

CAPSTONE BANK



FOR IMMEDIATE RELEASE

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CapStone Bank and Patriot State Bank to Merge

Raleigh, N.C. and Fuquay-Varina, N.C., September 21, 2012 – The Boards of Directors of CapStone Bank and Patriot State Bank have announced they have entered into a definitive merger agreement whereby Patriot State Bank will be merged with and into CapStone Bank. Pursuant to the terms of the merger agreement, Patriot shareholders will have the opportunity to elect to receive 0.80 shares of CapStone common stock, or cash in the amount of \$6.45 per share, or a combination of cash and stock, for each share of Patriot common stock they hold, subject to adjustment as provided for in the merger agreement. Total consideration in the merger will consist of 70% CapStone stock and 30% cash, and the transaction is valued at approximately \$10.6 million.

Upon consummation of the merger, which is subject to both shareholder and regulatory approval, CapStone will add three branches to its expanding footprint, as well as \$139 million in assets and \$122 million in deposits. Upon combination of the North Carolina-based banks, CapStone Bank will have approximately \$377 million in total assets and \$297 million in deposits.

Commenting on the merger, Mike Patterson, Chairman, President and CEO of CapStone Bank stated, “The combining of our two community banks is truly exciting. By joining forces, our combined organization will be even stronger and better-positioned to provide more products and services for our customers, greater opportunities for our employees and greater value for our shareholders in the years to come.”

Dennis Duke, Chairman of Patriot State Bank, added, “We are pleased to be partnering with Capstone, one of the highest performing community banks in North Carolina. The union of these two community banks with very similar cultures is exciting and will allow us to build on our common mission of offering an exceptional level of service to our customers, while maintaining a strong commitment to our local communities.”

Closing of the merger, which is subject to regulatory approval, customary closing conditions, and the approval of the banks’ shareholders, is currently expected to occur in the fourth quarter of 2012.

Raymond James & Associates, Inc. is acting as financial advisor to CapStone in connection with the merger, with Gaeta & Eveson, P.A. in Raleigh serving as legal advisor. Patriot State Bank is being advised by The Orr Group, LLC, Winston-Salem, N.C. and Wyrick Robbins Yates & Ponton LLP, Raleigh, N.C. as legal advisor.

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About CapStone Bank:

Headquartered in Raleigh, NC and serving the Wake County and Triangle market, CapStone Bank provides a full range of commercial and retail banking services with a special focus on serving the deposit and lending needs of small-to-mid-sized businesses, operating companies, and professionals. In addition to its business relationships, CapStone offers comprehensive personal banking products and services to effectively serve individual customers and as an enhancement to its commercial relationship services. CapStone's philosophy is quite simple – to provide an unprecedented level of “high-touch” service delivered by a local team of experienced bankers, backed by competitive technology. For more information, visit www.captonebank.com.

About Patriot State Bank:

Patriot State Bank is a North Carolina chartered bank headquartered in Fuquay-Varina, N.C. Patriot has total assets of \$139 million, deposits of \$122 million, and gross loans of \$111 million as of June 30, 2012. The bank operates 3 full-service banking offices in the communities of Fuquay-Varina, Clayton, and Clinton, as well as a loan production office in Cary, N.C. For more information, visit www.patriotstatebank.com.

Forward Looking Statements:

The press release contains forward-looking statements relating to the financial condition and business of CapStone Bank (“CapStone”) and Patriot State Bank (“Patriot”) and the proposed merger between the banks. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of the management of CapStone and Patriot, and the information available to management at the time that this press release was prepared. Factors that could cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following that may diminish the expected benefits of the merger: (i) ability to obtain regulatory approvals and meet other closing conditions to the merger, including approval by Patriot and CapStone shareholders, on the expected terms and schedule; (ii) general economic or business conditions in the Raleigh and greater central North Carolina area; (iii) greater than expected costs or difficulties related to the integration of Patriot; (iv) unexpected deposit attrition, customer loss or revenue loss following the merger of Patriot into CapStone, (v) adverse changes in the stock prices of the institutions, and (vi) the failure to retain or hire key personnel. The parties do not undertake any duty to update any forward-looking statements made in this press release.

Additional Information:

The proposed merger will be submitted to the shareholders of CapStone and Patriot for their consideration and approval. In connection with the merger, CapStone and Patriot will be distributing to shareholders a joint proxy statement/offering circular. **SHAREHOLDERS ARE STRONGLY URGED TO READ THE JOINT PROXY STATEMENT/OFFERING CIRCULAR AND RELATED MATERIALS REGARDING THE PROPOSED MERGER WHEN THEY BECOME AVAILABLE, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION REGARDING THE PROPOSED MERGER.** This press release does not constitute an offer of any securities for sale. Any offer will be made only by the joint proxy statement/offering circular.