

# 2007



s u m m a r y **annual report**

smart growth  
2007

**TABLE OF CONTENTS**

|  |       |
|--|-------|
| FINANCIAL HIGHLIGHTS                                 | 2     |
| TO OUR SHAREHOLDERS                                  | 3-5   |
| RELATIONSHIPS: THE KEY<br>TO SMART GROWTH            | 6-9   |
| STRENGTH DURING TOUGH TIMES                          | 10-15 |
| GROOME FULTON: SMART LESSONS<br>FROM A STRONG LEADER | 16-17 |
| SMART EXPANSION                                      | 18-19 |
| BOARD OF DIRECTORS<br>AND SENIOR OFFICERS            | 20    |
| PROFESSIONAL ADVISORS<br>AND AGENTS                  | 21    |
| BANKING LOCATIONS                                    | 21    |

AT BANK OF NORTH CAROLINA, OUR MISSION IS TO PROVIDE THE BEST BANKING EXPERIENCE

POSSIBLE BY ANTICIPATING YOUR NEEDS, AND EXCEEDING YOUR EXPECTATIONS WHILE ASSISTING YOU

IN ACHIEVING YOUR SHORT-TERM AND LONG-TERM FINANCIAL GOALS. WE ARE COMMITTED TO

PROVIDING A CHALLENGING AND REWARDING WORK ENVIRONMENT FOR OUR EMPLOYEES, WHILE

MAINTAINING SOLID FINANCIAL STRENGTH TO ENSURE SUPERIOR RETURNS FOR OUR SHAREHOLDERS.



**Smart Growth.**

**The Tradition  
Continues**

Prepared for  
upward growth  
in a challenging  
market

# Financial Highlights

(\$ in thousands, except per share data)

|   | <b>YEAR ENDED DECEMBER 31</b> |                |           |          |
|---|-------------------------------|----------------|-----------|----------|
|   | 2007                          | 2006           | \$ Change | % Change |
| <b>STATEMENTS OF OPERATIONS</b>               |                               |                |           |          |
| Total interest income                         | \$73,670                      | \$53,211       | \$20,459  | 38.4%    |
| Total interest expense                        | 41,265                        | 26,481         | 14,784    | 55.8     |
| Net interest income                           | 32,405                        | 26,730         | 5,675     | 21.2     |
| Provision for loan losses                     | 3,090                         | 2,655          | 435       | 16.4     |
| Net interest income after provision           | 29,315                        | 24,075         | 5,240     | 21.8     |
| Noninterest income                            | 5,249                         | 3,821          | 1,428     | 37.4     |
| Noninterest expense                           | 24,068                        | 19,110         | 4,958     | 25.9     |
| Income before income taxes                    | 10,496                        | 8,786          | 1,710     | 19.5     |
| Provision for income taxes                    | 3,058                         | 2,616          | 442       | 16.9     |
| Net income                                    | <u>\$7,438</u>                | <u>\$6,170</u> | \$1,268   | 20.6     |
| <b>PER SHARE DATA</b>                         |                               |                |           |          |
| Earnings per share - basic                    | \$1.08                        | \$1.09         | \$-0.01   | -0.9%    |
| Earnings per share - diluted                  | 1.05                          | 1.04           | 0.01      | 1.0      |
| Cash dividends paid                           | 0.18                          | 0.15           | 0.03      | 20.0     |
| Tangible book value                           | 8.30                          | 6.92           | 1.38      | 19.9     |
| Closing market price                          | 16.91                         | 18.58          | -1.67     | -9.0     |
| <b>BALANCE SHEET DATA</b>                     |                               |                |           |          |
| Total assets                                  | \$1,130,112                   | \$951,731      | \$178,381 | 18.7%    |
| Loans   | 932,562                       | 774,664        | 157,898   | 20.4     |
| Allowance for loan losses                     | 11,784                        | 10,400         | 1,384     | 13.3     |
| Goodwill                                      | 26,129                        | 26,129         | -         | -        |
| Deposits                                      | 855,130                       | 786,777        | 68,353    | 8.7      |
| Borrowings and trust preferred securities     | 182,641                       | 86,386         | 96,255    | 111.4    |
| Shareholders' equity                          | 86,392                        | 72,523         | 13,869    | 19.1     |
| <b>KEY RATIOS</b>                             |                               |                |           |          |
| Return on average assets                      | 0.71%                         | 0.82%          |           |          |
| Return on average tangible equity             | 15.58%                        | 18.20%         |           |          |
| Efficiency ratio, non-FTE                     | 63.92%                        | 62.55%         |           |          |
| Allowance for loan losses to period-end loans | 1.26%                         | 1.34%          |           |          |
| Nonperforming assets to total assets          | 0.54%                         | 0.24%          |           |          |
| Net loan charge-offs to average loans         | 0.20%                         | 0.20%          |           |          |
| Equity to assets ratio                        | 7.64%                         | 7.62%          |           |          |
| Tangible equity to assets ratio               | 5.28%                         | 4.77%          |           |          |

## FORWARD LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company and the Bank. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management of the Company and on the information available to management at the time that these disclosures were prepared. These statements can be identified by the use of words like "expect," "anticipate," "estimate" and "believe," variations of these words and other similar expressions. Readers should not place undue reliance on forward-looking statements as a number of important factors could cause actual results to differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, (1) competition in the Bank's markets, (2) changes in the interest rate environment, (3) general national, regional or local economic conditions may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and the possible impairment of collectibility of loans, (4) legislative or regulatory changes, including changes in accounting standards, (5) significant changes in the federal and state legal and regulatory environment and tax laws, (6) the impact of changes in monetary and fiscal policies, laws, rules and regulations and (7) other risks and factors identified in the Company's other filings with the SEC. The Company undertakes no obligation to update any forward-looking statements.

# 07

## To Our Shareholders

Since our inception, Bank of North Carolina has been telling you about “smart growth” – growth that has been deliberate, well planned, and prudently executed. Our philosophy has been successful in helping our Bank mature into a strong, effective, and respected financial institution. While 2007 was a year of challenges for all of the banking industry, it has been a year in which we have watched our deep roots weather challenging times on both the national and local level.

Not only did we meet the challenges of 2007, we continued to successfully execute our

strategic plan to be one of the most respected and financially stable companies in our industry. Our Chief Financial Officer, David Spencer, will supply the details in this report as he explains Bank of North Carolina’s results for 2007, not only compared to years’ past but also to our industry peers. Any bank can perform well during strong financial times but only the best banks can succeed during the tough times. In retrospect, the current banking climate ultimately will prove to be a tool by which all of us measure the success not only of 2007 but of our banking philosophy in general.



W. Swope Montgomery, Jr.  
President & CEO

smart growth  
2007

## Expansion and Execution

The year 2007 was a year of cultivation and maturing for Bank of North Carolina. While we made no new acquisitions, we did grow by entering new markets while further developing our current markets.

We opened a branch with limited services in Mooresville, further entrenching ourselves into the Charlotte metropolitan market. During 2008 we are confident our team will have opportunities to expand in that area as we continually research and evaluate this attractive new market. New bankers were added in all of our markets during 2007, providing momentum that will carry well into the next several years as our Chief Operating Officer, Rick Callicutt, will discuss in this report.

We are especially proud of our new Administrative Office in High Point which opened in 2007. This facility consolidates all of our leadership into one building and also gives us an excellent space for training and communications; areas that will be vital to our long-term success.

Much of what we did in 2007 laid the foundation for our current operations. This year we expect to

## Prepared for the future – whatever it may hold.

open a new office in North High Point. Our Northern Davidson County branch will move into its new building late in 2008 or by early 2009. And because geographic diversification is so important, you can rest assured that we are continually looking at new opportunities that will undoubtedly come to fruition in 2009 and beyond.

### A Performance Company

At Bank of North Carolina we really are a performance company. When we look at our earnings per share our mission is clear: We want to maximize the long-term returns to our shareholders. To do that we have consistently



W. Swope Montgomery, Jr. and W. Groome Fulton, Jr.

followed our tried-and-true model of smart growth, all the while evaluating each component and modifying areas where it's necessary to adapt to the changing economy. Our ability to adapt to changing economic, interest rate, and regulatory environments has been a key to maintaining the level of success our shareholders have grown to expect.

The impact of our ongoing plan of smart growth cannot be underestimated because we have invested in quality people, innovative technology, and a commitment to service. The growth of our franchise has been robust resulting in our

company surpassing the \$1 billion mark in total assets during 2007. As the "News & Record" of Greensboro observed in a June 2007 business article "...The bank has surpassed \$1 billion in assets, a milestone that ranks it among the top 15 commercial banks based in a state known for its fertile - and competitive - banking environment."

### **Strength for Challenging Times**

Bank of North Carolina held its own through the turbulence of 2007 because of the priority we have always placed on hiring the best people. The strength for our challenging times is - and always will be - our employees and our shareholders. Our hiring philosophy is simple.... we only settle for "A" players as Rick Callicutt will explain as he spotlights some of our top performing areas for 2007. The difficult part is the commitment and time necessary to execute such a strategy. Because we have made the commitment to surround ourselves with strong players, our whole organization is strong. Our roots run deep; our foundation is solid.

One of the most significant factors supporting our strong employee base is our teamwork philosophy. Our management team coaches each

person in the organization on how his or her role affects Bank of North Carolina's success. Whether it's a teller smiling and calling customers by name, a proof operator processing checks correctly, or a loan officer being flexible and responsive to a customer's request, happy satisfied customers who feel valued lead to a healthy organization for our shareholders.

One of our keys is sharing information with all of our employees. When our employees know exactly what they are supposed to do and how important their role is, the level of personal accountability increases dramatically. These concepts align our employees with our shareholders by fostering changes in behaviors that drive bottom-line results. We celebrated our stakeholder philosophy in the fall with a company-wide meeting held, ironically, on a bank holiday.

We are also most assuredly blessed by the excellent leadership of our directors. Directors who planted the first seeds of this organization and who have carefully nurtured our growth. Directors who wisely defined the concept of smart growth that we have so carefully followed.

It was Bank of North Carolina's privilege to honor one of our founding directors in January 2008 by announcing the formation of the Ann and Groome Fulton Scholarship Fund at High Point University. The scholarship will award \$5,000 annually to each of four students in the Earl N. Phillips School of Business. We have committed to fund the scholarship for 30 years. That's leadership by example in the strongest sense of the phrase.

### **Prepared for the Future**

It is precarious to make predictions for the banking industry, especially given the climate today. What we know is we must embrace change and then continue to shape our strategy to produce consistent results. While we all eagerly anticipate stabilization of the economy, we at Bank of North Carolina understand our direction. Stay the course. While challenging, 2007 proved to us that Bank of North Carolina is prepared for the future - whatever it may hold.

**W. Swope Montgomery, Jr.**  
President & CEO



# relationships

## The Key to Smart Growth

A strong commitment to our customers and a dedication to developing deep relationships with them are key building blocks for Bank of North Carolina's success. We take pride in the fact that our customer relationships are managed more at the local level than at the global level – a managerial decision that sets Bank of North Carolina apart from its competitors.

The key to our customer care starts with our senior banking executives. They are the people who build the individual relationships with our customers and set an example for others to follow. When our customers understand our

commitment to them, they know exactly where to go if there's a bump in the road. They know their own personal senior banking executive is there to give honest – and immediate – feedback.

A customer's business is not just a transaction for us. It is personal.

While our senior banking executives are as different as the communities they serve, they do have important characteristics in common. They each have a strong entrepreneurial sense and that is why we do our best to give these executives freedom to take their talents and





flourish. Highly self-motivated, they each manage their markets as if it is their personal business.

Our senior banking executives' ability to attract great customers and manage very independently has been paramount to Bank of North Carolina's success.

### **Continued Smart Growth**

Given the talent in our regional and branch offices, we focused much of our energy in 2007 on nurturing our existing locations and deepening our roots in the communities we serve.

In 2007 we acquired property on Old US Highway 52 for a permanent facility for our North Davidson office. Construction is set to begin in 2009.

Likewise in High Point, we began construction on our facility in the rapidly growing northern sector of town. That office, which is located at the intersection of Highway 68 and Penny Road, is scheduled for completion in late summer 2008.

In Harrisburg we opened our permanent office in September 2007, enabling us to expand the array of full-service banking products being offered to



this growing community. Just a half-hour north we opened a loan production office in Mooresville in the fall of 2007, which is scheduled to be a full-service facility by the end of the second quarter. Both the Harrisburg and Mooresville offices represent our growing presence in the Charlotte metropolitan market. Likewise in the coming years we will look closely at opportunities to nurture and increase Bank of North Carolina's presence in the Interstate 77, Interstate 85, and Interstate 40 corridors as well.

Senior banking executives (Left to right)

Allen Pike, Greensboro

Mark Lewis, Salisbury

John Bencini, High Point

Meanwhile, in Greensboro we continue to enhance our presence there. Our 2006 acquisition of SterlingSouth Bank & Trust provided Bank of North Carolina with three locations in the Gate City, a base on which we plan to expand.

In 2007, we opened Bank of North Carolina's new Administrative Office at 1226 Eastchester Drive in High Point. This facility allowed us to relocate all of our executive officers from valuable space in our banking offices to a facility devoted to support and managerial functions. The two-story, 15,000-square-foot building conveniently places our leadership, accounting, compliance, human resources, marketing, and training in one location. Centrally located within 30 minutes of any location in the Triad, this facility is already proving invaluable as we use it as a base for coaching employees.

## Credit Quality

Bank of North Carolina's Credit Division has played a vital role in our ability to weather the current housing-related economic downturn. Led by Senior Credit Officer Tom Nelson, who joined Bank of North Carolina as the result of our acquisition of SterlingSouth Bank & Trust, our Credit Division has been tested and challenged like no other time in our Company's existence. We are proud of the dedication, teamwork, and pro-active attention to our portfolio spearheaded by Tom and his team. Our Company has clearly benefited from Tom's experience and knowledge in this area, as well as the steady-calm-under-pressure he

garnered while serving as a helicopter pilot in the U.S. Marine Corps. Tom represents our continued commitment to add depth, quality, and experienced decision makers to our credit department.



Tom Nelson

With Tom's senior leadership and his ability to hit the ground running with even greater focus, we have enhanced our cohesive approach to quality lending oversight.

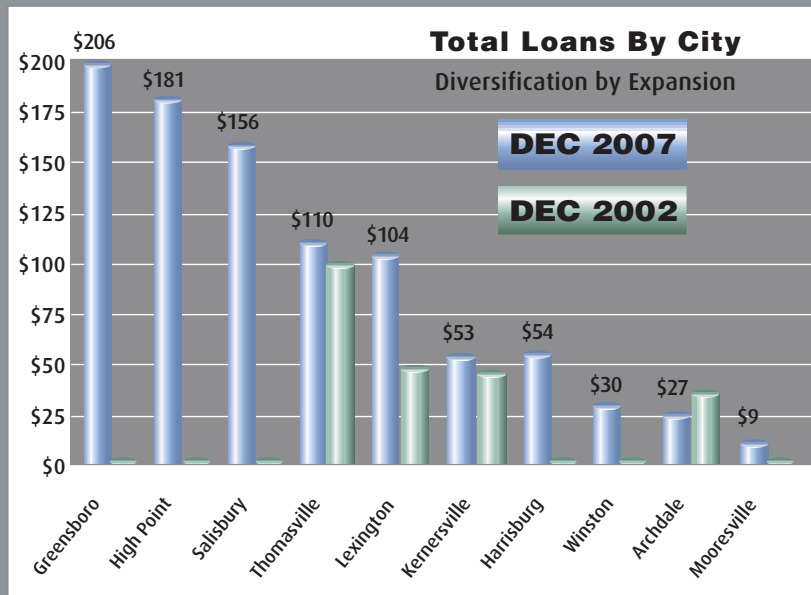


Credit Division (left to right): Link Ward, Larry Brown, Mike Thomas, and Daren Fuller.

That is essential when you are presented with the credit challenges that all banks are going through today.

As we have said since Bank of North Carolina began operation in 1991, when you go out and hire the best employees, you get the best customers.

We have also found that once you have hired the best employees, it is essential to give them the information they need to be active members of a winning team. In 2007 we celebrated our employees at a company-wide team meeting called "Investing in You 2007." Held on Columbus Day at High Point Country Club, over 220 employees shared in the day-long team-building experience.



# Investing in You 2007

**ADMIT ONE**  
**BMC Entertainment**  
**GENERAL ADMISSION**  
**Presents**

**Investing In You 2007**  
**Bank of North Carolina**  
**Annual Employee Meeting**

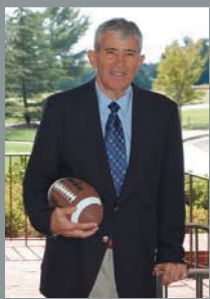
High Point Country Club  
800 Country Club Drive HP, NC

**Monday, October 8, 2007**  
**Check-In 9:00 AM**

No. 001 Preclass



“It was a day to celebrate our accomplishments and a time to directly hear from our leaders,” said Sales and Resource Development officer Alisha Boger.



Renown Thomasville High School Football Coach Allen Brown served as the motivational speaker for the day. The three-time state champion coach shared his leadership expertise with the Bank’s management, further expanding our company-wide commitment to being a great team with sound coaching philosophies. Coach Brown then turned his focus to the rest of the Bank employees, inspiring them

with a pep talk about their individual and collective roles as members of a winning team.

The Company-wide meeting also devoted time to team-building skills that allowed employees from all banking divisions and departments to work together, sharing ideas and energy. The day concluded with a candid, informative, and empowering question-and-answer session with our four member executive team fielding questions for over an hour. It was an excellent opportunity to bring everyone from every Bank of North Carolina location together to exchange information and ideas. And the end result – a clearer sense of purpose and a unity of mission and spirit. “We all understand that the difference between Bank of North Carolina and any other

bank is the people,” Alisha explains. “When you walk into our bank, we want you to have the feeling that you’re coming home – that we feel like a family to you. Working together at the company-wide meeting enables us all to work with that purpose in mind.”

Needless to say, planning for “Investing in You 2008” has already begun.

Richard D. Callicutt, II  
Executive Vice President  
& Chief Operating Officer

# strength

## During Tough Times

What happens when investors, employees, and even our customers ask the question, "What impact did the sub-prime and related housing downturn have on Bank of North Carolina?" While it was tempting to change our mortgage underwriting standards to participate in the fee income windfall being generated by companies that were ignoring traditional approval requirements, the experienced leadership within our department said this would be a mistake long-term. They were correct, and because of the depth of decision-makers in this area, we avoided the losses in the sub-prime sector. Another example of how our efforts to find and retain the

best people in each area - and then give them the voice to influence direction - pay great dividends. Our look at the financial results for 2007 illustrates that while we continue to post strong growth rates, it's stability, especially during a very challenging banking environment, which continues to be a cornerstone of our Company.

Which companies have done the best job of preparing and have the depth to manage during tough times and come out on the other end stronger because of these challenges? Companies with the strongest foundations. Bank of North Carolina is built on a solid foundation of quality.



## Quality values and quality employees.

In addition to stability we pride ourselves on customer convenience and service. Banking, like almost every business today, thrives on technology. At Bank of North Carolina we have embraced technological advances with a firm resolve: We will be 'high tech' only when we are able to match that service with 'high touch' support for our customers.

When we initiated Online Banking in 2003, we opened a vast array of opportunities and conveniences for our customers. Online Banking delivered an entirely new aspect of service for our individual customers- suddenly customers could handle many of their transactions 24 hours a day, seven days a week, all from the convenience of a personal computer.

For our commercial customers, the impact of Business Online Banking with Cash Management and Remote Deposit Capture was even greater. While these choices add a new dimension of convenience and access for our customers, we don't believe they should have to sacrifice service. While other Banks may direct ship equipment and

utilize customer service centers in other countries, our dedication to a superior customer experience is evident in our personal high touch approach to electronic banking.

We know the best way to accomplish this is to put our people behind our products. That's why we always send a member of our support team to commercial customers utilizing our Remote Deposit Capture or Cash Management Services. With this personal level of service, we ensure



Ginny Smith

our customers feel comfortable and proficient with the products, and know they have a friend in the support area they can call for questions.

This dynamic support team – the Electronic Banking Group led by Senior Operations Officer, Ginny Smith is composed of: Robin Brown, Diane Anderson, Tammy Fausnett, Jennifer Frost, Debbie Poland and Jawn Scott.

Located in Thomasville, members of the Electronic Banking Group are available to go onsite with our commercial banking customers to insure their



Electronic Banking (left to right): Debbie Poland, Jennifer Frost, Robin Brown, Jawn Scott, Diane Anderson, and Tammy Fausnett.

experience is a positive one. At some banks customers never see the online banking support staff, but with Bank of North Carolina, our employees come to you, whether you are in Archdale or Arkansas.

"Our philosophy is to go above and beyond to exceed expectations. Our support team members have years of banking experience in customer service. The commitment to providing the same exceptional service through our electronic banking services as customers would expect in a branch environment is what sets us apart from our competition."

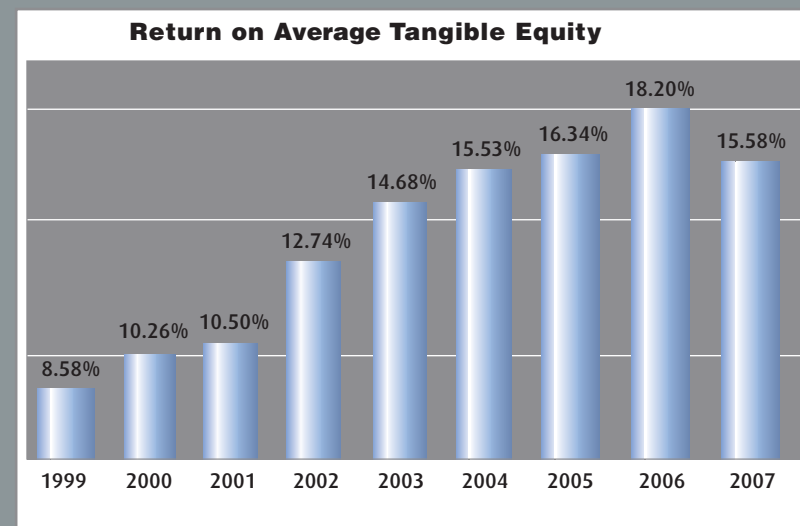
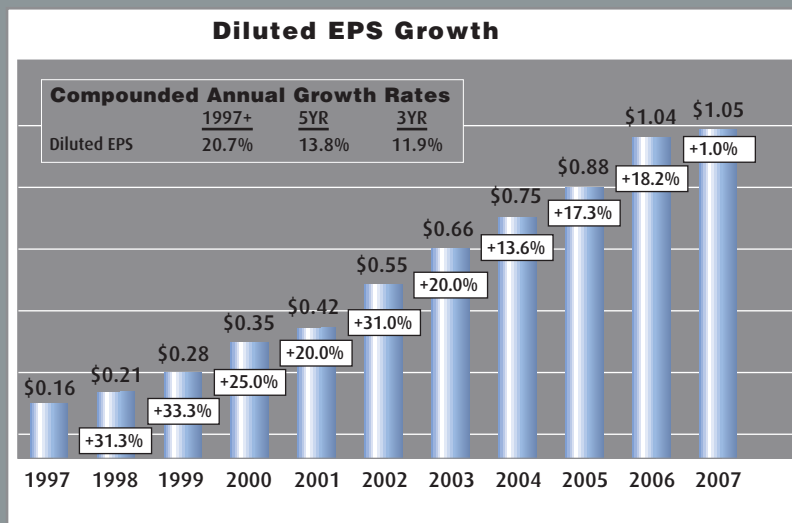
"Bank of North Carolina takes pride in providing current technological solutions; however above all as financial service partners with our customers, we are dedicated to provide a secure product and a level of service that customers have come to expect."

## The Financial Year in Review

For the year ending December 31, 2007, Bank of North Carolina's net income increased 20.6 percent to \$7.4 million from the \$6.2 million we recorded in 2006. Diluted earnings per share increased to \$1.05 in 2007, a 1.0 percent increase from that of 2006 when diluted earnings per share were \$1.04. The return on tangible equity for 2007 was 15.58 percent.

Our total assets as of December 31, 2007, were \$1.13 billion, an increase of 18.5 percent compared to the \$952 million on December 31, 2006. Total loans on December 31, 2007, were \$933 million, an increase of 20.4 percent from the \$775 million reported as of December 31, 2006. Deposits increased 8.7 percent over the same one-year period.

Our financial results for 2007 have to be reviewed with the total market in mind. Bank of North Carolina in particular and the industry in general faced many challenges in 2007: an industrywide compression in margins, a downturn in housing-related credit quality, and a further increase in regulatory burdens. Yet even with these



challenges in mind, we still grew and improved our core company in 2007. Though our results cannot compare with our historic earnings growth metrics, we are pleased that we are able to report a year of stability and soundness in the face of industry turmoil.

### **Challenges & Opportunities**

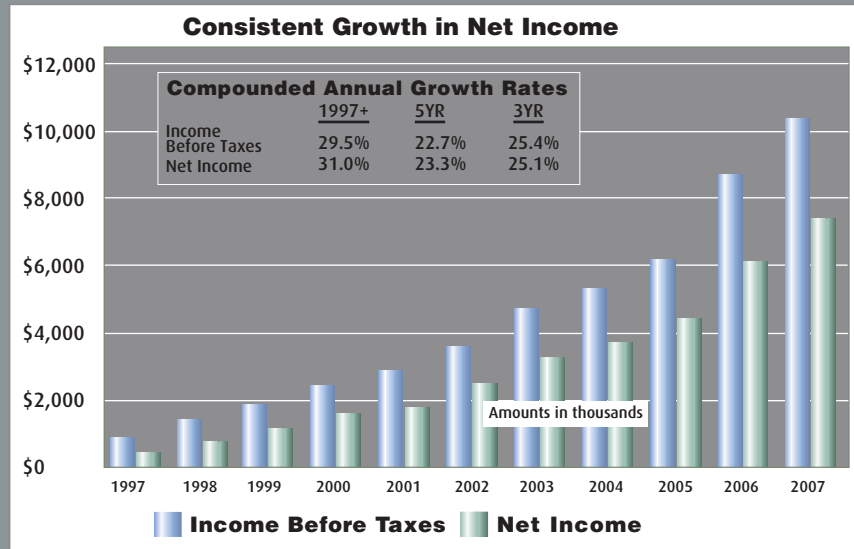
A number of factors contributed to our financial results for 2007, some attributable to macro-economic and industry conditions, while others related to management's initiatives to build infrastructure to support and fuel our growing company. Challenges faced in 2007 make us doubly proud of our stability, our growth, and our progress toward the Company's overall goals:

**Interest Rate Impact:** Throughout much of 2007 a flat yield curve and recent Federal Reserve rate cuts have challenged Bank of North Carolina with a shrinking net interest margin, which will likely continue into the first half of 2008. However, we expect our margin to rebound during the second half of 2008 as low short-term rates and a steeper yield curve provide a much more favorable environment for margin expansion.

**Asset Quality:** We are fortunate to operate in one of the most stable real estate markets in the Southeast. However, we continuously and prudently evaluate our policies, procedures, and portfolio mix. We realize we are in the risk business and while current conditions have heightened risk within our industry, we are

embracing and fortifying the resources within our company to better manage this risk.

**Maintaining Credit Quality:** During a year in which the credit industry suffered many setbacks and during which Bank of North Carolina raised its already strong focus on credit quality, net charge-offs were 0.20 percent, on par with the 0.20 percent for 2006. The level of non-performing assets increased to 0.54 percent at year end compared to 0.26 percent a year earlier. After taking sufficient write-downs on these assets, we were pleased that the higher level of non-performing assets did not result in significantly higher net charge-offs for the year.



## Managing BNC for the Future

As we look back on 2007 and forward to the future, we are convinced that our investment in seasoned, experienced decision makers in all facets of our organization has - and will continue to - separate us from our competition. We continue to expand our product delivery options while retaining our personal touch; we continue to grow our Company prudently and judiciously during tough economic cycles; and we continue to expand our brand of banking into new and exciting markets. All this is possible because of the commitment to finding and hiring the best in all areas of our Company. As Rick Callicutt

discussed, this commitment takes time and energy. During good times this commitment goes unnoticed because it is much easier to be successful in good times. It's the difficult times when this investment in people shows up and pays dividends. In 2007 our employees proved their mettle. As we turn our sights to the future, we are excited that we have the right team for these challenging economic times.

Bank of North Carolina's 17 years in operation have proven that we have a solid foundation, one that can flourish in the good economic times and,

perhaps more importantly, one that can withstand the pressures of challenging economic environments.

I ask you again. Who can manage that risk the best when the risk is magnified? The companies with great people working together for a common goal. That's Bank of North Carolina.

**David B. Spencer**  
**Executive Vice President**  
**& Chief Financial Officer**



### Stock Dividend History

10% in 2007  
 25% in 2005  
 10% in 2003  
 25% in 2000  
 25% in 1999  
 25% in 1998  
 25% in 1997  
 10% in 1996  
 25% in 1995

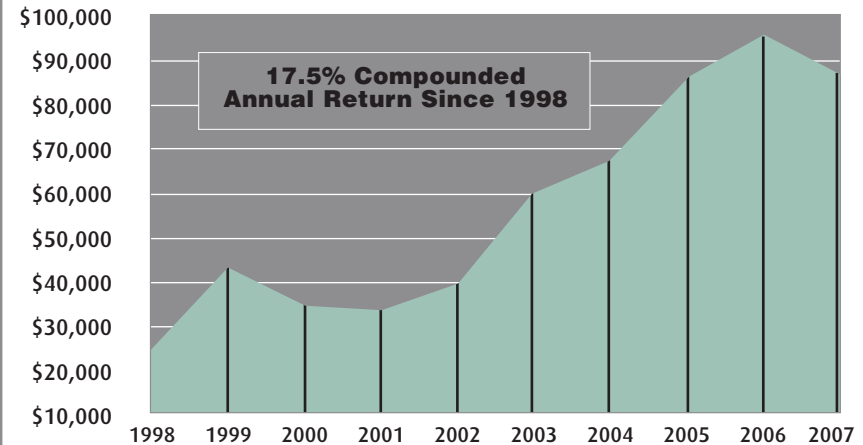
1,000 shares  
 in January 1995  
 equals  
 5,078 shares  
 at December 31, 2007

### Cash Dividend History

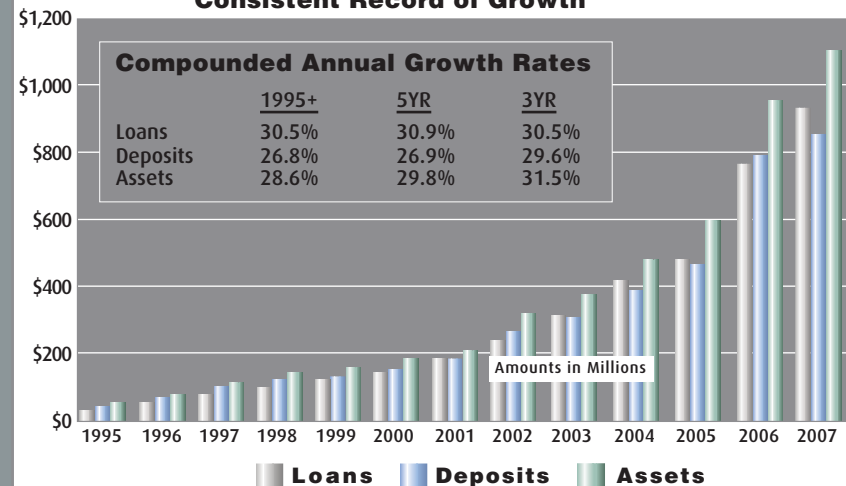
\$0.200 Annual Dividend: Q1 2008  
 \$0.180 Annual Dividend: Q1 2007  
 \$0.145 Annual Dividend: Q1 2006  
 \$0.116 Annual Dividend: Q1 2005  
 \$0.102 Annual Dividend: Q1 2004  
 \$0.078 Annual Dividend: Q1 2003

(All amounts are split adjusted)

### Growth of Investment in BNCN



### Consistent Record of Growth



# groome fulton

## smart lessons from a strong leader

A principal shareholder of Bank of North Carolina and Chairman of the Board of Directors, Groome Fulton knows the importance of a bank's involvement in a community. Under Groome's leadership, the Bank of North Carolina has grown into a force of goodwill and involvement in Thomasville, High Point, and all the communities in the Bank's service area.

"We had discussions early on about the role of our Bank as a corporate citizen," Fulton explained. "If you look at our city executives, you'll see that each of them has been actively involved in the community – they've led United Way campaigns, chaired boards of community organizations...."



07 "Everything good that happens in a community – if you look closely, you'll find a bank involved."

Fulton was here from day one, raising capital for the Bank, making sure that every “i” was dotted and every “t” crossed. His influence is borne out daily in the Bank’s corporate philosophy.

“We carefully developed, in our employees, a sense of ownership. All of us – shareholders and employees alike – are stakeholders in the Bank.”

“Everybody must pull together. Throughout the year, Swope, Rick, Ralph and David meet with employees in coaching sessions outlining the Bank’s goals and performance targets.

“We have successfully matched people with tasks throughout the Bank,” Fulton said. “I’m convinced we’ve got the best people available in this organization.”

The Bank of North Carolina honored Groome Fulton in early 2008 by establishing the Ann and Groome Fulton Scholarship Fund at High Point University. In their 47 years of marriage, the Fultons have made community service a priority.

“The Fultons have always demonstrated their support of young people and education through sustained giving,” explained Bank of North Carolina President and CEO Swope Montgomery.

“It is a privilege to establish a scholarship in the Fulton’s honor. How fitting that we will be nurturing future business leaders in the name of a family that has played such a vital role in Bank of North Carolina’s success.”

The Ann and Groome Fulton Scholarship Fund will award \$5,000 to one student from each class at High Point University. The recipients must have either declared or intend to declare a major in one of the eligible departments of the university’s Earl N. Phillips School of Business: Accounting, Finance and Economics, and Management and Marketing. The scholarships are renewable each year, provided each recipient meets a pre-determined grade point average, remains in the business school, and demonstrates and maintains a clear social record.

The Bank has committed to continue the fund for 30 years for a total contribution of \$600,000. The first four scholarships will be awarded in the fall of 2008.

“This scholarship was a big surprise,” Fulton said. “We are pleased to be honored and grateful to be helping students attend The Phillips School of Business.”

In addition to their valuable contributions in High Point, Groome, a Guilford College alum, recently was honored with the Algernon Sydney Sullivan Award, given annually by Guilford College.

As Fulton likes to say, “Everything good that happens in a community – if you look closely, you’ll find a bank involved.”

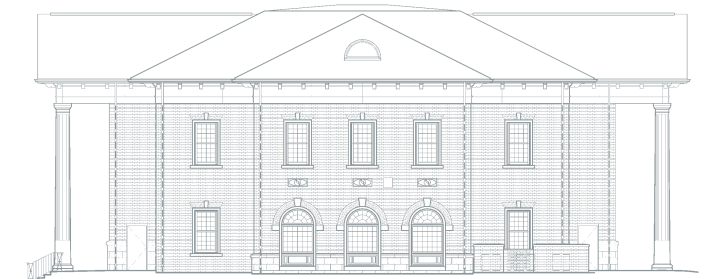
**W. Groome Fulton, Jr.**  
**Chairman of the Board**



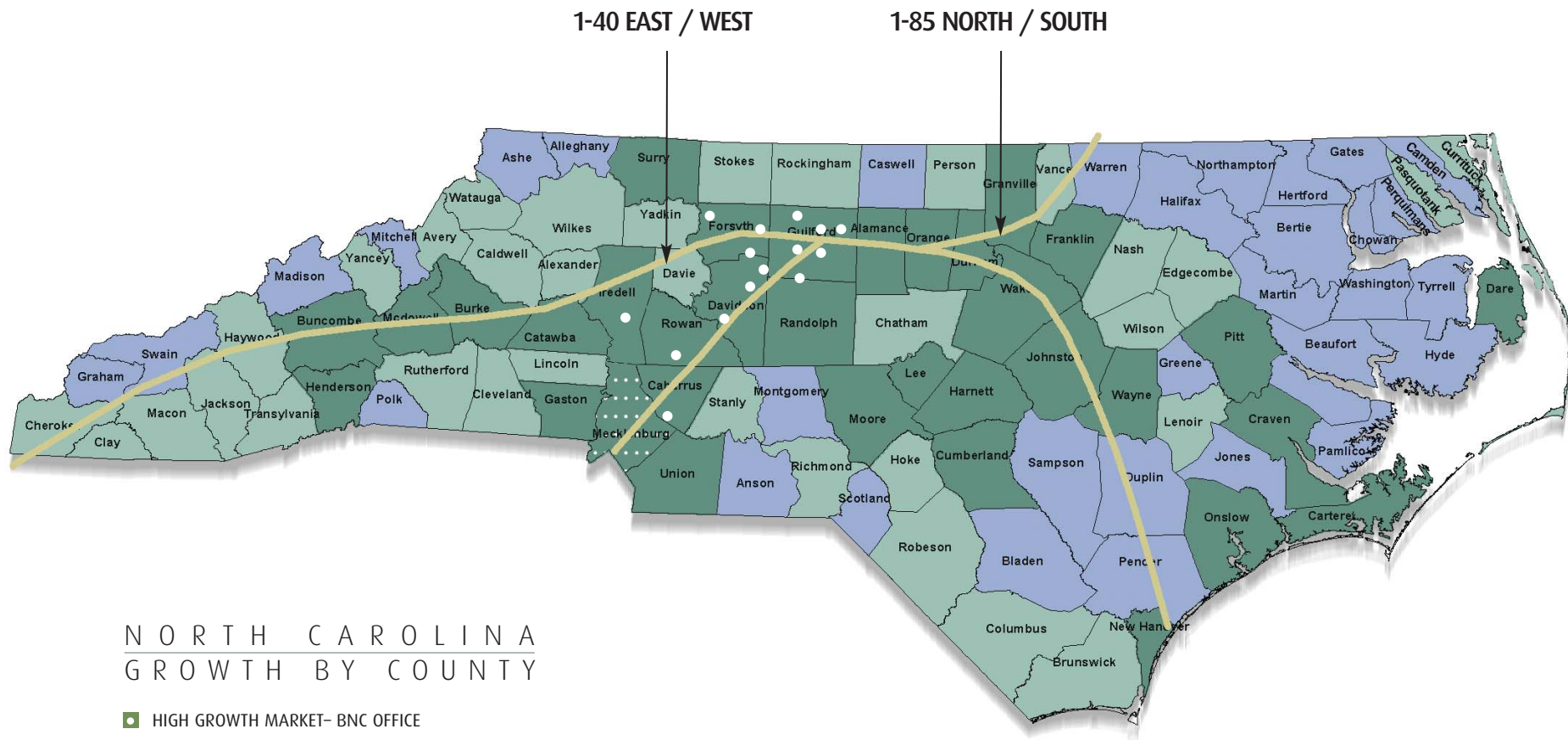
# smart expansion



Our expansion into Mooresville and North High Point was strategically positioned to increase market share in these rapidly growing communities.



North High Point construction progress as of April 2008.



## NORTH CAROLINA GROWTH BY COUNTY

- HIGH GROWTH MARKET- BNC OFFICE
- HIGH GROWTH MARKET- BNC LENDING AREA
- HIGH GROWTH MARKET
- MEDIUM GROWTH MARKET
- SLOW GROWTH MARKET

Information based on Market Scoring Analysis by Raymond James & Associates.

## Board of Directors

**W. Groome Fulton, Jr.**

Chairman of the Board  
 BNC Bancorp and Bank of North Carolina  
 Chairman of the Board, Fulton Associates, Inc.

**W. Swope Montgomery, Jr.**

President and Chief Executive Officer  
 BNC Bancorp and Bank of North Carolina

**Larry L. Callahan**

President/Owner Triad Land Surveying

**Richard D. Callicutt II**

Executive Vice President/Chief Operating Officer  
 BNC Bancorp and Bank of North Carolina

**Joseph M. Coltrane, Jr.**

Attorney at Law

**Charles T. Hagan III**

Attorney at Law

**Randall R. Kaplan**

Chief Executive Officer and Member, Capsule Group, LLC

**Lenin J. Peters, M.D.**

President, Bethany Medical Center

**Thomas R. Sloan**

Internal Consultant, Essilor Laboratories of America

**Thomas R. Smith, CPA**

President, Smith, Parsley & McWhorter, P.A.

**Colon E. Starrett**

Manager, Rex Oil Company

**Ralph N. Strayhorn III**

Executive Vice President/Chief Administrative Officer  
 BNC Bancorp and Bank of North Carolina

**Robert A. Team, Jr.**

President, Carolina Investment Properties, Inc.

**D. Vann Williford**

President, Atlantic Coast Toyotalift, Inc.

**Richard F. Wood**

Financial Advisor/Stock Broker, Wachovia Securities  
 Secretary, BNC Bancorp and Bank of North Carolina

**Bob M. Bureson**

Director Emeritus

**D. Kermit Cloniger**

Director Emeritus

**John J. Collett, Jr.**

Director Emeritus

**Lloyd M. Higgins, M.D.**

Director Emeritus.

**Carlyle A. Nance, Jr.**

Director Emeritus

## Senior Officers

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President & Chief Executive Officer

**Richard D. Callicutt II**

Executive Vice President &  
 Chief Operating Officer

**David B. Spencer**

Executive Vice President &  
 Chief Financial Officer

**Ralph N. Strayhorn III**

Executive Vice President &  
 Chief Administrative Officer

**Drema A. Michael**

Senior Vice President &  
 Assistant Secretary

**Bonnie M. Murdock**

Senior Vice President &  
 Assistant Secretary

**John M. Bencini**

Senior Vice President

**Jimmie K. Bowman**

Senior Vice President

**Larry W. Brown**

Senior Vice President

**Scott W. Davis**

Senior Vice President

**Michelle W. Ferguson**

Senior Vice President

**Daren C. Fuller**

Senior Vice President

**Heather L. Grossnickle**

Senior Vice President

**James J. Harris**

Senior Vice President

**Mark N. Lewis**

Senior Vice President

**Wayne F. Mabe**

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**William H. McMurray**

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Senior Vice President

**Alan D. Pike**

Senior Vice President

**Virginia M. Smith**

Senior Vice President

**W. Earl Snipes**

Senior Vice President

**Patricia M. Strickland**

Senior Vice President

**Michael L. Thomas**

Senior Vice President

**George C. Weaver**

Senior Vice President

## Professional Advisors & Agents

### Regulatory and Securities Counsel

Brooks, Pierce, McLendon, Humphrey and Leonard, LLP  
2000 Renaissance Plaza  
230 N. Elm Street  
Greensboro, NC 27420

### Independent Auditors

Cherry, Bekaert & Holland, LLP  
525 North Tryon Street – Suite 1800  
Charlotte, NC 28202

### Financial Regulatory Consultants and Internal Auditors

Dixon Hughes, PLLC  
2501 Blueridge Road, Suite 200  
Raleigh, NC 27607

### Stock Transfer Agent

Registrar & Transfer Company  
10 Commerce Drive  
Cranford, NJ 07016

### Stock Symbol

BNCN

### Market Makers

Sandler, O'Neill & Partners, LP  
Morgan Keegan & Company, Inc.  
Raymond James & Associates  
Howe Barnes Hofer & Arnett  
Scott & Stringfellow, Inc  
Monroe Securities, Inc.  
McKinnon & Company, Inc.  
Ryan Beck & Co.  
Wachovia Securities, Inc.

## Banking Locations

### Thomasville

831 Julian Avenue  
Thomasville, NC 27360  
Phone: 336 476-9200

1317 National Highway  
Thomasville, NC 27360  
Phone: 336 474-1100

### Archdale

113 Trindale Road  
Archdale, NC 27263  
Phone: 336 431-1200

### Greensboro

3202 Northline Avenue  
Greensboro, NC 27408  
Phone: 336 323-0700

1110 Dover Road  
Greensboro, NC 27408  
Phone: 336 333-3714

112 N. Elm Street  
Greensboro, NC 27401  
Phone: 336 378-7170

### Harrisburg

3890 Main Street  
Harrisburg, NC 28075  
Phone: 704 455-1070

### High Point

801 N. Elm Street  
High Point, NC 27262  
Phone: 336 887-9200

### Lexington

115 E. Center Street  
Lexington, NC 27292  
Phone: 336 224-2621

### Northern Davidson County

5744 Old US Hwy 52  
Lexington, NC 27295  
Phone: 336 731-8392

### Kernersville

211 Broad Street  
Kernersville, NC 27284  
Phone: 336 996-1776

### Oak Ridge

8000 Linville Road  
Oak Ridge, NC 27310  
Phone: 336 643-1776

### Salisbury

415 Jake Alexander Blvd. West  
Salisbury, NC 28147  
Phone: 704 633-3436

### Winston-Salem

1551 Westbrook Plaza Drive  
Suite 90, Greentree II Building  
Winston Salem, NC 27103  
Phone: 336 774-2944

### Mooresville - Loan Center

107 Kilson Drive, Suite 106  
Mooresville, NC 28117  
Phone: 704 662-3889

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INCLUDED IN THE MATERIAL IS FORM 10-K,  
BNC BANCORP ANNUAL REPORT WHICH HAS  
BEEN FILED WITH THE SECURITIES AND  
EXCHANGE COMMISSION AND IS BEING  
MAILED TO SHAREHOLDERS.



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