

For over 40 years, Matthews, Young – Management Consulting has provided strategic, compensation and executive search services to owners and/or executives of all types of organizations. Our practice is devoted to helping clients develop programs that direct the organization toward the consistent accomplishment of multi-period goals.

Consultants to Directors
and Management Since
1971

STRATEGIC PLANNING
SERVICE INFORMATION

THE STRATEGIC PLANNING MISSION

Our mission is to help clients create *realistic, actionable* strategic plans. Strategic Plans are founded on thoughtful drafting of issues, spirited debate and careful facilitation. A meaningful plan answers questions concerning what client organizations can do, what they want to do and what they are willing to do to achieve strategic goals. The plan is essentially the establishment of strategic objectives to achieve desired results in the future, and it enables the company to rationally choose among different courses of action.

MATTHEWS, YOUNG
MANAGEMENT
CONSULTING

A DIVISION OF
MATTHEWS, YOUNG
& ASSOCIATES, INC.

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OUR PHILOSOPHY

Our philosophy is built upon the following ideals:

- Each client is unique and there is no standard answer to an organization's needs.
- Strategic Planning issues are directly related to an organization's condition, culture and objectives.
- Solutions must be designed, implemented and internalized.
- We pursue results and work hard to ensure the client gets the sought after benefits.
- We keep the client informed throughout the consulting process to insure the client is never surprised.



TRADITIONAL BANK STRATEGIC PLANNING ISSUES THAT ARE KEY TO ACHIEVING VISION

- Attaining capital and funding for growth
- Maintaining strong asset quality
- Growing earnings
- Achieving higher Noninterest Income
- Gaining efficiencies
- Sustaining top ROA/ROE
- Improving stock values
- Positioning for Independence/Acquire/Become acquired
- Utilizing technology to expand channels
- Recruiting, motivating and retaining top talent
- Managing an increasing regulatory burden

STRATEGIC PLANNING: ART AND SCIENCE

Analyze your answers to the next several questions—if you cannot answer in the affirmative, and with conviction, your planning methodology might need a tune-up:

- What do you intend for your organization to look like in five years and what are you doing to get it there?
- Can you name the top three to five drivers of success in your industry over the next several years?
- Can you name the three greatest threats to your firm's success?
- Do you have consistently below industry average earnings and/or stable or declining market share? Who do you measure your company against?
- Do you constantly hear yourself saying or thinking “how did they do that?” in reference to a competitor, or “they did it to us again!”?

EFFECTIVE STRATEGIC LEADERSHIP



While banking in the 1990's needed, and, perhaps, required good leadership, we believe that successful bankers in this millennium will need to be creative, innovative leaders. Such leaders have the ability to develop, sell and cultivate a creative idea to actual implementation. Our planning process attempts to help in developing creative leadership styles.

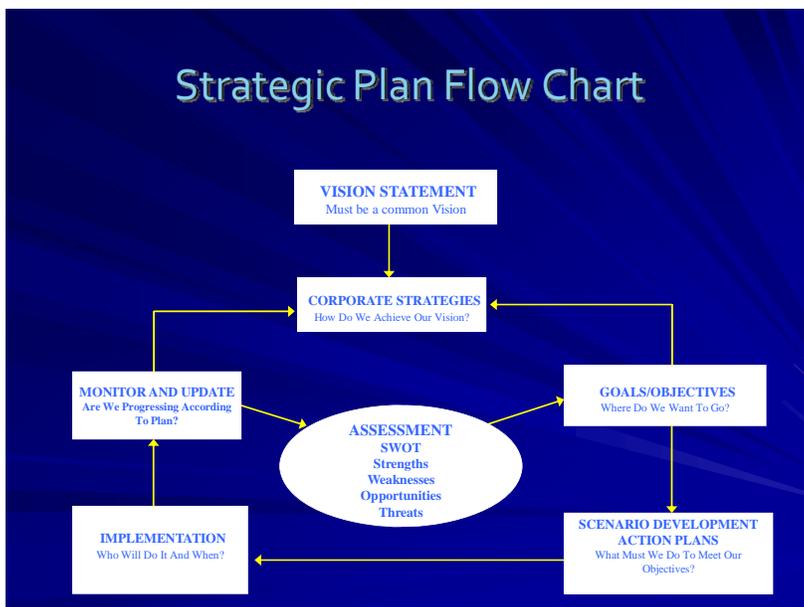
PROBLEM SOLVING—THE ESSENCE OF GOOD PLANNING

Most of our client relationships begin with a request to address a specific issue in the planning area. In addressing the issue, our approach is like that of a good physician. We attempt to understand the overall health of the patient before prescribing a solution for a specific problem.

We prefer to start the problem solving process with an audit of the client's overall strategic philosophy, policies, systems and practices. Each component is examined in light of the client's financial and organizational well being and unique objectives. Then, when the audit is accomplished and the big picture is known, a solution can be prescribed to address the specific problem.

The client is always involved in the problem solving process. It is the client who decides among the valid alternative solutions and determines the pace and resources to be applied to the solution.

Matthews, Young provides the time, objectivity and expertise necessary to focus on the problem. We stay involved until the problem has been resolved. We work on the problem within a determined budget, keeping the client informed of progress and expenditures against the budget.



We provide assistance to the Board and Management in developing and describing a Strategic Vision for an organization. This can usually be best accomplished through a series of working sessions of the Board and/or Management Team, in which we guide discussions through three important phases:

- Assessment
- Goal Setting
- Scenario Development

PHASE ONE - - ASSESSMENT

ANSWERS THE QUESTION "WHO ARE WE?"

Critical to the successful setting of direction is the establishment of the starting point, the present condition of the organization. This is a multidimensional assessment of soundness, vitality and peer comparability.

The assessment should look to the past to determine the nature of prior efforts and successes. An appreciation of the firm's assets must be gained to determine the inventory of resources available. An understanding of the competitors, current and prospective, and of supporters, must be developed to assess the operational environment for change. Other factors that might be considered are what markets the bank has focused on and the overall scope of the bank's business. Finally, an assessment of the competence and potential of management must be made to determine the depth of this critical resource.

PHASE TWO — GOAL SETTING

ANSWERS THE QUESTION "WHERE DO WE WANT TO GO?"

The application of vision to the setting of goals is the least understood element of the planning process. It requires a willingness to consider a broad range of potential "futures" and to examine the implications of each. Outcomes that represent both success and failure must be examined to determine the applicability and leveragability of available resources to achieve or avoid the consequences of each course of action. It is the exploration of "what could be", both good and bad, that will surface the bedrock issues of the client's future. Just as the assessment seeks to answer the traditional question of strategy, "who are we?", this process deals with the more compelling question of "who do we want to be?" It is also important that the goals agreed upon be measurable so that reassessment can be more effective in the future.

PHASE THREE — SCENARIO DEVELOPMENT

ANSWERS THE QUESTION "HOW DO WE GET THERE?"

Here the resources of the client are applied to the potential accomplishment of the plan. Through scenario development we attempt to live in the future. Issues relating to redeployment of the client's assets such as office relocation, product focus, management development, mergers and acquisitions, and capital formation are likely to be central to the determination of a feasible and acceptable course of action. We will stretch our planning horizon beyond a single year to determine the vitality and robustness of our vision.

At the conclusion of the process we will have examined the client, its strengths and weaknesses and evaluated, in that light, a range of outcomes. Finally, we will have drawn into focus a desired outcome and analyzed client resources available for its accomplishment, highlighting strengths and voids. The stage will be set for the follow-on development of annual business plans by the Management Team.

FROM ASSESSMENT TO SCENARIO DEVELOPMENT — HOW WE GET THERE

In order to accomplish this effort, we ordinarily plan for three to four working sessions of 3-5 hours each in length, all completed in the span of two to three weeks. In this way, the sessions are not overlong and time required is spread out so as not to overburden personal schedules. Moreover, the time between sessions allows useful time for reflection. However, we can conduct the Board session in a single day time frame.

In preparation for the sessions with the Board, we develop preliminary profiles of the client and its competitors, and establish a baseline of interests from among the Board and Management. The latter is accomplished through a blind survey and/or a series of brief one-on-one interviews. Surveys are conducted on-line or by telephone and would consume about one hour of each individual's time.



WHAT WE BELIEVE

In assisting in the establishment of a client's plan, there are central notions of policy that we believe are fundamental to a successful engagement:

- The final plan must be the organization's plan, not that of a consultant.
- Every constituency must have their ideas heard. The organization speaking through the Board will choose a destiny, but the choice must be made in light of all views.
- The Board must ultimately approve the plan. It is not the plan of the organization until it is so approved.
- No issue, however painful, should be left out in the development of the plan. We must face the hard facts as well as the favorable facts.
- The keys to a successful plan are a shared direction, common vision, enhanced controllability of the enterprise and the necessary mechanisms for good budgeting and the development and management of measurable incentive programs.

While we have a particular structure that is well suited to the development of plans, we modify our approach to the assignment to suit the interest and circumstances of the particular institution and its board and management.

A N N U A L U P D A T E S A N D Q U A R T E R L Y R E V I E W S

Many of our clients engage us on an annual basis for maintaining and/or administering the vitality of the Strategic Plan. In performing this service, we:

- Update and review the Plan's assessment of the organization, the competitive situation and the current market place
- Analyze and review Plan goals and objectives for enhancement and fit
- Recommend changes that are sensitive to the client's budget and that relate to changes in the competitive environment
- Assist in making tactical adjustments to support the refined strategic objectives

We are also frequently retained to hold quarterly progress reviews in which we help management teams be accountable for driving achievement of tactical plans.

These follow-on services are time and cost effective. They enable the client's strategic philosophy to be implemented within the constraints of a budget and consistently applied over time.

S T R A T E G I C D E C I S I O N S U P P O R T

We provide support to the Chief Executive Officer and/or the Board in the analysis of strategic decisions. These assignments are a function of the interests and circumstances of the client, and may include such varied issues as:

- Governance and Board/Management relations
- Corporate reorganization
- Establishment of the role for corporate marketing
- Consideration of a merger offer
- Development of a plan of divestiture
- Development of a Capital Management Plan

O U R R E S O U R C E S

The value you receive from a relationship with a firm like Matthews, Young is directly related to the resources the firm can bring to bear to solve your problems and advance your interests.

PEOPLE

We are structured to place senior managers with practical experience on your case. Our consulting staff includes professionals with broadly diverse strategic backgrounds. We also draw upon local universities for associative resources as the technical need requires. The biographical sketches on the succeeding pages provide more details about our senior consultants.

INFORMATION

We maintain a variety of marketplace information including industry, occupational and geographic subsets. This data is supplemented through our own private surveys and analyses. In addition, our in house library and local university libraries provide ready access to volumes of compensation information, as well as peer company and market statistical data. With these data resources, we are able to draw upon the information necessary to make relevant market comparisons for our clients.



TECHNOLOGY

We use industry standard computer hardware and software to solve client problems and to transfer strategy information and models. We maintain models for the analysis of the impacts of strategy on the firm to include the effect upon capital adequacy and the creation of value for the stockholders.

Our systems allow for the electronic transfer of data by fax or modem. Communication with Matthews, Young is available 24 hours a day.

W H O T O C O N T A C T

Call (919)644-6962 and ask for:

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David Jones (david.jones@matthewsyong.com),
Randy McGraw (rmcgraw@matthewsyong.com.

You can also feel free to visit or write us at:

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B I O G R A P H I C A L S K E T C H E S

J. TIMOTHY O'ROURKE, CCP PRESIDENT AND CHIEF EXECUTIVE OFFICER

A North Carolina native, Tim O'Rourke received his BA degree from the University of North Carolina at Chapel Hill. In 1970, he joined the Durham-based Central Carolina Bank, where in 1981 he was named a First Vice President. His 14 year banking career includes management positions in Systems/Programming, Operations, Research, Personnel and Marketing. He has also chaired Marketing, Operations and Asset/Liability Management Committees with banks. In addition, Mr. O'Rourke has completed the North Carolina Bankers Association's Advanced Management Program, and has received the American Compensation Association's Certified Compensation Professional designation. He has published numerous articles on banking subjects, frequently speaks at financial institution forums and is on the faculty of a number of FDIC sponsored Bank Director Colleges.

In 1984, Mr. O'Rourke joined **MATTHEWS, YOUNG—MANAGEMENT CONSULTING** to help executives grow their earnings and expand in size. He has worked on a broad group of assignments with all types of organizations, including serving as interim managing officer for a \$425 million troubled savings and loan for an 18 month period. Over his many years of consulting, he has become a specialist in strategic planning, organizational design, management by objectives systems, executive compensation, salary administration, management incentives and executive search and outplacement.

Since 1998, Mr. O'Rourke has been a Senior Principal and has been responsible for delivery of all strategic, compensation and search services to clients of all types. He is often called upon to speak on compensation issues, and conducts numerous strategic planning programs. In his current role as President and CEO, Mr. O'Rourke continues to focus his attention on ensuring client experience with the Firm is top rate.

DAVID W. JONES, CCP PRINCIPAL, DIRECTOR OF EXECUTIVE COMPENSATION SERVICES

Mr. Jones recently returned to **MATTHEWS, YOUNG—MANAGEMENT CONSULTING** where he began his consulting career and, as a Principal consultant, led the firm's compensation consulting practice. Most recently, he was a Senior Vice President and Principal in the Consulting Division of Silverton Bank, leading the Executive Compensation consulting practice. Mr. Jones was also a Principal in the executive compensation consulting practice of Mercer Human Resource Consulting for over 15 years.

A cum laude graduate of Davidson College, David holds an MBA from Duke University. He is a member of WorldatWork and has held accreditation as a Certified Compensation Professional

since 1983. With over 30 years in consulting, Mr. Jones has worked in a variety of industries as well as addressing the particular needs of SEC reporting, privately-held, S-corp. and De Novo banks. He specializes in the evaluation, design and implementation of all aspects of executive and outside director compensation programs. Mr. Jones is frequently retained to evaluate the appropriateness of executive compensation and equity arrangements in light of business performance and returns to shareholders.

P. RANDALL MCGRAW
SENIOR CONSULTANT

Randy McGraw joined **MATTHEWS, YOUNG—MANAGEMENT CONSULTING** in October of 2002. In his seventeen year professional career, Randy held positions in accounting and finance as a Controller and CFO for a Retail Service Consulting firm. After assisting with the merger and public stock offering of the firm, he then held positions in senior management as a Regional Vice President and Divisional Vice President responsible for the development and implementation of sales and marketing programs. Randy's varied and diverse background required skills in operations, human Business planning, sales and marketing, all with budget and profit responsibilities.

Most recently, Randy has been employed as an Estate Executor responsible for the administration an final settlement of a \$20+ million estate. In this role he has obtained experience in negotiations, loss management, risk management and asset management. In addition to these skills, he has gained valuable insight into business organization, debt financing and strategic planning.

Randy has a BS degree in Business Administration with a core concentration in Accounting and Finance from Appalachian State University. He completed Leadership Training courses and brought a diverse background to **MATTHEWS, YOUNG—MANAGEMENT CONSULTING**.

FRANKLIN F. "FRANK" SPENCE
SENIOR CONSULTANT, DIRECTOR OF STRATEGIC PLANNING SERVICES

Frank Spence worked for Wachovia Corporation from 1969 to 2002. During his tenure at Wachovia, Frank spent several years in Retail and Corporate Banking, but the majority of his career was spent in the Financial Institutions Division, a group dedicated to establishing relationships with and serving the needs of banks, thrifts and credit unions. The Division also provided consulting services to these institutions. In 1989, Frank was selected to become the Group Executive of this Division.

In 1983, Frank left Wachovia to become Executive Vice President of First National Bank of Gainesville, Ga., a \$300 million asset bank and the lead bank of First National Bancorp. It was during that time that he learned the practical lessons of community banking, and enabled him

to be more effective in his job back at Wachovia in 1985.

Frank graduated from Davidson College in 1969. He also attended The Stonier Graduate School of Banking, later becoming a member of the faculty. In addition, Frank attended the Executive Management Program at Duke University's Fuqua School of Business. He has been active in community organizations throughout his career, serving as a member of Rotary Clubs in both Gainesville, Ga. and in Winston-Salem, NC. He also served as a Trustee at Home Moravian Church and President of Forsyth Country Club, both in Winston-Salem.

SUPPORT STAFF SPECIALISTS

Among a total staff of 10, the firm has Support Staff Specialists with a variety of business and related degrees and certifications.

REFERENCES ARE AVAILABLE UPON REQUEST