

FOR RELEASE:

July 23, 2007

**BANK OF GRANITE CORPORATION REPORTS
EARNINGS FOR SECOND QUARTER OF 2007**

GRANITE FALLS, NORTH CAROLINA—Bank of Granite Corporation (NASDAQ: GRAN) (“the Company”) reported earnings of \$0.74 million, or \$0.05 per share, for the quarter ended June 30, 2007, a decrease of 83.5% from the \$4.46 million, or \$0.28 per share, reported for the second quarter of 2006. For the six months ended June 30, 2007, net income decreased 46.3% to \$4.78 million, or \$0.30 per share, from \$8.91 million, or \$0.55 per share, reported for the comparable period of 2006. The earnings decreases for both the quarterly and year-to-date periods primarily resulted from higher provisions for loan losses made in order to increase estimated reserves related to significant increases in nonperforming loans in the Company’s Catawba Valley market area. Earnings per share for 2006 have been adjusted to reflect the five-for-four stock split distributed in September of 2006.

For the reasons cited above, provisions for loan losses were \$7.47 million for the quarter ended June 30, 2007, an increase of \$5.55 million from the \$1.92 million reported for the second quarter of 2006. For the six-month period ended June 30, 2007, loan loss provisions increased \$6.24 million to \$9.39 million from \$3.15 million for the comparable six months in 2006. Nonperforming loans increased \$14.14 million to \$25.38 million at June 30, 2007 from \$11.24 million at June 30, 2006. In April 2007, management deemed it prudent to place loans to one borrower on nonaccruing status for a period of six months in order to help the borrower to become better positioned to perform under certain contracts that should improve the borrower’s cash flows. This borrower accounted for approximately \$8.51 million of the increase in nonaccruing loans and approximately \$2.34 million of the increase in loan reserves. The remainder of the increases in nonperforming loans and loan loss provisions was primarily attributable to various other borrowers in the Company’s Catawba Valley market area. In addition, management estimates there are \$1.69 million in asset-based loans that are fully reserved and may ultimately be charged-off.

Charles Snipes, Chairman and CEO, said, “We are deeply disappointed in these results. Loan quality is our highest priority until we see improvement in the levels of our problem loans. In late June, we hired Jefferson C. Easley as our new Chief Credit Officer. Jeff brings to our bank over 20 years of experience as a credit management leader and was most recently the chief credit officer of a bank of comparable size to ours. Jeff adds tremendous credit strength to our executive management team and we expect to see marked progress in our loan quality in the near future.” Snipes expressed his appreciation to the Company’s employees for their hard work during this difficult quarter.

The earnings decrease also resulted in less favorable key performance ratios. The annualized return on average assets (ROA) was 0.24% in the second quarter of 2007 compared to 1.56% in the second quarter of 2006, while the annualized return on average equity (ROE) was 1.98% compared to 12.59% for the same period. The Company’s efficiency ratio for the second quarter was 50.91% in 2007 compared to 47.88% in 2006.

The Company ended the second quarter of 2007 with total assets of \$1.22 billion, total loans of \$0.94 billion, and total deposits of \$0.98 billion. Total assets grew 3.8%, loans grew 7.4%, and deposits grew 4.1% from the second quarter of 2006. Total assets, total loans, and total deposits were all at record levels as of June 30, 2007.

Bank of Granite Corporation's common stock trades on the NASDAQ Global Select MarketSM under the symbol "GRAN." Bank of Granite Corporation is the parent company of Bank of Granite and Granite Mortgage, Inc. Bank of Granite operates twenty-two full-service banking offices in eight North Carolina counties—Burke, Caldwell, Catawba, Forsyth, Iredell, Mecklenburg, Watauga, and Wilkes. Granite Mortgage, a mortgage banking company headquartered in Winston-Salem, originates home mortgages in these counties as well as in Cumberland, Guilford, and Rowan counties.

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Please see the attached supplemental "Financial Data" tables.

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Disclosures About Forward Looking Statements

The discussions included in this document contain statements that may be deemed forward looking statements within the meaning of the Private Securities Litigation Act of 1995, including Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from these statements. For the purposes of these discussions, any statements that are not statements of historical fact may be deemed to be forward looking statements. Such statements are often characterized by the use of qualifying words such as "expects," "anticipates," "believes," "estimates," "plans," "projects," or other statements concerning opinions or judgments of our Company and our management about future events. The accuracy of such forward looking statements could be affected by certain factors, including but not limited to, the financial success or changing conditions or strategies of our customers or vendors, fluctuations in interest rates, actions of government regulators, the availability of capital and personnel, and general economic conditions. For additional factors that could affect the matters discussed in forward looking statements, see the "Risk Factors" section of the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Bank of Granite Corporation
Selected Financial Data
(in thousands except per share data)

		Three Months Ended			Six Months Ended		
		June 30,			June 30,		
		2007	2006	% change	2007	2006	% change
Consolidated earnings summary:							
	Interest income, taxable equivalent	\$ 23,246	\$ 21,739	6.9%	\$ 45,881	\$ 41,746	9.9%
	Interest expense	9,192	7,516	22.3%	18,152	14,138	28.4%
	Net interest income, taxable equivalent	14,054	14,223	-1.2%	27,729	27,608	0.4%
	Taxable equivalent adjustment	216	253	-14.6%	448	522	-14.2%
	Net interest income	13,838	13,970	-0.9%	27,281	27,086	0.7%
	Loan loss provision	7,471	1,915	290.1%	9,388	3,150	198.0%
	Noninterest income	3,210	3,295	-2.6%	6,361	6,296	1.0%
	Noninterest expense	8,789	8,388	4.8%	17,125	16,428	4.2%
	Income before income taxes	788	6,962	-88.7%	7,129	13,804	-48.4%
	Income taxes	51	2,501	-98.0%	2,348	4,896	-52.0%
	Net income	\$ 737	\$ 4,461	-83.5%	\$ 4,781	\$ 8,908	-46.3%
	Earnings per share - Basic*	\$ 0.05	\$ 0.28	-82.1%	\$ 0.30	\$ 0.55	-45.5%
	Earnings per share - Diluted*	0.05	0.28	-82.1%	0.30	0.55	-45.5%
	Average shares - Basic*	15,928	16,058	-0.8%	15,973	16,077	-0.6%
	Average shares - Diluted*	15,970	16,108	-0.9%	16,022	16,130	-0.7%
Consolidated balance sheet data at June 30:							
	Total assets				\$ 1,221,282	\$ 1,176,476	3.8%
	Total deposits				984,153	945,665	4.1%
	Loans (gross)				941,884	876,880	7.4%
	Stockholders' equity				143,843	140,250	2.6%
Consolidated average balance sheet data:							
	Total assets	\$ 1,210,595	\$ 1,144,210	5.8%	\$ 1,206,301	\$ 1,129,100	6.8%
	Total deposits	970,408	913,170	6.3%	965,466	899,817	7.3%
	Loans (gross)	934,891	869,153	7.6%	930,946	858,262	8.5%
	Stockholders' equity	149,011	142,161	4.8%	149,144	141,288	5.6%
Consolidated performance ratios:							
	Return on average assets**	0.24%	1.56%		0.80%	1.59%	
	Return on average equity**	1.98%	12.59%		6.46%	12.71%	
	Efficiency ratio	50.91%	47.88%		50.23%	48.45%	
Consolidated asset quality data and ratios:							
	Nonaccruing loans				\$ 22,549	\$ 7,635	195.3%
	Accruing loans 90 days past due				2,830	3,603	-21.5%
	Nonperforming loans				25,379	11,238	125.8%
	Foreclosed properties				3,416	851	301.4%
	Nonperforming assets				28,795	12,089	138.2%
	Allowance for loan losses				22,102	13,912	58.9%
	Loans charged off				3,215	3,395	-5.3%
	Recoveries of loans charged off				142	233	-39.1%
	Net loan charge-offs (recoveries)				3,073	3,162	-2.8%
	Net charge-offs to average loans**				0.67%	0.74%	
	Nonperforming loans to total assets				2.08%	0.96%	
	Allowance coverage of nonperforming loans				87.09%	123.79%	
	Allowance for loan losses to gross loans				2.35%	1.59%	
	Allowance for loan losses to net loans				2.40%	1.61%	
Subsidiary earnings summary:							
Bank of	Net interest income	\$ 13,169	\$ 13,316	-1.1%	\$ 26,113	\$ 25,901	0.8%
Granite	Loan loss provision	7,459	1,903	292.0%	9,364	3,126	199.6%
	Noninterest income	2,138	2,087	2.4%	4,394	4,179	5.1%
	Noninterest expense	6,973	6,489	7.5%	13,744	12,878	6.7%
	Income taxes	(58)	2,411	-102.4%	2,167	4,788	-54.7%
	Net income	933	4,600	-79.7%	5,232	9,288	-43.7%
Granite	Net interest income	\$ 893	\$ 891	0.2%	\$ 1,641	\$ 1,598	2.7%
Mortgage	Loan loss provision	12	12	0.0%	24	24	0.0%
	Noninterest income	1,072	1,090	-1.7%	1,967	1,999	-1.6%
	Noninterest expense	1,681	1,743	-3.6%	3,132	3,303	-5.2%
	Income taxes	109	90	21.1%	181	108	67.6%
	Net income	163	136	19.9%	271	162	67.3%

* Periods prior to September 2006 have been adjusted to reflect the 5-for-4 stock split distributed in September 2006.

** Annualized based on number of days in the period.

More

Bank of Granite Corporation
Supplemental Quarterly Financial Data
(in thousands except per share data)

		Quarters Ended					
		Jun 30,	Mar 31,	Dec 31,	Sep 30,	Jun 30,	
		2007	2007	2006	2006	2006	
Consolidated earnings summary:							
Interest income, taxable equivalent	\$	23,246	\$ 22,635	\$ 23,112	\$ 22,682	\$ 21,739	
Interest expense		9,192	8,960	8,985	8,654	7,516	
Net interest income, taxable equivalent		14,054	13,675	14,127	14,028	14,223	
Taxable equivalent adjustment		216	232	238	237	254	
Net interest income		13,838	13,443	13,889	13,791	13,969	
Loan loss provision		7,471	1,917	1,877	1,387	1,915	
Noninterest income		3,210	3,151	3,029	3,183	3,295	
Noninterest expense		8,789	8,336	8,036	8,484	8,387	
Income before income taxes		788	6,341	7,005	7,103	6,962	
Income taxes		51	2,297	2,465	2,519	2,501	
Net income	\$	737	\$ 4,044	\$ 4,540	\$ 4,584	\$ 4,461	
Earnings per share - Basic*	\$	0.05	\$ 0.25	\$ 0.28	\$ 0.29	\$ 0.28	
Earnings per share - Diluted*		0.05	0.25	0.28	0.29	0.28	
Average shares - Basic*		15,928	16,018	16,022	16,018	16,058	
Average shares - Diluted*		15,970	16,074	16,082	16,072	16,108	
Consolidated ending balance sheet data:							
Total assets	\$	1,221,282	\$ 1,215,633	\$ 1,199,773	\$ 1,184,469	\$ 1,176,476	
Total deposits		984,153	974,754	963,837	950,545	945,665	
Loans (gross)		941,884	932,186	912,492	887,218	876,880	
Stockholders' equity		143,843	148,248	146,433	143,950	140,250	
Consolidated average balance sheet data:							
Total assets	\$	1,210,595	\$ 1,202,007	\$ 1,189,096	\$ 1,174,604	\$ 1,144,210	
Total deposits		970,408	960,524	953,876	942,102	913,170	
Loans (gross)		934,891	927,001	898,878	874,654	869,153	
Stockholders' equity		149,011	149,277	147,417	143,991	142,161	
Consolidated performance ratios:							
Return on average assets**		0.24%	1.36%	1.51%	1.55%	1.56%	
Return on average equity**		1.98%	10.99%	12.22%	12.63%	12.59%	
Efficiency ratio		50.91%	49.54%	46.84%	49.29%	47.88%	
Consolidated asset quality data and ratios:							
Nonaccruing loans	\$	22,549	\$ 13,087	\$ 9,289	\$ 9,012	\$ 7,635	
Accruing loans 90 days past due		2,830	1,615	5,074	4,319	3,603	
Nonperforming loans		25,379	14,702	14,363	13,331	11,238	
Foreclosed properties		3,416	1,453	1,162	1,217	851	
Nonperforming assets		28,795	16,155	15,525	14,548	12,089	
Allowance for loan losses		22,102	16,672	15,787	14,921	13,912	
Loans charged off		2,081	1,134	1,140	668	3,222	
Recoveries of loans charged off		40	101	130	289	101	
Net loan charge-offs (recoveries)		2,041	1,033	1,010	379	3,121	
Net charge-offs to average loans**		0.88%	0.45%	0.45%	0.17%	1.44%	
Nonperforming loans to total assets		2.08%	1.21%	1.20%	1.13%	0.96%	
Allowance coverage of nonperforming loans		87.09%	113.40%	109.91%	111.93%	123.79%	
Allowance for loan losses to gross loans		2.35%	1.79%	1.73%	1.68%	1.59%	
Allowance for loan losses to net loans		2.40%	1.82%	1.76%	1.71%	1.61%	
Subsidiary earnings summary:							
Bank of	Net interest income	\$	13,169	\$ 12,944	\$ 13,432	\$ 13,230	\$ 13,316
Granite	Loan loss provision		7,459	1,905	1,865	1,375	1,903
	Noninterest income		2,138	2,256	2,178	2,058	2,087
	Noninterest expense		6,973	6,771	6,446	6,709	6,489
	Income taxes		(58)	2,225	2,418	2,407	2,411
	Net income		933	4,299	4,881	4,797	4,600
Granite	Net interest income	\$	893	\$ 748	\$ 767	\$ 861	\$ 891
Mortgage	Loan loss provision		12	12	12	12	12
	Noninterest income		1,072	895	851	1,125	1,090
	Noninterest expense		1,681	1,451	1,488	1,694	1,743
	Income taxes		109	72	47	112	90
	Net income		163	108	71	168	136

* Periods prior to September 2006 have been adjusted to reflect the 5-for-4 stock split distributed in September 2006.

** Annualized based on number of days in the period.