



**ANNUAL USE OF CAPITAL SURVEY - 2009**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

Capital Bank Corporation

|   |                               |  |                |
|---|-------------------------------|--|----------------|
| Person to be contacted regarding this report: | David B. Therit, 919-645-6311 | RSSD:<br>(For Bank Holding Companies)                            | 2741156        |
| CPP Funds Received:                           | \$41,279,000                  | Holding Company Docket Number:<br>(For Thrift Holding Companies) | 20154          |
| CPP Funds Repaid to Date:                     | \$0                           | FDIC Certificate Number:<br>(For Depository Institutions)        | 34452          |
| Date Funded (first funding):                  | 12/12/2008                    | City:  | Raleigh        |
| Date Repaid <sup>1</sup> :                    |                               | State:   | North Carolina |

<sup>1</sup>If 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). To answer that question, Treasury is seeking responses that describe generally how the CPP 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 investment was deployed or how many CPP 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.*

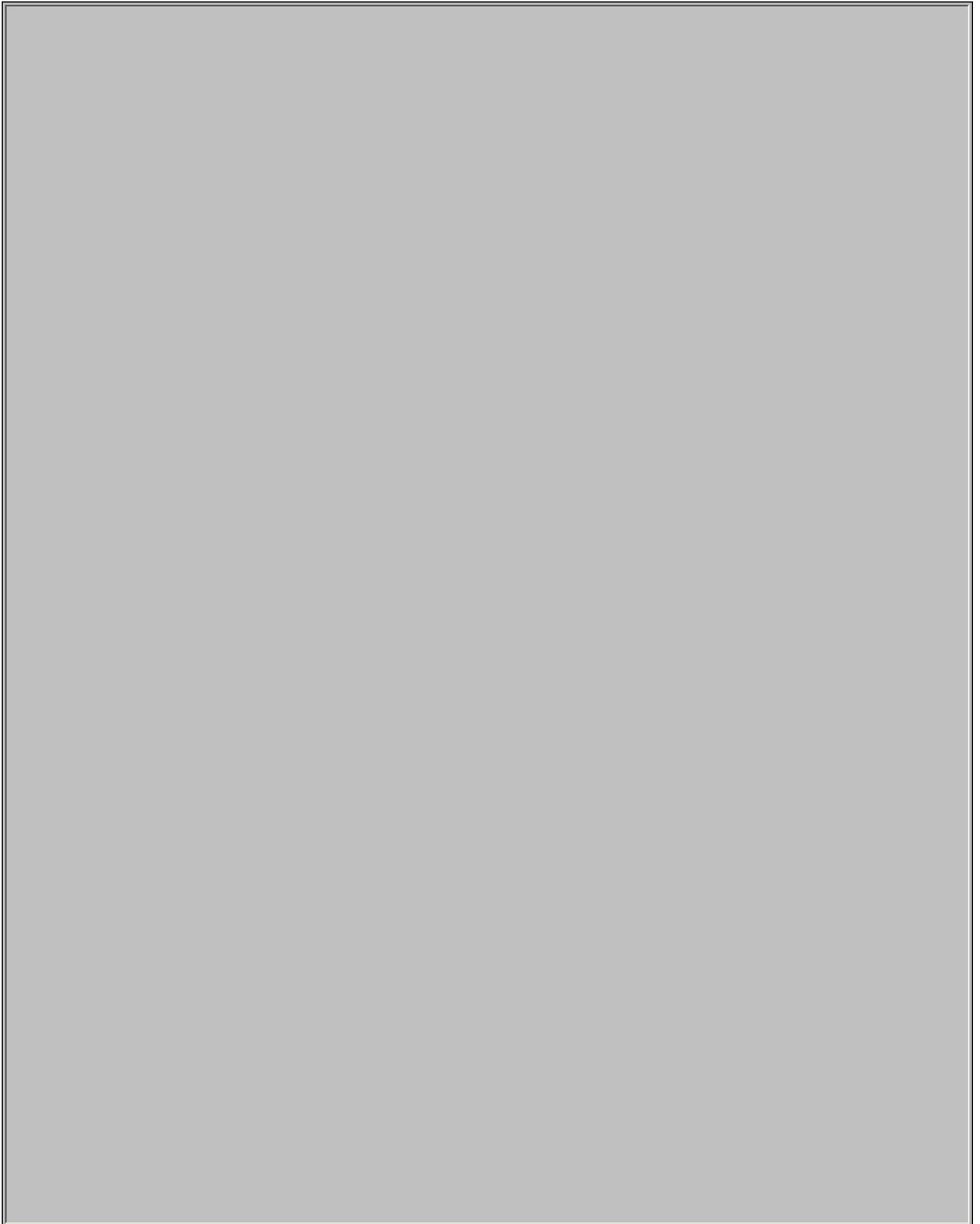
What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

|                                     |   |  |
|-------------------------------------|---|--|
| <input checked="" type="checkbox"/> | Increase lending or reduce lending less than otherwise would have occurred. | In 2009, we increased our gross loan balances by a total of \$135.9 million, or 10.8%. Since capital markets at the time were frozen and given our capital levels, we would not have been in a position to do any of this lending had we not accepted CPP capital. |
|-------------------------------------|---|--|

|  |  |
|--|--|
| <input checked="" 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.). | In 2009, we increased first lien residential mortgage loans by \$27.4 million, or 22.6%. We also increased commercial mortgages, secured by nonfarm nonresidential properties, by \$74.9 million, or 22.9%. Finally, multifamily loans were increased by \$20.6 million, or 90.1%. |
| <input type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).   |  |
| <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 type="checkbox"/> Held as non-leveraged increase to total capital  |  |

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

A large, empty rectangular box with a thin black border, intended for a response to the question above. The box is currently blank and occupies most of the page below the question.

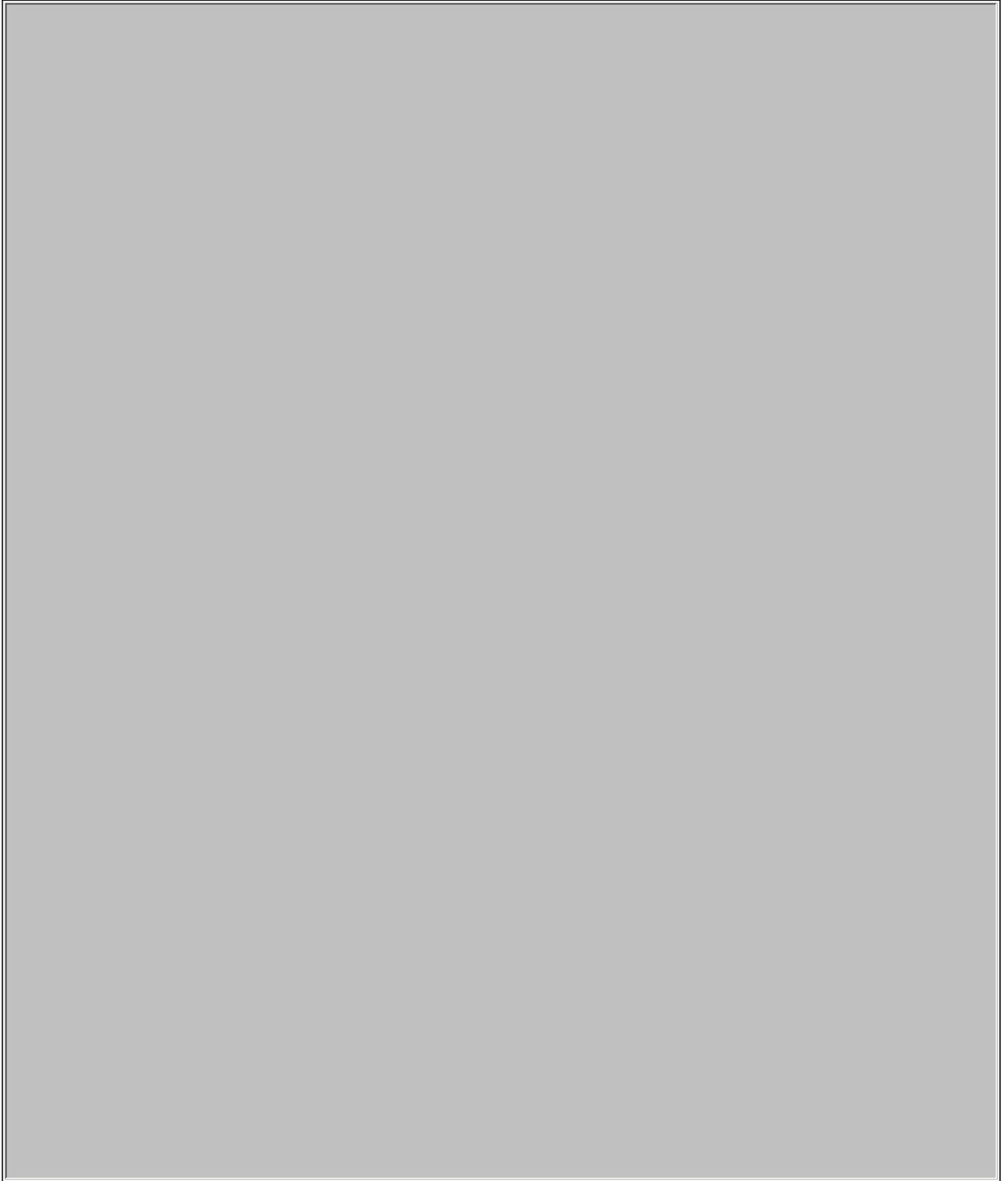
What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

As described above, we grew our loan portfolio by almost 11% in 2009. Given our capital position and the condition of the capital markets late in 2008 and throughout 2009, we would have either halted the growth of our portfolio or even shrunk our portfolio in 2009 without the benefit of CPP funds. Therefore, all of our 2009 loan growth can be attributed to the CPP capital. We accepted this capital with the intent of assisting our local markets and participating in the economic recovery in those markets.

One aspect of our 2009 loan growth was first lien residential mortgages. With the benefit of the CPP, we were able to introduce a Special Financing Program that provides low, fixed rate financing (3.95%) for qualified buyers of residential properties from certain builder/developer clients. This Program has assisted these clients, many of whom were significantly impacted by the housing market collapse, with selling homes and generating cash flow necessary to pay off their loans and continue operations. This Program has also provided low-cost, affordable financing for many qualified home buyers within the markets we serve. Through 12/31/2009, we had contracted to sell 82 homes with an aggregate loan balance of \$27.3 million under the Special Financing Program (though not all sales had closed prior to 12/31). We believe this Program has been extremely successful for our clients, the community, and Capital Bank. In 2010, we have also extended our Special Financing Program to include construction-perm. loans in addition to residential mortgages.

The following is an anecdote of how we have been able to use CPP funds to benefit the communities we serve: We recently extended \$3.2 million of credit in the form of term loans, part of which utilized a USDA guarantee, in addition to a \$750 thousand line of credit to a small manufacturing company within our footprint. This company previously had a line of credit with a large national bank that decided not to renew the credit at maturity. Our loans kept this company in business and saved 350+ jobs at the manufacturing facility. Without the CPP capital, we would have likely decided not to extend this credit because of the impact to our capital position.

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