



CAPITAL BANK
FINANCIAL CORP

2016 Second Quarter Earnings

July 21, 2016



Safe Harbor Statement

Forward-Looking Statements

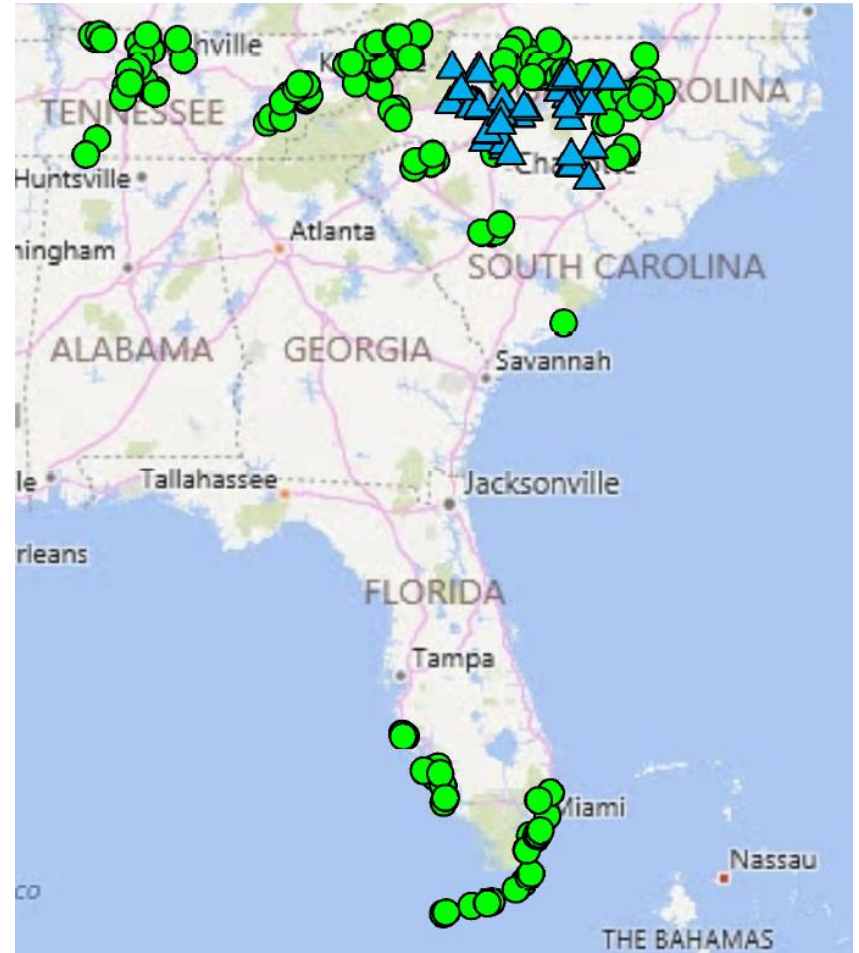
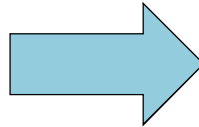
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Creating Regional Bank Franchise in SE Growth Markets

1

CommunityOne*



● Capital Bank

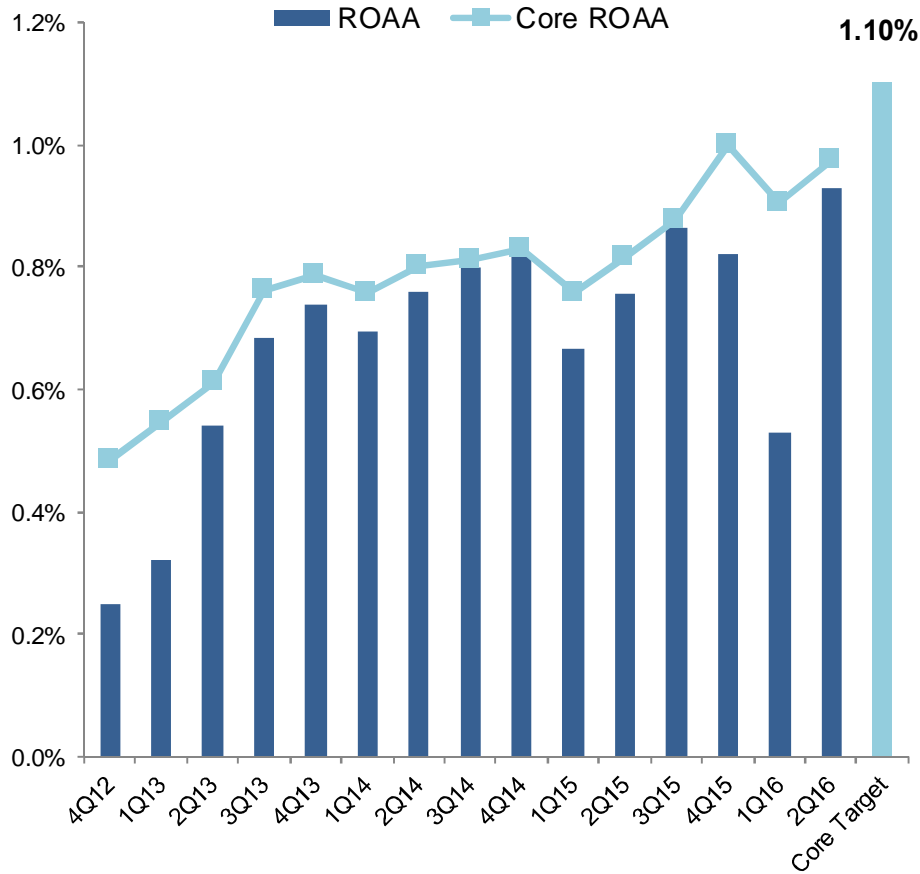
▲ CommunityOne*

* Subject to regulatory approval.

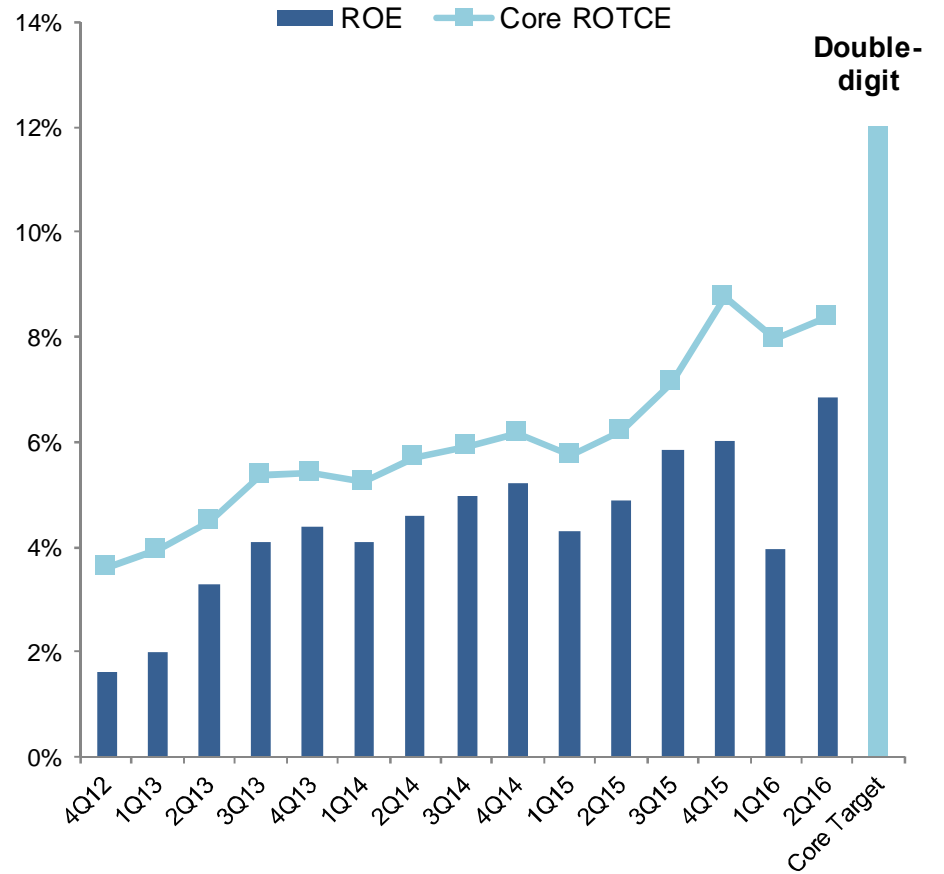


Commitment to Profitability and Returns

Return on Average Assets



Return on Equity and Core ROTCE



See reconciliation of non-GAAP measures in appendix.

7/21/2016



Second Quarter Highlights

Reported EPS of \$0.40, up 43% y/y, and core EPS of \$0.42, up 40% y/y

Generated \$473 million in new loans

Loan portfolio increased 8% annualized q/q and 10% y/y

New Loan portfolio nonaccruals remain very low at 0.12%

NIM compressed only 2 bps to 3.62%

Noninterest expense down 10% y/y, efficiency ratio declined to 61%, core efficiency ratio declined to 59%



Second Quarter Financial Summary

(\$ mm's except per share data, growth rates, and metrics)

	2Q16	% change	
		1Q16	2Q15
Net interest income	61.5	0%	1%
Provision (reversal)	1.2	-15%	-10%
Non-interest income	11.9	NM	15%
Non-interest expense	44.5	-5%	-10%
Pretax income	27.7	78%	37%
Net income	17.4	77%	34%
Per share	\$0.40	82%	43%
Adjustments	0.8	NM	NM
Core Net Income	18.2	8%	30%
Per share	\$0.42	11%	40%

Key Metrics	2Q16	1Q16	2Q15
Net interest margin	3.62%	3.64%	3.94%
Fee ratio	16.2%	4.0%	14.6%
Efficiency ratio	60.6%	73.4%	69.7%
ROA	0.93%	0.53%	0.75%
ROE	6.9%	4.0%	4.9%

Core Metrics	2Q16	1Q16	2Q15
Core fee ratio	16.1%	16.1%	14.7%
Core efficiency ratio	59.1%	61.6%	67.3%
Core ROA	0.97%	0.91%	0.82%
Core ROTCE	8.4%	8.0%	6.2%

Net interest income increased by \$0.1 mm sequentially and \$0.8 mm y/y, reflecting relatively strong NIM of 3.62%, down only 2 bps sequentially

\$1.2 mm provision includes \$2.0 mm provision for new loans and \$0.8 mm reversal of impairment on legacy loans

Noninterest expense down 5% sequentially and 10% year-over-year

Book value per share increased by \$0.44 to \$23.52, and tangible book value rose by \$0.45 to \$20.22

Non-core adjustments detail	
\$ 000s	
Conversion, merger, and restructuring	886
Legal	355
Securities gains	(117)
Total pre-tax	1,124
Tax effect of adjustments	(294)
Total after-tax	830

See reconciliation of non-GAAP measures in appendix.

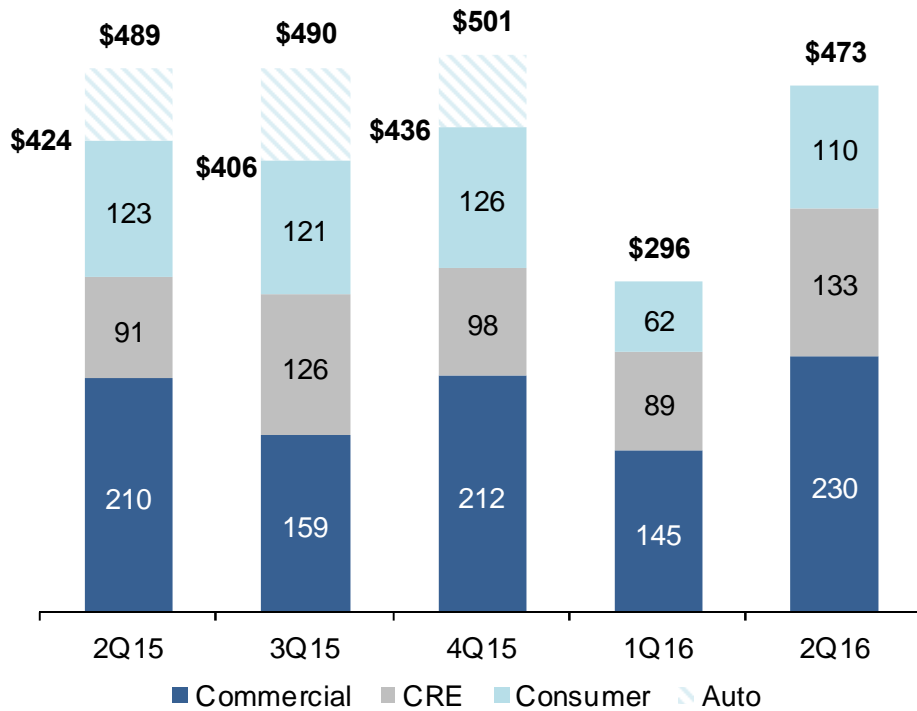
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New Loan Production

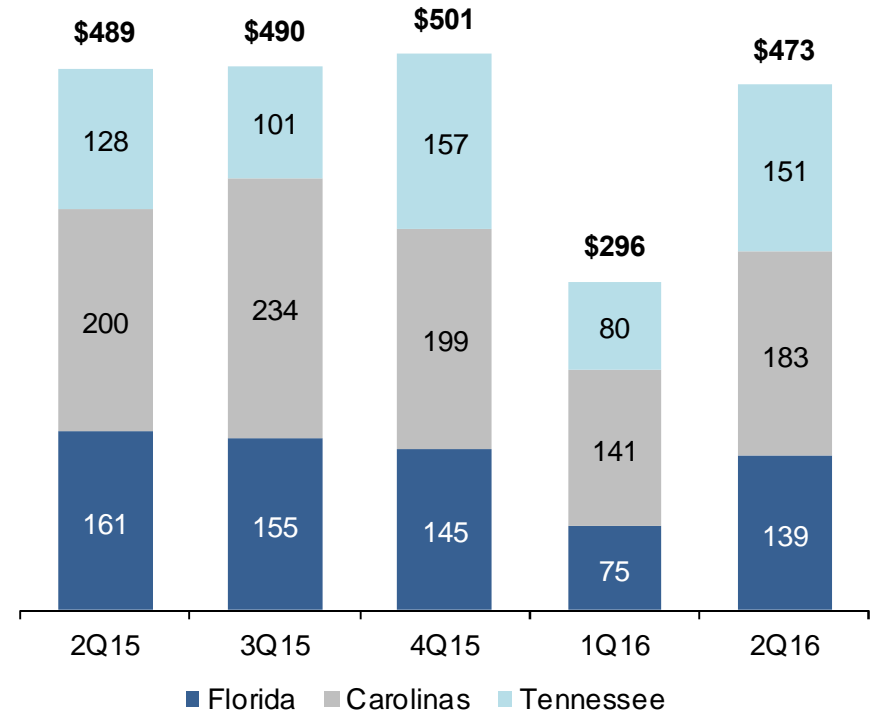
New Loans by Product

\$ mm's



New Loans by Geography

\$ mm's



Includes loan purchases of \$33 mm, \$14mm, \$29mm, \$8mm, and \$16 mm in 2Q15, 3Q15, 4Q15, 1Q16, and 2Q16, respectively

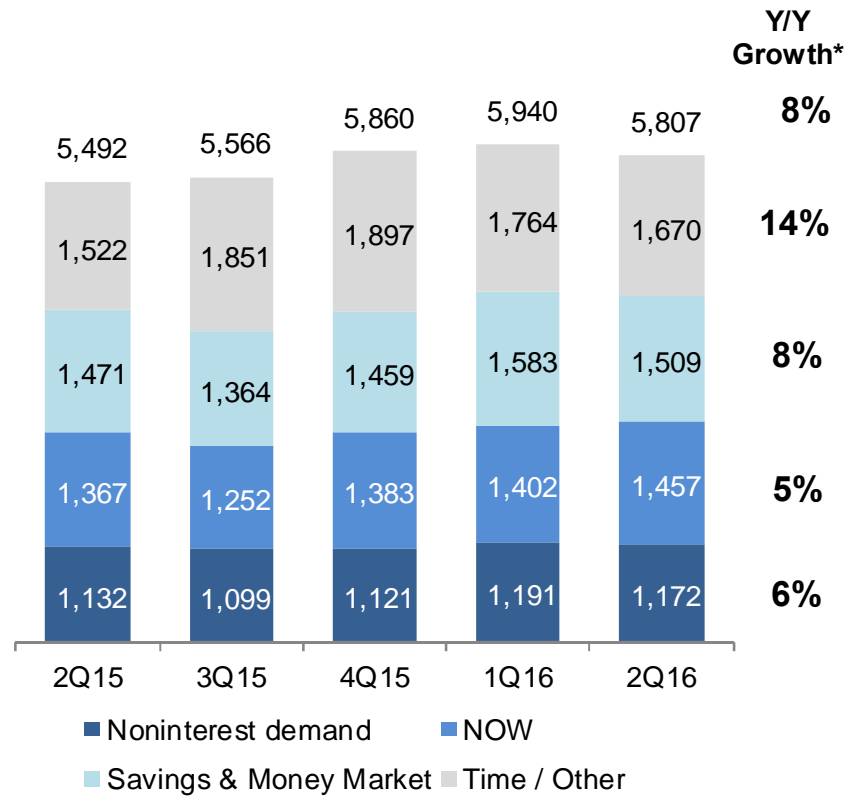
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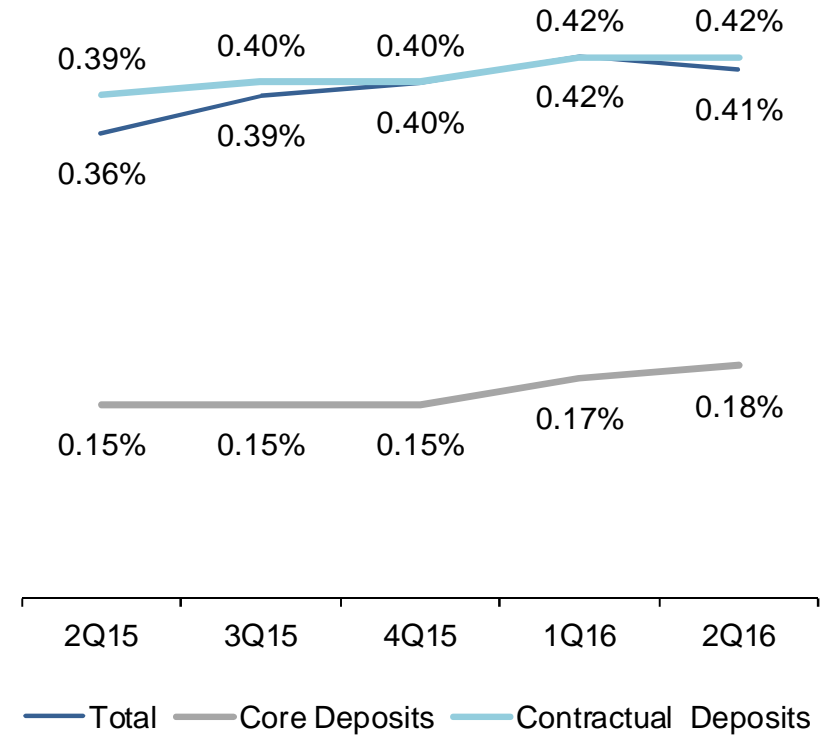
Cost of Deposits Down 1 bp Q/Q

Deposit Balances

\$ mm's



Cost of Deposits



*Growth rate reflects average balances.

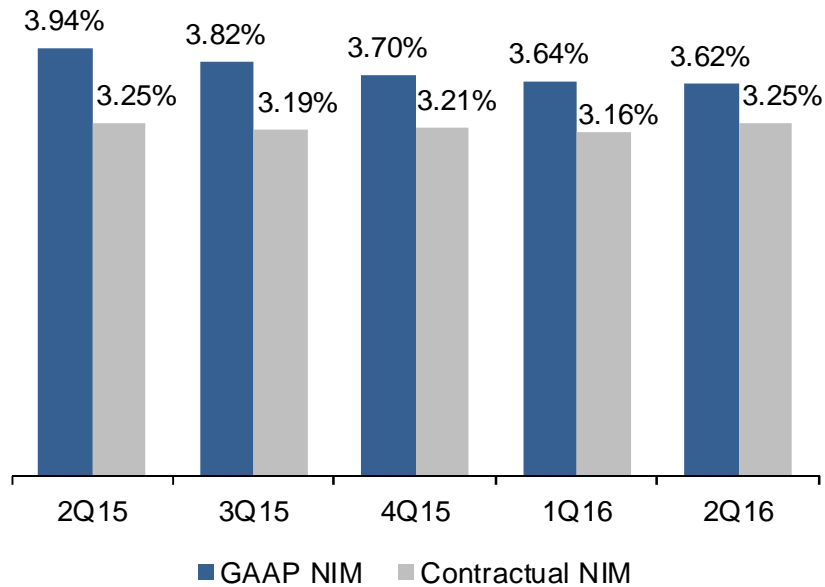
Note: Core deposits include noninterest demand, NOW, and savings & money market, excluding brokered deposits.

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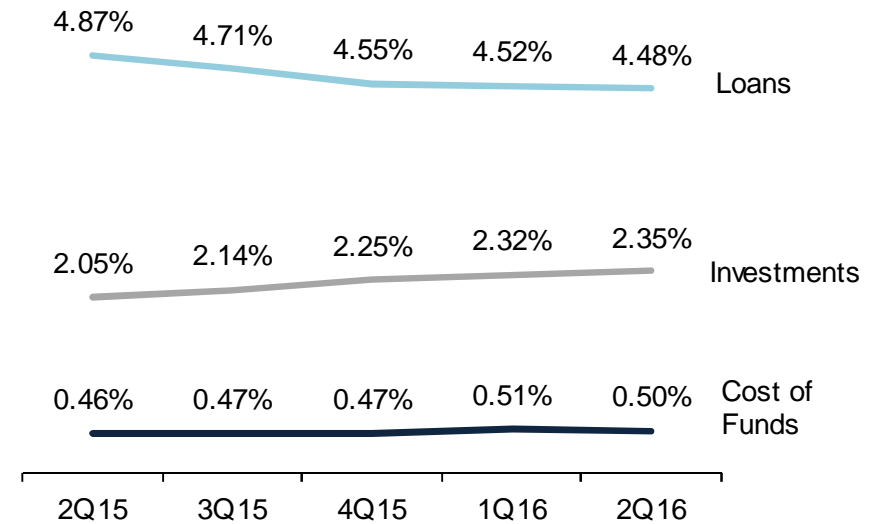


NIM Compresses 2 bps to 3.62%

Net Interest Margin (NIM)



Yields and Cost of Funds

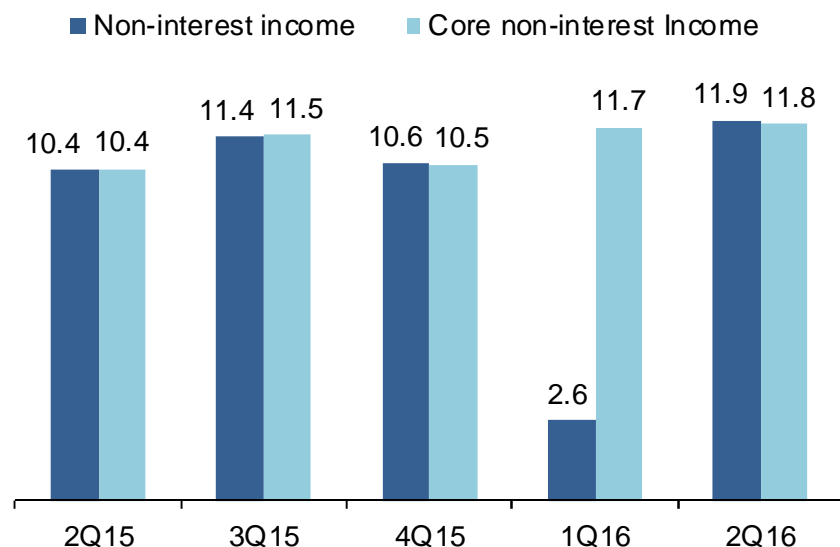




Non-interest Income

Non-interest Income

\$ mm's



Non-interest Income Detail

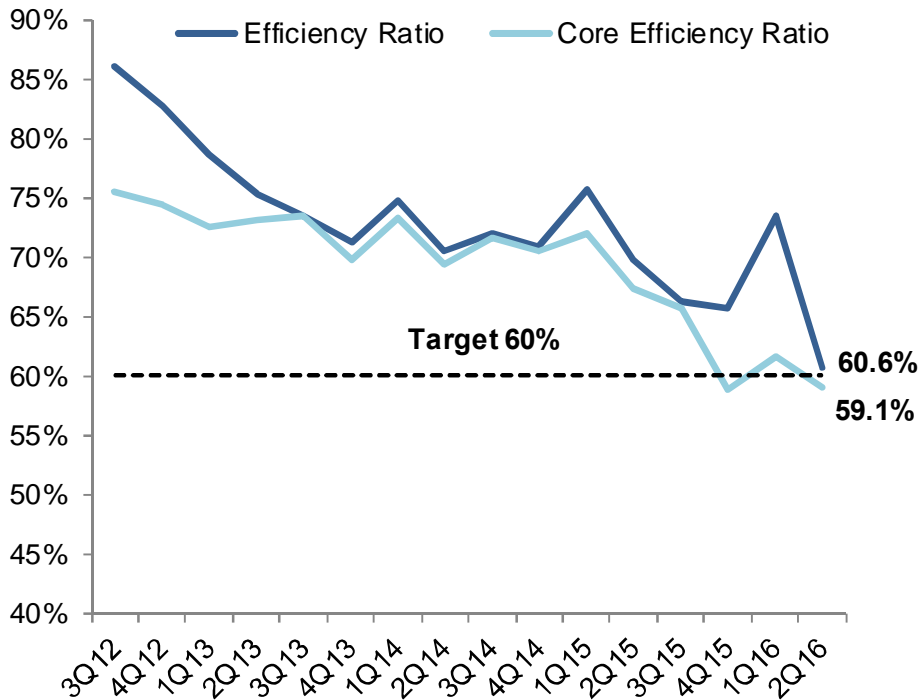
\$ mm's

	2Q15	1Q16	2Q16
Services charges on deposits	5.2	4.8	4.5
Debit card income	3.2	3.1	3.2
Fees on mortgage loans sold	1.3	1.0	1.1
Investment advisory and trust fees	1.1	0.5	0.5
FDIC indemnification asset expense	(2.5)	-	-
Termination of loss share agreement	-	(9.2)	-
Securities gains (losses)	(0.1)	0.0	0.1
Other	2.2	2.3	2.5
Non-interest income	10.4	2.6	11.9
Core non-interest income	10.4	11.7	11.8



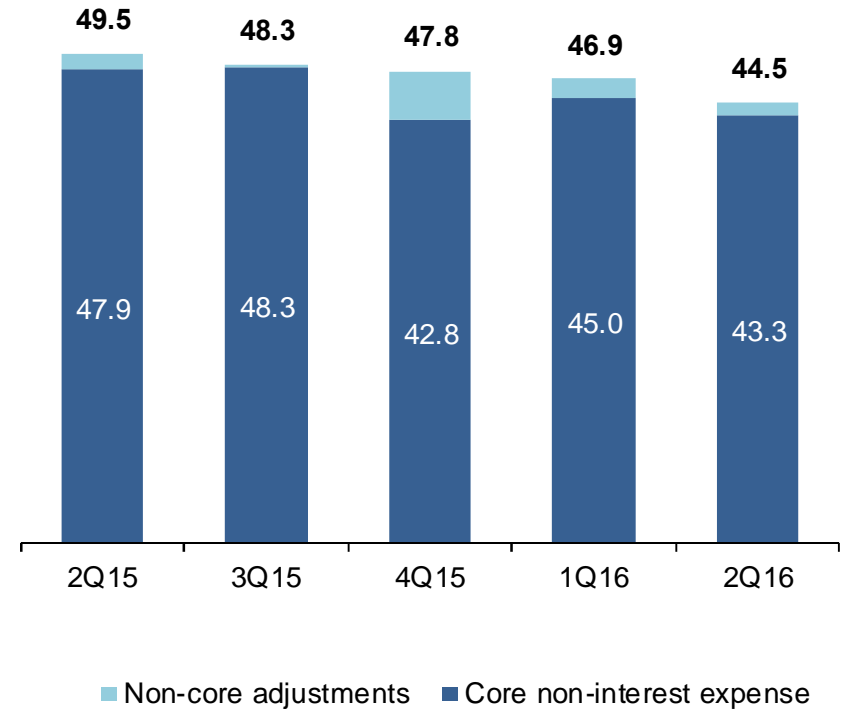
Noninterest Expense Down 10% Y/Y

Efficiency Ratio



Non-interest Expense

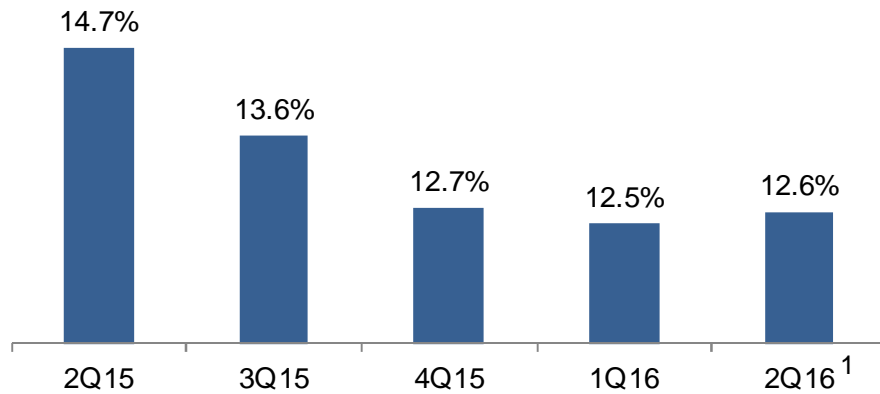
\$ mm's





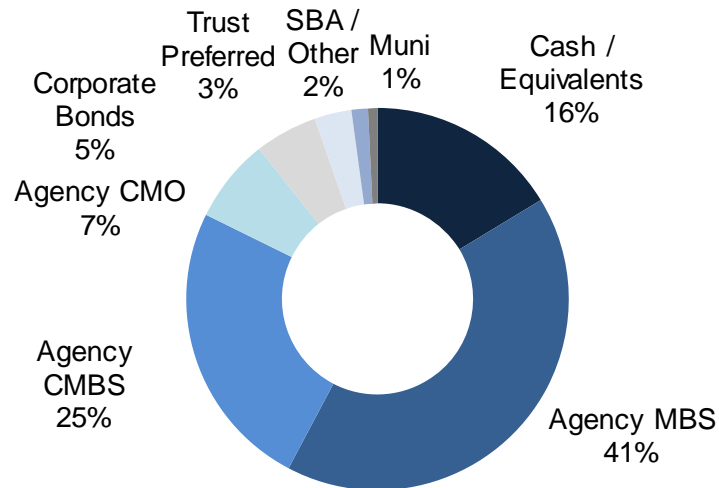
Liquidity and Capital Ratios Remain Strong

Tier 1 Leverage Ratio¹



Modified duration of investments was 4.6 years at June 30, 2016, vs. 4.7 years at March 31, 2016

Liquidity

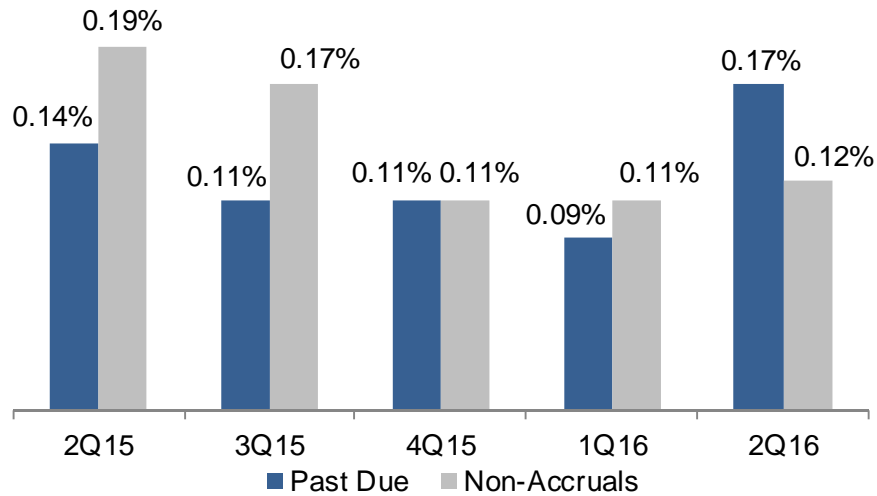


(1) 2Q16 capital ratio is preliminary.

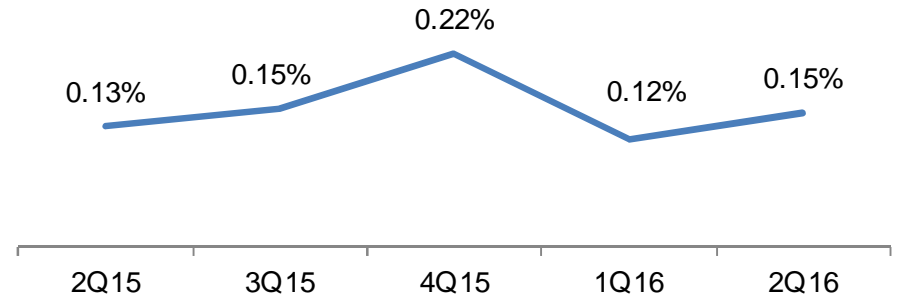


New Loan Portfolio Performing Strongly

Past Dues & Nonaccruals



Net Charge-offs



New Loan Portfolio Credit Metrics

	2Q15	1Q16	2Q16
Criticized	0.65%	0.25%	0.27%
Classified Performing	0.37%	0.55%	0.83%
Classified Nonperforming	0.19%	0.11%	0.12%
Total Criticized/Classified	1.21%	0.91%	1.22%

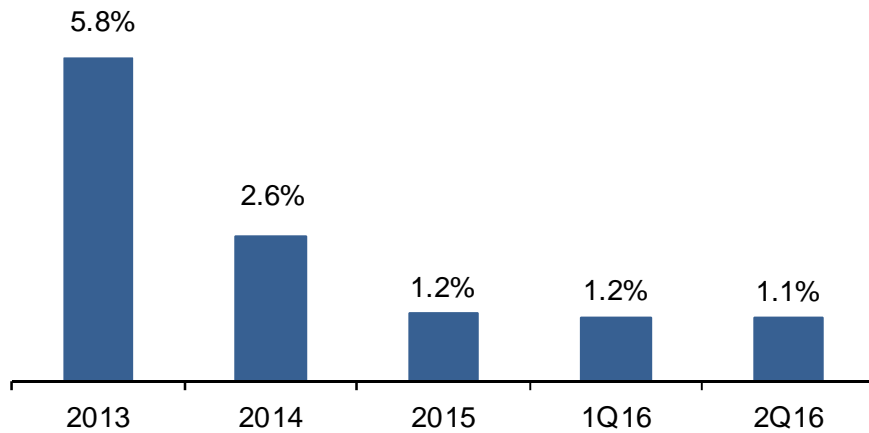
New Loan Portfolio Reserve Metrics

	2Q15	1Q16	2Q16
Reserves / Loans	0.60%	0.48%	0.46%
Reserves / NCOs	3.63x	4.73x	3.05x
Reserves / Nonaccruals	3.19x	4.33x	3.73x

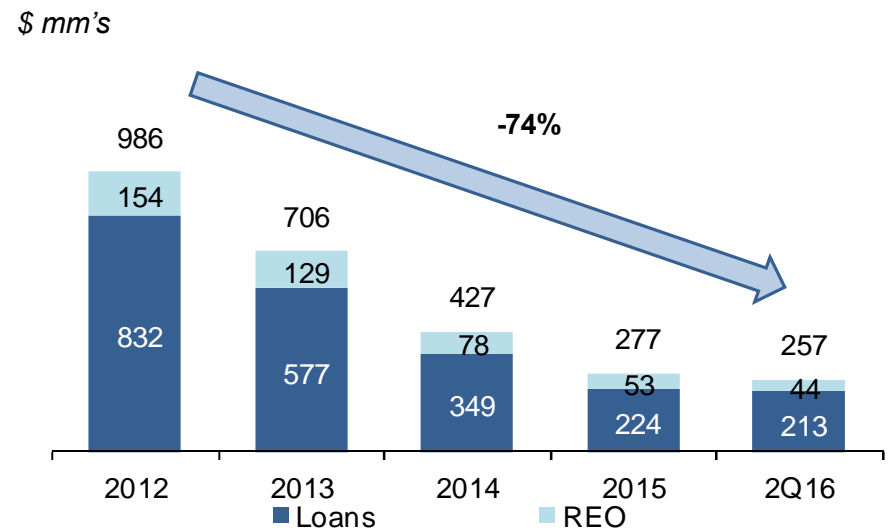


Special Assets Down 74% Since 2012

Nonperforming Loans / Total Loans



Special Assets



Legacy Credit Expenses

\$ mm's

	2Q15	1Q16	2Q16
Provision (reversal) on legacy loans	(0.5)	-	(0.8)
FDIC indemnification asset expense	2.5	-	-
OREO valuation expense	1.7	0.5	1.1
Termination of loss share agreement	-	9.2	-
(Gains) losses on sales of OREO	(1.0)	(0.7)	(0.4)
Foreclosed asset related expense	0.6	0.3	0.4
Loan workout expense	0.8	0.2	0.1
Salaries and employee benefits	0.8	0.5	0.5
Total legacy credit expense	4.9	10.0	0.9



Capital Bank Investment Highlights

Experienced management team with institutional track record

Positioned in Southeastern growth markets

Disciplined and sustainable growth story

Focused on deploying capital and improving profitability

Attractive valuation



Appendix



GAAP and Non-GAAP Disclosures

Use of Non-GAAP Financial Measures

Core net income, core efficiency ratio, core return-on-assets (core ROA), tangible book value and tangible book value per share are each non-GAAP measures used in this report. A reconciliation to the most directly comparable GAAP financial measures . net income in the case of core net income and core ROA, total non-interest income and total non-interest expense in the case of core efficiency ratio, and total shareholders' equity in the case of tangible book value and tangible book value per share . appears at the end of this release. The Company believes core net income, the core efficiency ratio and core ROA are useful for both investors and management to understand the effects of certain non-interest items and provide an alternative view of the Company's performance over time and in comparison to the Company's competitors. These measures should not be viewed as a substitute for net income. The Company believes that tangible book value and tangible book value per share are useful for both investors and management as these are measures commonly used by financial institutions, regulators and investors to measure the capital adequacy of financial institutions. The Company believes these measures facilitate comparison of the quality and composition of the Company's capital over time and in comparison to its competitors. These measures should not be viewed as a substitute for total shareholders' equity.

The Company uses these non-GAAP measures for various purposes, including measuring performance for incentive compensation and as a basis for strategic planning and forecasting.

These non-GAAP measures have inherent limitations, are not required to be uniformly applied and are not audited. They should not be considered in isolation or as a substitute for analysis of results reported under GAAP. These non-GAAP measures may not be comparable to similarly titled measures reported by other companies.



Reconciliation of Core Noninterest Income / Expense

\$ 000's

	2Q16	1Q16	4Q15	3Q15	2Q15
Net interest income	\$61,515	\$61,367	\$62,078	\$61,637	\$60,685
Reported non-interest income	11,922	2,566	10,597	11,418	10,363
Less: Securities gains (losses), net	117	40	54	(43)	(57)
Less: Termination of loss share	.	(9,178)	.	.	.
Core non-interest income	\$11,805	\$11,704	\$10,543	\$11,461	\$10,420
Reported non-interest expense	\$44,536	\$46,938	\$47,756	\$48,346	\$49,502
Less: Stock-based compensation expense	.	.	.	.	.
Contingent value right expense	.	.	.	.	4
Severance expense	.	75	.	63	14
Loss on extinguishment of debt	.	.	.	.	1,438
Conversion costs and merger	881	1,107	33	.	.
Legal merger non deductible	355	580	.	.	.
Restructuring expense	5	142	.	23	178
Contract termination	.	.	4,215	.	.
Conversion and severance expenses (conversion and merger expenses and salaries and employee benefits)	.	.	704	.	.
Core non-interest expense	\$43,295	\$45,034	\$42,804	\$48,260	\$47,868
Core Fee Ratio*	16.1%	16.1%	14.5%	15.7%	14.7%
Efficiency Ratio**	60.7%	73.4%	65.7%	66.2%	69.7%
Core Efficiency Ratio***	59.1%	61.6%	58.9%	66.0%	67.3%

* Core Fee Ratio: Core non-interest income / (Net interest income + Core non-interest income)

** Efficiency Ratio: Non-interest expense / (Net interest income + Non-interest income)

***Core Efficiency Ratio: Core non-interest expense / (Net interest income + Core non-interest income)



Reconciliation of Core Net Income

\$ 000's

	Quarter Ended 2Q16	Quarter Ended 2Q16	Quarter Ended 1Q16	Quarter Ended 1Q16	Quarter Ended 2Q15	Quarter Ended 2Q15
Net income	\$17,402	\$17,402	\$9,840	\$9,840	\$12,990	\$12,990
Adjustments	Pre-Tax	After-tax	Pre-Tax	After-tax	Pre-Tax	After-tax
Non-Interest Income						
Termination of loss share agreement	-	-	9,178	5,670	-	-
Security losses / (gains)*	(117)	(72)	(40)	(25)	57	35
Non-Interest Expense						
Stock-based compensation expense*	-	-	-	-	-	-
Contingent Value Right expense	-	-	-	-	4	2
Severance expense *	-	-	75	46	14	9
Restructuring expense*	5	3	142	88	178	110
Conversion costs and merger tax deductible*	881	544	1,107	684	-	-
Legal merger non deductible	355	355	580	580	-	-
Loss on extinguishment of debt	-	-	-	-	1,438	887
Tax effect of adjustments*	(294)	NA	(3,999)	NA	(648)	NA
Core Net Income	18,232	18,232	16,883	16,883	14,033	14,033
Average Assets	\$7,484,365		\$7,450,422		\$6,885,513	
Tangible Common Equity	\$868,745		\$848,305		\$907,829	
** ROA	0.93%		0.53%		0.75%	
*** Core ROA	0.97%		0.91%		0.82%	
**** Core ROTCE	8.4%		8.0%		6.2%	

* Tax effected at an income tax rate of 38.0%

** ROA: Annualized net income / average assets

*** Core ROA: Annualized core net income / average assets

**** Core ROTCE: Annualized core net income / tangible common equity



Tangible Book Value

(In thousands, except per share data)

June 30, 2016

Total common shareholders' equity	\$1,016,498
Intangibles, net of taxes	142,725
Tangible book value*	<u>\$873,773</u>
Common shares outstanding	43,219
Tangible book value per share	\$20.22

* Tangible book value is equal to book value less goodwill and core deposit intangibles, net of related deferred tax liabilities.



Contractual Net Interest Margin

\$ 000s

	Average Earning Assets	Net Interest Income (1)	Net Interest Margin
June 30, 2016			
Reported	6,876,936	61,950	3.62%
Purchase accounting impact	(39,114)	6,438	0.37%
Contractual Net Interest Margin (2)			3.25%
March 31, 2016			
Reported	6,832,335	61,786	3.64%
Purchase accounting impact	(44,537)	8,171	0.48%
Contractual Net Interest Margin (2)			3.16%
December 31, 2015			
Reported	6,698,719	62,491	3.70%
Purchase accounting impact	(50,768)	8,460	0.49%
Contractual Net Interest Margin (2)			3.21%
September 30, 2015			
Reported	6,442,167	62,044	3.82%
Purchase accounting impact	(55,281)	10,381	0.63%
Contractual Net Interest Margin (2)			3.19%
June 30, 2015			
Reported	6,221,394	61,068	3.94%
Purchase accounting impact	(63,174)	10,711	0.69%
Contractual Net Interest Margin (2)			3.25%

(1) Includes effects of tax equivalent adjustments

(2) Excludes purchase accounting adjustments

7/21/2016