

FNB United Corp. Investment Summary

Transaction Summary

Cohesive Capital Partners, L.P. (“Cohesive”) is investing \$8.5 million in the common equity of FNB United Corp. (“FNB” or the “Company”) as part of FNB’s \$310 million recapitalization and simultaneous merger with Bank of Granite (“Granite”). New investors, led by affiliates of The Carlyle Group and Oak Hill Capital Partners who are each investing \$79 million (23.4% ownership), will own 91.9% of FNB’s equity post-closing. The entry price of \$0.16 per share represents a 1.02x Price / Adjusted Tangible Book Value and is inclusive of FNB’s existing equity value, the TARP & SunTrust sub-debt & preferred stock conversions (at 65%-75% discounts to face value), the acquisition of Granite, an allowance for anticipated loan losses and the benefits of a \$110 million deferred tax asset. FNB will be led by a high-quality, deeply experienced team of seven former Wachovia / First Union / Wells Fargo / Bank of America professionals who are highly knowledgeable of the North Carolina market.

Company Description

FNB is a publicly traded bank holding company (Nasdaq: FNBN) headquartered in Asheboro, North Carolina that operates as the parent for CommunityONE Bank, National Association (“CommOne”), a federally chartered bank. CommOne offers banking services, such as regular checking accounts, interest checking accounts, money market accounts, certificates of deposit, debit cards and loans for business, agricultural and personal use. FNB operates 45 depository branches, primarily in the central and western regions of North Carolina, and employs approximately 500 employees.

Bank of Granite Corporation is a publicly traded bank holding company (Nasdaq: GRAN) headquartered in Granite Falls, North Carolina that operates as the parent of Bank of Granite, a North-Carolina chartered state bank. Granite primarily operates as a community bank, taking demand / time deposits and making loans to individuals, associations, partnerships and corporations. Granite operates 20 depository branches, all in the western part of North Carolina, and employs approximately 195 employees.

Post-closing, consolidated FNB United will be the 2nd largest community banking franchise in North Carolina, with ~\$2.8 billion in assets, ~\$2.4 billion in deposits and 63 branches.

Investment Highlights

- *Attractive Valuation:* The entry price of 1.02x Price / Adjusted Tangible Book Value is very attractive for a stable, well-capitalized platform that is well-positioned for future growth
- *Excellent management team:* New management team consists of seven former Wachovia / First Union / Wells Fargo / Bank of America professionals highly knowledgeable of North Carolina market. Management has worked on-site at both banks since June 2010 resolving legacy portfolio credit issues
- *“Jockey” and “horse” match:* Both anchors (The Carlyle Group and Oak Hill Capital Partners) have extensive experience investing in and recapitalizing banks
- *Strong underlying market:* North Carolina has very strong wealth and population growth demographics
- *Scrubbed loan book:* New management has been addressing loan issues for ~18 months by building out the Special Assets Group, resolving impaired loans, updating old appraisals and selling OREO assets
- *Established franchise brands:* The CommOne and Bank of Granite brands date back more than 100 years and are synonymous with high quality customer service
- *Numerous acquisition targets:* Management has identified and initiated conversations with 38 “troubled” institutions in the Southeast region that would serve as attractive acquisition candidates. Consolidation is currently a key trend within community banking