

CPP ANNUAL USE OF CAPITAL SURVEY - 2013



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

CommunityOne Bancorp (formerly FNB United Corp.)

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| Person to be contacted regarding this report: | Beth DeSimone | RSSD: (For Bank Holding Companies) | 0001133473 |
| UST Sequence Number: | 706 | Holding Company Docket Number: (For Thrift Holding Companies) | |
| CPP/CDCI Funds Received: | 51,500,000 | FDIC Certificate Number: (For Depository Institutions) | |
| CPP/CDCI Funds Repaid to Date: | 0 | Credit Union Charter Number: (For Credit Unions) | |
| Date Funded (first funding): | Feb. 13, 2009 | City: | Charlotte (formerly Asheboro) |
| 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).

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| <input type="checkbox"/> | Increase lending or reduce lending less than otherwise would have occurred. | |
| <input type="checkbox"/> | 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.). | |
| <input type="checkbox"/> | Increase securities purchased (ABS, MBS, etc.). | |

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| <input type="checkbox"/> | Make other investments | |
| <input type="checkbox"/> | Increase reserves for non-performing assets | |
| <input type="checkbox"/> | Reduce borrowings | |
| <input type="checkbox"/> | Increase charge-offs | |
| <input type="checkbox"/> | Purchase another financial institution or purchase assets from another financial institution | |
| <input checked="" type="checkbox"/> | Held as non-leveraged increase to total capital | UST exchanged its preferred stock to common stock as part of a \$310 million private recapitalization of the Company, which allowed it to retain the CPP funds as nonlevered capital as a buffer to allow the recapitalized bank, headed by new management and board, to resolve problem assets. |

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

The Company was recapitalized in October 2011 with \$310 million in private capital. The willingness of the U.S. Treasury to exchange its Preferred Stock investment in the Company to a common stock investment having a value equal to the sum of (1) 25% of the \$51.5 million liquidation preference in the preferred stock plus (2) 100% of the accrued and unpaid dividends on the stock as of October 21, 2011 as part of this recapitalization prevented the failure of the Company and its bank, avoiding loss to the FDIC insurance fund of about \$500 million and preserving employment in local communities in NC. The recapitalization also included the appointment of a new management team and board of directors consisting of bankers who have extensive commercial banking, problem asset resolution and risk management experience. The new board and management have preserved the historic franchise of the Company and brought the bank back to doing business in its local communities.

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

As noted, the exchange by the UST of its Preferred Stock investment in the Company to a common stock investment upon the terms described above allowed the Company's \$310 million recapitalization to occur. Not only did the recapitalization prevent the failure of the Company and the Bank, it allowed the new management team and board to preserve the CPP funds as nonlevered increase to total capital and a buffer to problem assets. The Company thus had the capital to be able to aggressively work out its problem assets, preserve an historic bank franchise, and return the Bank to doing business in its communities. During 2013, nonperforming assets decreased by \$79.0 million or 55%, from \$142.6 million to \$63.6 million. Classified loans decreased by \$57.0 million or 37%, and OREO and property acquired in settlement of loans decreased \$34.7 million or 55%. Our nonperforming asset ratio declined from 6.6% as of December 31, 2012 to 3.2% as of December 31, 2013. In addition, the legacy enforcement actions on both the Company and the Bank were terminated. The Company returned to profitability in the second half of 2013, earning \$6.3 million, and the bank was profitable for the full year, with net income of \$0.3 million, and saw increases in both locally sourced commercial and mortgage loans.

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



According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.