall establish a Succession Plan to address a planned or unplanned temporary or short term absence.

4.2 Management and Board Development

The chief executive officer shall annually report to the Board of Directors, after first conferring with the Chairman and Nominating and Corporate Governance Committee on management and board development.

4.3 Board Interaction with Institutional Investors, the Press, Customers and Other Third Parties

The Board believes that the chief executive officer speaks for BNC and the Bank. Individual directors may, from time to time, communicate with BNC's and the Bank's constituencies. However, it is expected that directors would do this with the knowledge of, and in most instances, at the request of the chief executive officer. Generally, directors should refer investors, market professionals and the media to the chief executive officer or another individual designated by BNC or the Bank.

4.4 Equity Ownership by Directors

Each member of the Board of Directors is required to own at least 1000 shares of BNC stock within one year of his/her election.

4.5 Whistleblower Protection

The Board will ensure that BNC and the Bank have in place (i) procedures to enable employees confidentially to provide information to supervisors, the U.S. government or Congress regarding conduct the employee reasonably believes violates the U.S. securities or anti-fraud laws and (ii) adequate personnel policies to protect employees against retaliatory discharge or other adverse employment action for providing such information.