

Bank of Granite Corporation

Complaint Procedures for Accounting and Auditing Matters¹

Bank of Granite Corporation (the “Company”) is committed to achieving compliance with all applicable securities laws and regulations, accounting standards and audit practices. Any employee of the Company may submit a good faith complaint regarding accounting or auditing matters to the management of the Company without fear of dismissal or retaliation of any kind. In addition, the Company has established procedures for the receipt of complaints from non-employees.

In order to facilitate the reporting of complaints in this area, the Company’s Audit Committee has established the following procedures for (i) the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters (“Accounting Matters”), and (ii) the confidential, anonymous submission by employees of concerns regarding questionable Accounting Matters.

Any employee of the Company who receives a complaint or concern regarding Accounting Matters from a third party who does not work for the Company should report the complaint or concern using the procedures set forth below.

Reporting Procedures

Employees with concerns regarding Accounting Matters may report their concerns on a confidential and/or anonymous basis to the Internal Audit Department through a third party hotline. Employees can call the toll free number, **1-877-888-0002**, 24 hours a day, 7 days a week to report their concerns.

Former employees or non-employees with concerns regarding Accounting Matters may report their concerns to the Internal Audit Department of the Company through the same third party hotline. The toll free number, **1-877-888-0002**, is available 24 hours a day, 7 days a week to report their concerns.

If the complaint relates to the Internal Audit Department or if there is a potential conflict of interest, the complaint should be submitted by calling the toll free number, **1-877-888-0002**. The report will then be forwarded directly to the Chairman of the Audit Committee.

Scope of Matters Covered by Procedures

The procedures described above are for complaints relating to any questionable accounting or auditing matters, including, without limitation, the following:

- fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company;
- fraud or deliberate error in the recording and maintaining of financial records of the Company;

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- deficiencies in or noncompliance with the Company's internal accounting controls;
- misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Company; or
- deviation from full and fair reporting of the Company's financial position.

Treatment of Complaints

The Internal Auditor and the Chairman of the Audit Committee will receive a report of all complaints (unless the complaint pertains to the Internal Audit Department as stated above). Upon receipt of a complaint, the Internal Auditor will determine whether the complaint actually pertains to Accounting Matters (as defined above). The Internal Auditor will promptly notify the Audit Committee of any material or significant complaints relating to Accounting Matters. The Internal Auditor will notify the Audit Committee of any other complaints in a periodic summary provided to the Audit Committee (as discussed below).

Complaints relating to Accounting Matters will be reviewed, under Audit Committee direction and oversight, by the Internal Auditor or such other persons as the Audit Committee determines to be appropriate. The Audit Committee will monitor the investigation of complaints through its periodic review of a summary of the complaint log and through discussions with the Internal Auditor. Prompt and appropriate corrective action will be taken when and as warranted in the judgment of the Audit Committee. If and when appropriate, the Audit Committee may become directly involved in the investigation of complaints and the implementation of any corrective action taken in response thereto. Confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate review.

The Company will not discharge, demote, suspend, threaten, harass, or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to the good faith reporting of complaints regarding Accounting Matters or otherwise as specified in Section 806 of the Sarbanes-Oxley Act of 2002.

Reporting and Retention of Complaints and Investigations

The Internal Auditor will maintain a log of all complaints, tracking their receipt, investigation and resolution and shall prepare a periodic summary of the complaint log for the Audit Committee. Copies of complaints and records relating to the investigation of complaints shall be retained by the Company for a minimum of five years from the date of filing with the Securities and Exchange Commission of financial statements reflecting the issues raised in the complaint or from the date of any other alleged violation of rules or regulations contained in the complaint.