

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between

FNB UNITED CORP.
Asheboro, North Carolina

and

FEDERAL RESERVE BANK OF
RICHMOND
Richmond, Virginia

Docket No. 10-199-WA/RB-HC

WHEREAS, FNB United Corp., Asheboro, North Carolina (“FNB”), a registered bank holding company, owns and controls CommunityOne Bank, N. A., Asheboro, North Carolina (the “Bank”), a national bank, and various nonbank subsidiaries;

WHEREAS, it is the common goal of FNB and the Federal Reserve Bank of Richmond (the “Reserve Bank”) to maintain the financial soundness of FNB so that FNB may serve as a source of strength to the Bank;

WHEREAS, FNB and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on October 21, 2010, the board of directors of FNB, at a duly constituted meeting, adopted a resolution authorizing and directing James M. Campbell, Jr. to enter into this Agreement on behalf of FNB, and consenting to compliance with each and every provision of this Agreement by FNB and its institution-affiliated parties, as defined in sections

3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”)
(12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, FNB and the Reserve Bank agree as follows:

Source of Strength

1. The board of directors of FNB shall take appropriate steps to fully utilize FNB’s financial and managerial resources, pursuant to section 225.4 (a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”)(12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the Office of the Comptroller of the Currency on July 22, 2010, and any other supervisory action taken by the Bank’s federal regulator.

Dividends and Distributions

2. (a) FNB shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the “Director”) of the Board of Governors.

(b) FNB shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) FNB and its nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on

subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on FNB's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses (the "ALLL"); and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, FNB must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

3. (a) FNB and any nonbank subsidiaries shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) FNB shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Capital Plan

4. Within 60 days of this Agreement, FNB shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at FNB on a consolidated basis. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding

Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D) and the applicable capital adequacy guidelines for the Bank issued by the Bank's federal regulator;

(b) the adequacy of the Bank's capital, taking into account the volume of classified credits, its risk profile, the adequacy of the allowance for loan and lease losses, current and projected asset growth, and projected earnings;

(c) the source and availability of additional funds necessary to fulfill the consolidated organization's and the Bank's future capital requirements on a timely basis;

(d) supervisory requests for additional capital at the Bank or the requirements of any supervisory action imposed on the Bank by its federal regulator; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors that FNB serve as a source of strength to the Bank.

5. FNB shall notify the Reserve Bank, in writing, no more than 30 days after the end of any quarter in which any of FNB's capital ratios fall below the approved plan's minimum ratios. Together with the notification, FNB shall submit an acceptable written plan that details the steps that FNB will take to increase FNB's capital ratios to or above the approved plan's minimums.

Cash Flow Projections

6. Within 30 days of this Agreement, FNB shall submit to the Reserve Bank a written statement of FNB's planned sources and uses of cash for operating expenses and other purposes ("Cash Flow Projection") for 2011. FNB shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2011 at least one month prior to the beginning of that calendar year.

Compliance with Laws and Regulations

7. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, FNB shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) FNB shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the FDIC's regulations (12 C.F.R. Part 359).

Progress Reports

8. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

Approval and Implementation of Plan

9. (a) FNB shall submit a written capital plan that is acceptable to the Reserve Bank within the applicable time period set forth in paragraph 4 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank, FNB shall adopt the approved capital plan. Upon adoption, FNB shall promptly implement the approved plan, and thereafter fully comply with it.

(c) During the term of this Agreement, the approved capital plan shall not be amended or rescinded without the prior written approval of the Reserve Bank.

Communications

10. All communications regarding this Agreement shall be sent to:
 - (a) Mr. A. Linwood Gill, III
Federal Reserve Bank of Richmond
P.O. Box 27622
Richmond, Virginia 23261-7622
 - (b) Mr. R. Larry Campbell
Interim President and CEO
FNB United Corp.
P.O. Box 1328
Asheboro, N.C. 27204

Miscellaneous

11. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to FNB to comply with any provision of this Agreement.

12. The provisions of this Agreement shall be binding upon FNB and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

13. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

14. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting FNB, the Bank, any nonbank subsidiary of FNB, or any of their current or former institution-affiliated parties and their successors and assigns.

15. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 21st day of October, 2010.

FNB UNITED CORP.

FEDERAL RESERVE BANK
OF RICHMOND

By: /s/ James M. Campbell, Jr.
James M. Campbell, Jr.
Chairman

By: /s/ A. Linwood Gill, III
A. Linwood Gill, III
Vice President