

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

BNC Bancorp

Point of Contact:	David B. Spencer, CFO	RSSD: (For Bank Holding Companies)	1908082
UST Sequence Number:	128	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	31,260,000	FDIC Certificate Number: (For Depository Institutions)	33527
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	December 05, 2008	City:	High Point
Date Repaid ¹ :	N/A	State:	North Carolina

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) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI 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/CDCI investment was deployed or how many CPP/CDCI 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/CDCI 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/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

BNC has been able to continue to lend to the communities we serve due to the added capital from the CPP program. We continue to grow our loan portfolio since receiving CPP capital. Our allowance for loan losses, as a percentage of non covered loans, increased to 2.07% at 12/31/2010.

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 have concentrated our efforts in the areas of commercial real estate, small business and residential mortgages.

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Increase securities purchased (ABS, MBS, etc.).

Make other investments.

See comments below relating to actions taken by our bank - our investment in the growth of our franchise.

Increase reserves for non-performing assets.

Through the income generated from the prior year strategy plan and as a result of our FDIC acquisition, were able to increase our reserves to cover non-performing assets. Our loan loss reserve increased from 1.60% to 2.07% for loans not covered under loss-share agreements.

Reduce borrowings.

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Increase charge-offs.

During 2010, we had the ability to recognize greater impairments, and work with borrowers at values that represent market conditions today. Our net charge-offs increased from \$11.7 million in 2009 to \$18.9 million in 2010.

Purchase another financial institution or purchase assets from another financial institution.

See comments below relating to actions taken by our bank. In addition, we purchased \$33 million of seasoned single family residential mortgage loans from another financial institution.

Held as non-leveraged increase to total capital.

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

From the CPP capital infusion, we avoided the ability of not being able to lend to the communities we serve. Our infusion, coupled with our leverage strategy as previously reported in 2009 submittal, generated enough revenue for us to be able to lend to our customers and meet the needs of our communities. As we had increases in our provision and credit expenses, the CPP funds had allowed us to participate in the below mentioned FDIC acquisition and capital raise, which generated enough revenue to grow the franchise, increase our provision, lend to our customers, and we avoided reporting an operating loss for 2010. The CPP funds was the base and foundation for our continued growth and continued lending. Without having the initial capital we could not continue to grow loans or our franchise, as our the communities we serve continued to experience significant economic weaknesses.

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

With the added CPP capital, we had the ability to participate in a FDIC assisted transaction, which was the most cost effective resolution for the FDIC, thus saving BIF funds. We have also continued our investment in: Infrastructure - expanding our branch network from 17 full service banking offices to 23 Technology - conversion of legacy bank and acquired bank to a new core system Staffing - increasing our staff, from 249 employees to 358 employees Capital raise - completed a \$35 million capital raise We are also supporting our Builder Participation Program, which was introduced early in 2009 as a result of the CPP capital infusion. This program prevented many of our builders who were experiencing continued deterioration in financial health, a hope and incentive to continue to survive during these challenging times. This program provided access to much needed funding to support building in our market areas. As referenced above, the CPP funds has allowed our franchise to increase in investments of people, facilities and technology over the past few years. This in turn has allowed us to quickly integrate a major FDIC-assisted acquisition and produce organic growth in both loans and deposits in excess of 10% for 2010.

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

See above actions taken.