



**CAPITAL BANK**  
**FINANCIAL CORP**

## 2015 Fourth Quarter Earnings

January 28, 2016

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# Safe Harbor Statement

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## Forward-Looking Statements

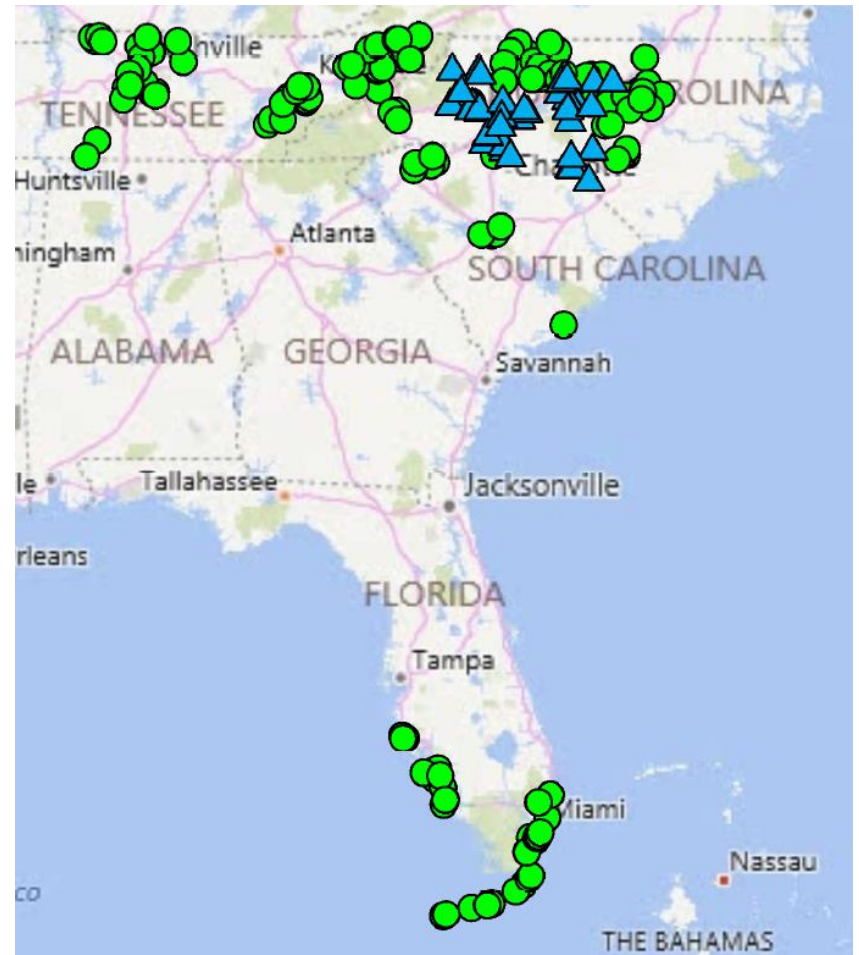
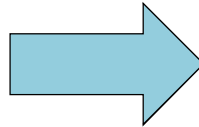
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# Creating Regional Bank Franchise in SE Growth Markets

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CommunityOne\*



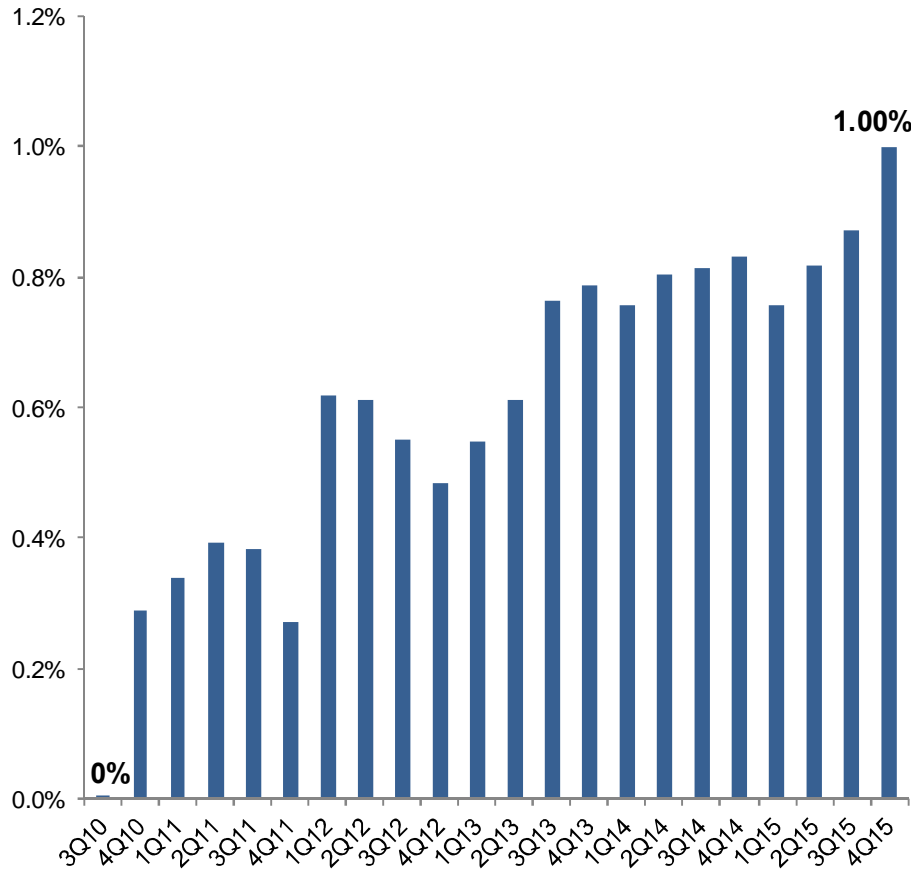
● Capital Bank    ▲ CommunityOne\*

\* Subject to regulatory and shareholder approval.

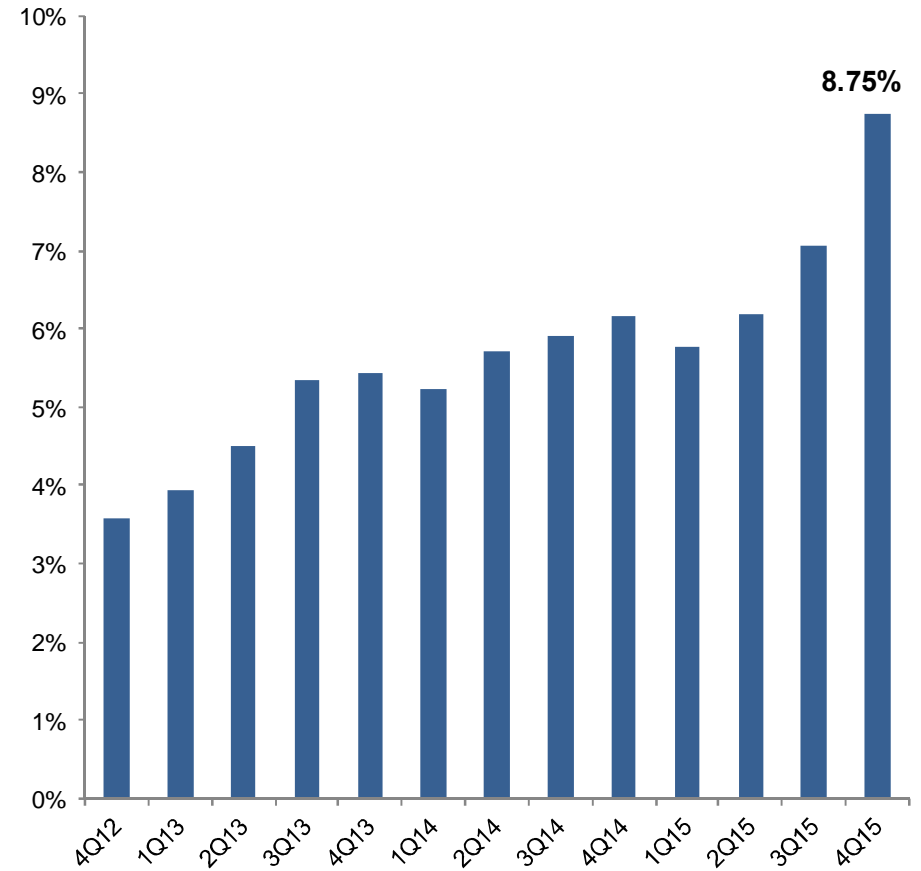


# Commitment to Profitability and Returns

**Achieved Core ROA Goal of 1.00%**



**Progress Toward Double-Digit Core ROTCE Goal**



See reconciliation of non-GAAP measures in appendix.

1/28/2016



## Fourth Quarter Highlights

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Reported EPS of \$0.34 and record core EPS of \$0.41 up 41% y/y

Generated \$487 million of new loans, and grew total loan portfolio 17% annualized q/q and 13% y/y

Grew total deposits by \$295 mm, up 12% y/y

Drove core noninterest expense down 15% y/y and core efficiency ratio to 59%

Achieved core ROA target of 1.00%

Repurchased 1.2 million shares

Announced acquisition of CommunityOne



# Fourth Quarter Financial Summary

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

	4Q15	% change	
		3Q15	4Q14
Net interest income	62.1	0.7%	1.2%
Provision (reversal)	1.1	36%	-271%
Non-interest income	10.6	-7%	0%
Non-interest expense	47.8	-1%	-6%
Pretax income	23.8	0%	10%
Net income	15.0	-2%	9%
<b>Per share</b>	<b>\$0.34</b>	<b>3%</b>	<b>17%</b>
Core adjustments	3.3	NM	NM
Core Net Income	18.3	19%	31%
<b>Per share</b>	<b>\$0.41</b>	<b>24%</b>	<b>41%</b>

Net interest income increased by \$0.4 million sequentially, with loan growth offsetting 12 bps in NIM compression

Provision includes \$2.3 mm for new loans and \$1.2 mm impairment reversal for legacy portfolio

Noninterest expense includes non-core charges of \$5.0 mm pre-tax

Key Metrics	4Q15	3Q15	4Q14
Net interest margin	3.70%	3.82%	4.05%
Core fee ratio	14.5%	15.7%	14.1%
Core efficiency ratio	58.9%	66.0%	70.5%
Core ROA	1.00%	0.87%	0.83%
Core ROTCE	8.7%	7.1%	6.2%

Non-interest income includes \$1.5 mm in FDIC expense, of which \$1 mm reflects recoveries due to the FDIC associated with the legacy portfolio impairment reversal

Non-core adjustments detail	
\$ 000s	
Cancellation of debit card processing contract	4,215
Conversion, merger, and restructuring	738
Securities gains	(54)
<b>Total pre-tax</b>	<b>4,899</b>
Tax effect of adjustments	(1,625)
<b>Total after-tax</b>	<b>3,274</b>

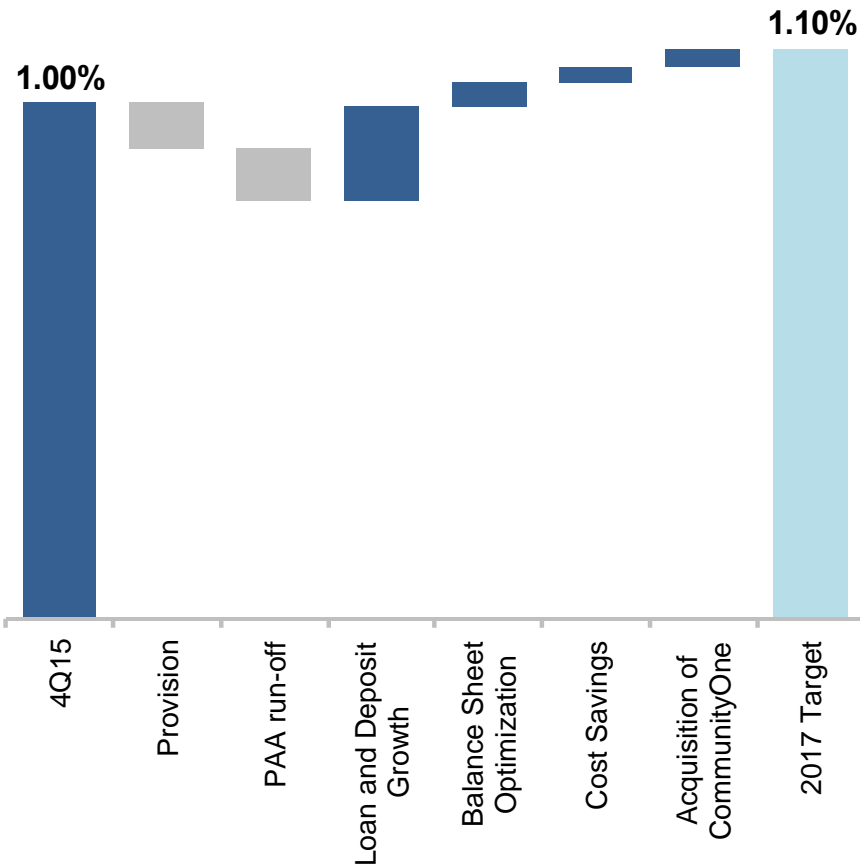
See reconciliation of non-GAAP measures in appendix.

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# New ROA Target for 2017

## Core Return on Average Assets



NIM compression from purchase accounting

Planning for reduced recoveries

Sustain high quality loan and deposit growth

Balance sheet optimization

Further cost savings at CommunityOne and Capital Bank

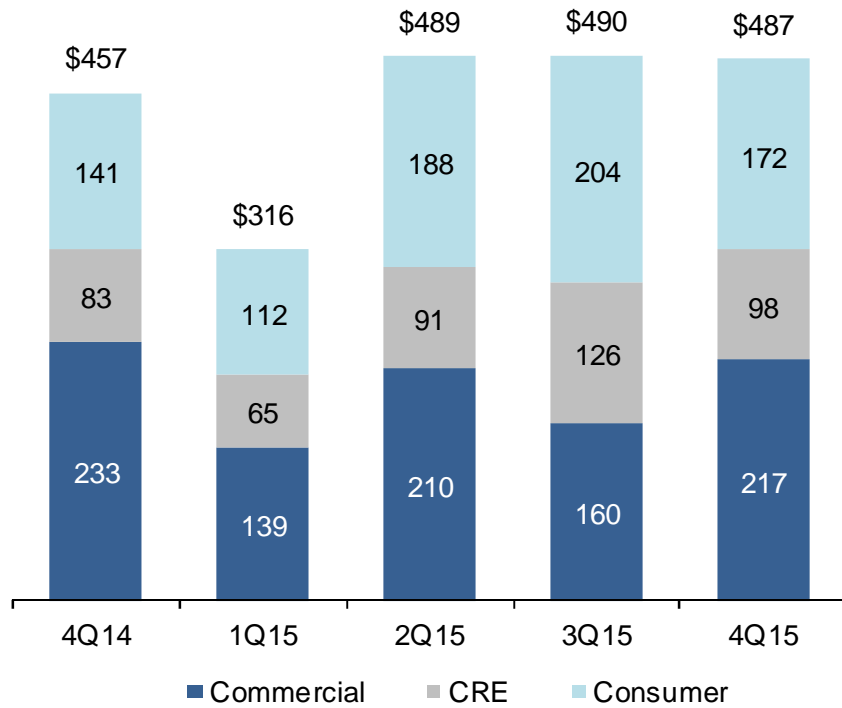
Committed to double-digit ROTCE



# Generated \$487 mm of New Loans

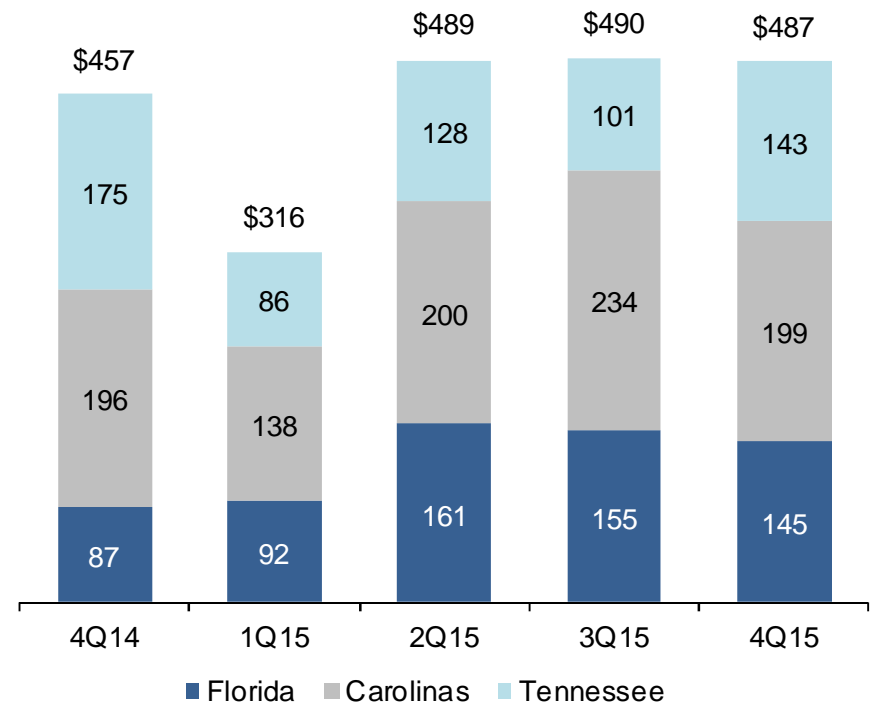
### New Loans by Product

\$ mm's



### New Loans by Geography

\$ mm's



Includes loan purchases of \$43 mm, \$14 mm, and \$33 mm in 4Q15, 3Q15, and 2Q15, respectively

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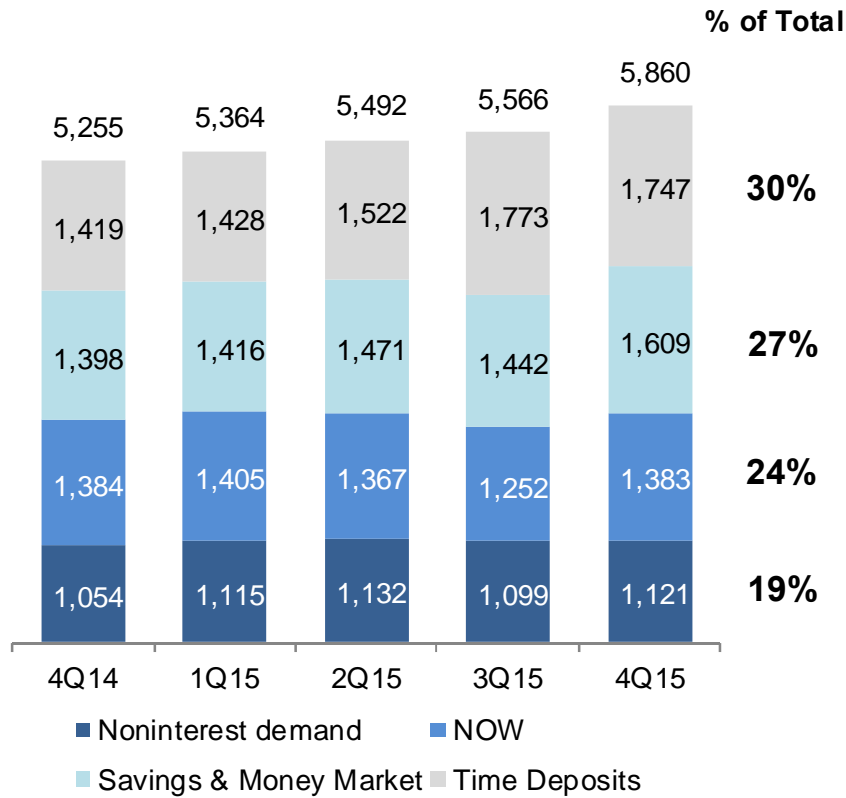




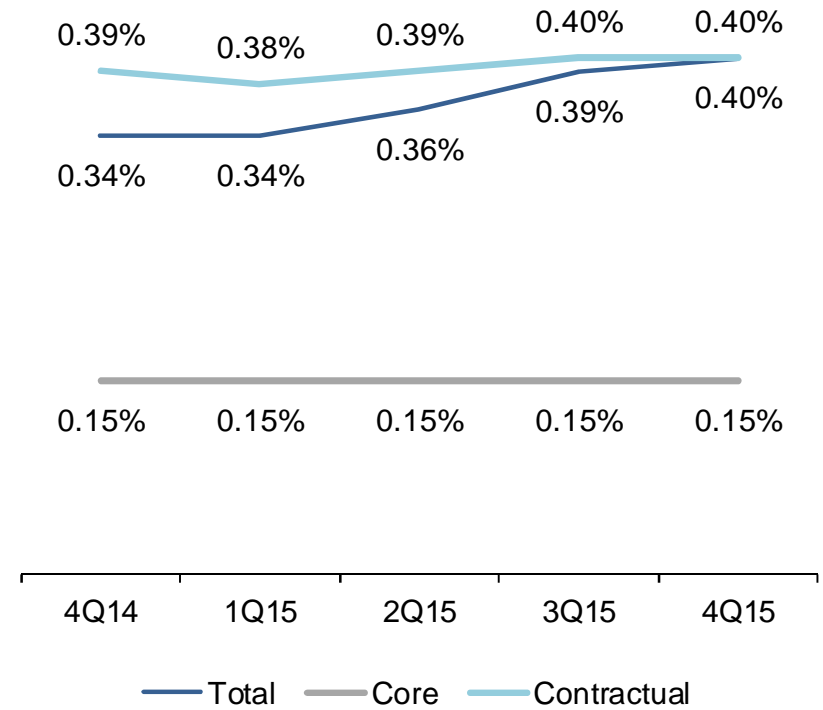
# Total Deposits Up 12% Y/Y

## Deposit Balances

\$ mm's



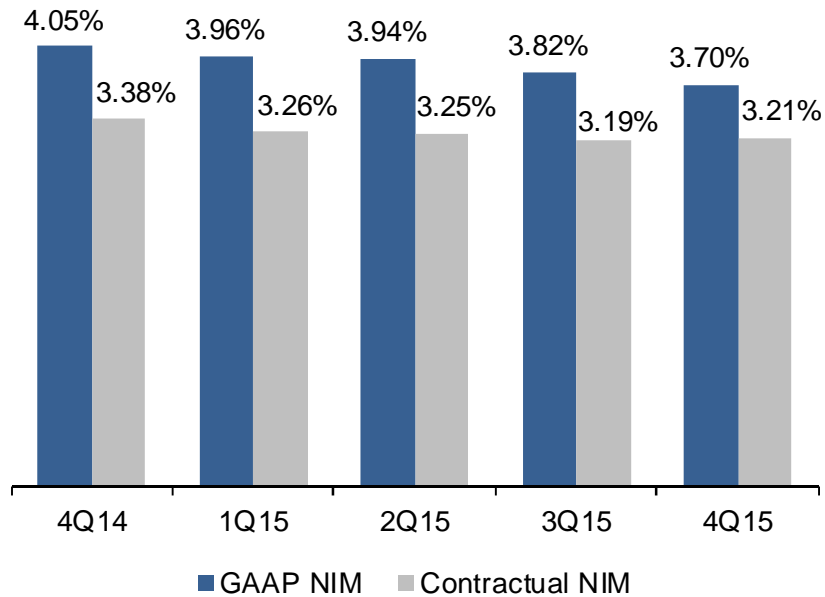
## Cost of Deposits





# NIM Compression In Line with Forecast

## Net Interest Margin (NIM)



NIM declined 12 bps primarily due to reduced income from purchase accounting

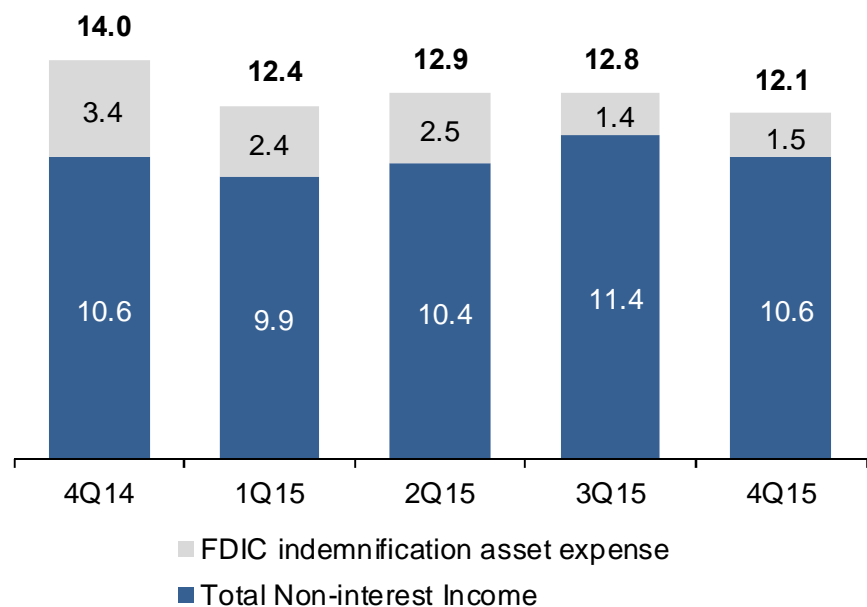
Contractual NIM excluding purchase accounting stable sequentially and down only 17 bps year-over-year



# Total Non-interest Income Flat y/y

## Non-interest Income Before FDIC Expense

\$ mm's



## Non-interest Income Detail

\$ mm's

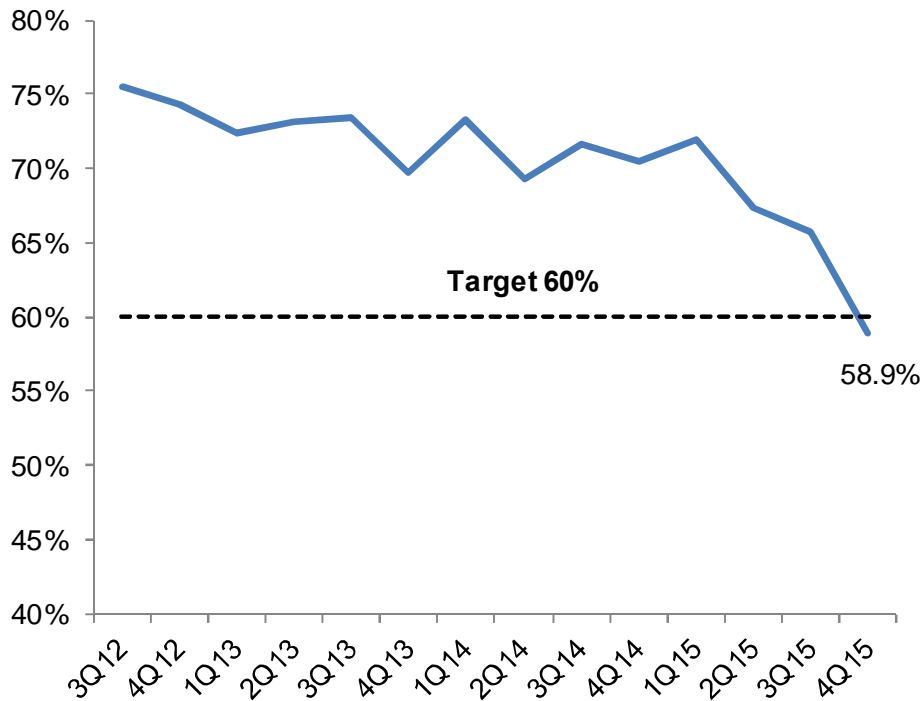
	4Q14	3Q15	4Q15
Services charges on deposits	5.3	5.5	4.9
Debit card income	3.0	3.1	3.0
Fees on mortgage loans sold	1.1	1.0	0.9
Investment advisory and trust fees	1.2	0.9	0.6
Other	3.5	2.4	2.7
<b>Non-interest Income ex FDIC expense</b>	<b>14.0</b>	<b>12.8</b>	<b>12.1</b>
FDIC indemnification asset expense	(3.4)	(1.4)	(1.5)
<b>Non-interest Income</b>	<b>10.6</b>	<b>11.4</b>	<b>10.6</b>

FDIC indemnification asset expenses includes \$1 mm of recoveries due to legacy asset impairment reversal



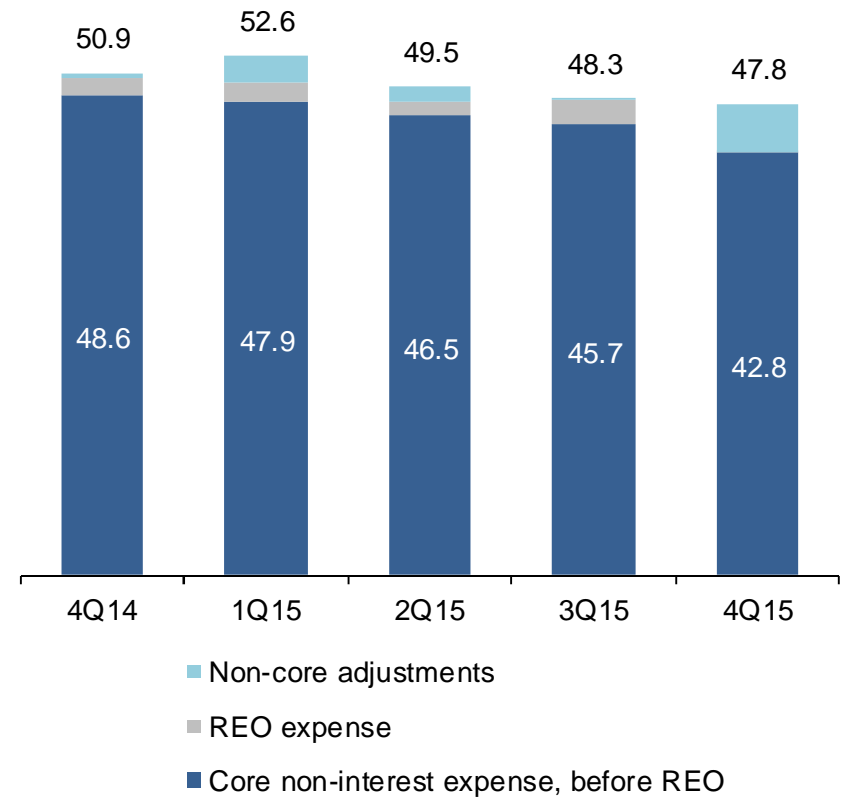
# Core Noninterest Expense Down 15% Y/Y

### Core Efficiency Ratio



### Non-interest Expense

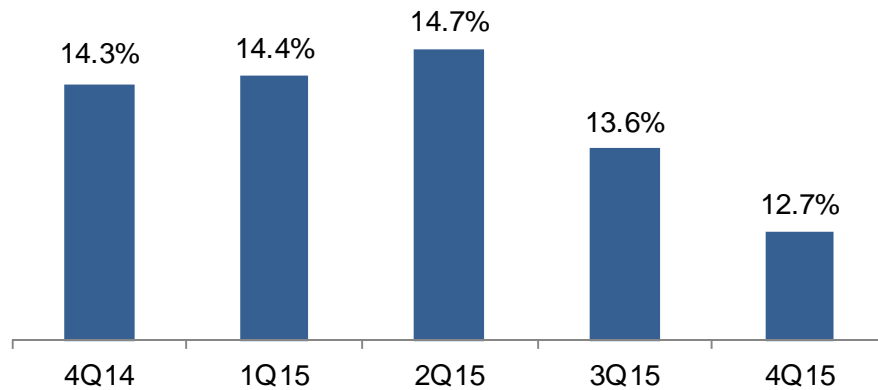
\$ mm's





# Liquidity and Capital Ratios Remain Strong

## Tier 1 Leverage Ratio<sup>1</sup>

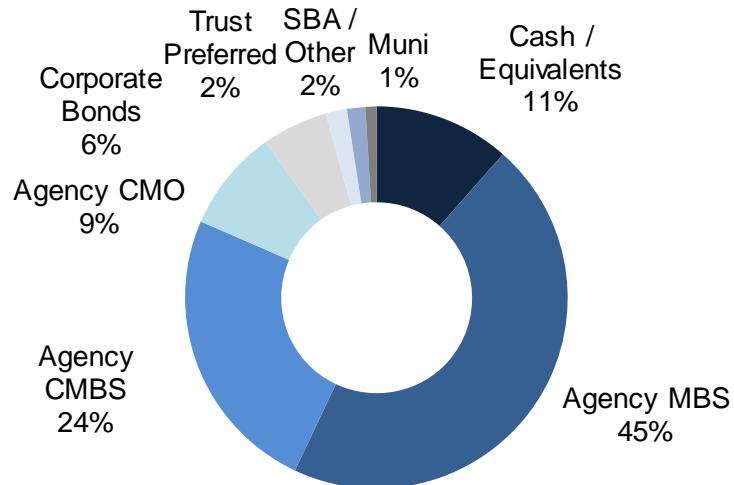


The company repurchased \$1.2mm shares of stock during 4Q, returning \$41 mm to investors including dividends

Cumulative 22% of shares retired since going public

Modified duration of investments was 4.6 years at December 31, 2015, down from 4.7 years at September 30, 2015

## Liquidity

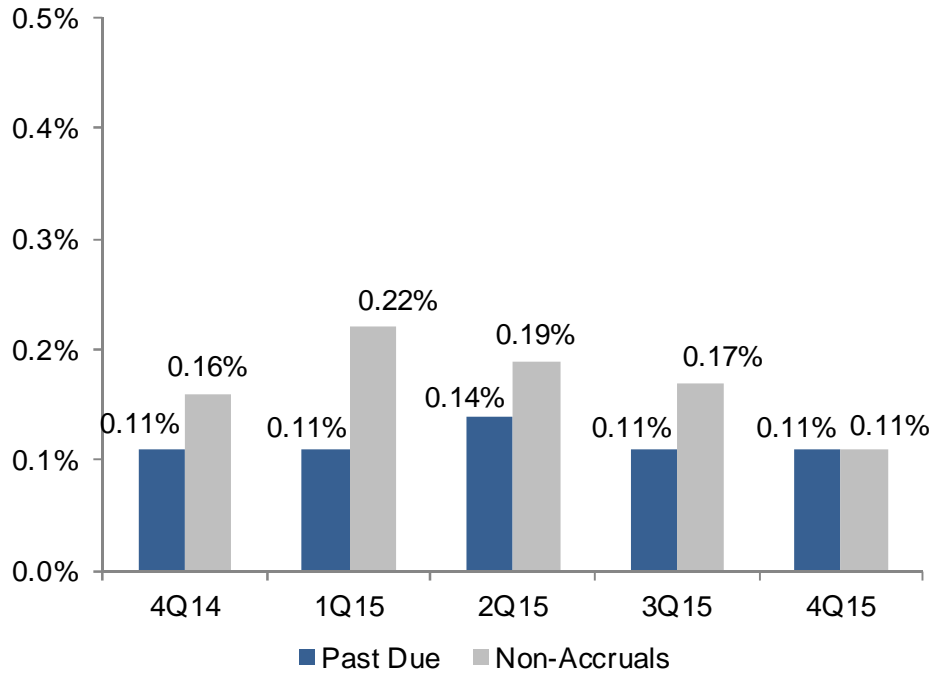


(1) 4Q15 capital ratio is preliminary.



# New Loan Portfolio Performing Strongly

## Past Dues & Nonaccruals



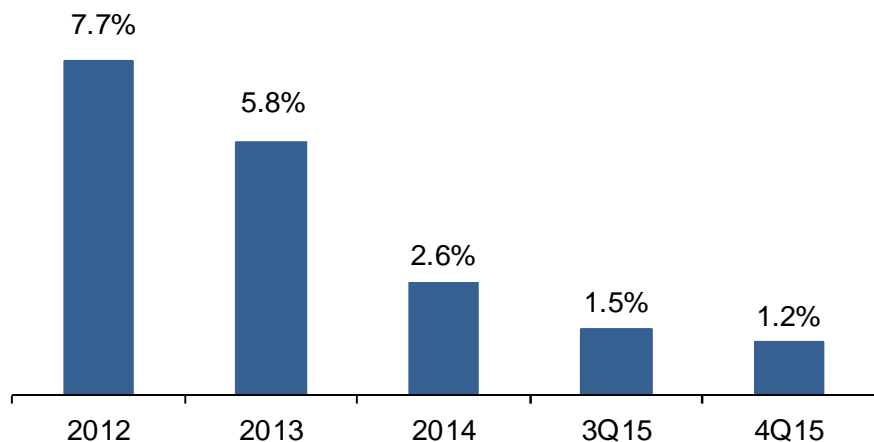
## New Loan Portfolio Credit Metrics

	4Q14	3Q15	4Q15
Criticized	0.32%	0.61%	0.51%
Classified Performing	0.44%	0.28%	0.31%
Classified Nonperforming	0.16%	0.17%	0.11%
<b>Total Criticized/Classified</b>	<b>0.92%</b>	<b>1.06%</b>	<b>0.93%</b>
NCOs, Annualized	0.18%	0.15%	0.22%

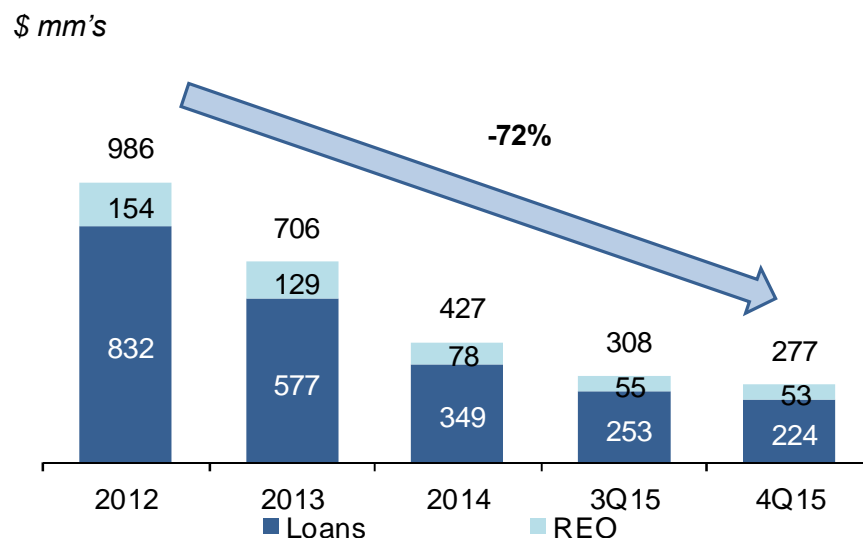


# Special Assets Down 72% Since 2012

## Nonperforming Loans / Total Loans



## Special Assets



## Legacy Credit Expenses Down 75% y/y

\$ mm's

	4Q14	3Q15	4Q15
Provision (reversal) on legacy loans	(1.4)	0.5	(1.2)
FDIC indemnification asset expense	3.4	1.4	1.5
OREO valuation expense	1.6	2.1	0.3
(Gains) losses on sales of OREO	(0.4)	(0.4)	(0.8)
Foreclosed asset related expense	0.6	0.9	0.4
Loan workout expense	1.4	0.2	0.7
Salaries and employee benefits	1.0	0.8	0.6
<b>Total legacy credit expense</b>	<b>6.1</b>	<b>5.5</b>	<b>1.5</b>



## 2016 Outlook

<b>Loan Growth</b>	<b>Low single-digit in 1H, picking up to 10% rate in 2H</b>
<b>NIM</b>	<ul style="list-style-type: none"><li>- Continued purchase accounting run-off</li><li>- Higher deposit costs</li><li>+ Balance sheet optimization</li><li>+ Fed rate hike(s)</li></ul>
<b>Noninterest Income</b>	<b>1Q deposit and mortgage fees seasonally low</b>
<b>Noninterest Expense</b>	<b>Higher in 1Q on accruals Cost savings to follow CommunityOne closing/integration</b>
<b>Core ROAA</b>	<b>1.00-1.05% by year-end 1Q seasonally lower</b>

See reconciliation of non-GAAP measures in appendix.

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# Capital Bank Investment Highlights

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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



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# Appendix



# Reconciliation of Core Noninterest Income / Expense

\$ 000's

	4Q15	3Q15	2Q15	1Q15	4Q14
Net interest income	\$62,078	\$61,637	\$60,685	\$59,729	\$61,351
Reported non-interest income	10,597	11,418	10,363	9,920	10,594
Less: Securities gains (losses), net	54	(43)	(57)	90	513
<b>Core non-interest income</b>	<b>\$10,543</b>	<b>\$11,461</b>	<b>\$10,420</b>	<b>\$9,830</b>	<b>\$10,081</b>
Reported non-interest expense	\$47,756	\$48,346	\$49,502	\$52,647	\$50,932
Less: Stock-based compensation expense	.	.	.	95	239
Contingent value right expense	.	.	4	116	334
Severance expense	.	63	14	111	.
Restructuring expense	.	23	178	2,341	.
Loss on extinguishment of debt	.	.	1,438	.	.
Conversion costs and merger	33	.	.	.	.
Contract termination	4,215	.	.	.	.
Conversion and severance expenses (conversion and merger expenses and salaries and employee benefits)	704	.	.	.	.
<b>Core non-interest expense</b>	<b>\$42,804</b>	<b>\$48,260</b>	<b>\$47,868</b>	<b>\$49,984</b>	<b>\$50,359</b>
<b>Core Fee Ratio*</b>	<b>14.5%</b>	<b>15.7%</b>	<b>14.7%</b>	<b>14.1%</b>	<b>14.1%</b>
<b>Efficiency Ratio**</b>	<b>65.7%</b>	<b>66.2%</b>	<b>69.7%</b>	<b>75.6%</b>	<b>70.8%</b>
<b>Core Efficiency Ratio***</b>	<b>58.9%</b>	<b>66.0%</b>	<b>67.3%</b>	<b>71.9%</b>	<b>70.5%</b>

\* 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 4Q15	Quarter Ended 4Q15	Quarter Ended 3Q15	Quarter Ended 3Q15	Quarter Ended 4Q14	Quarter Ended 4Q14
<b>Net income</b>	<b>\$15,021</b>	<b>\$15,021</b>	<b>\$15,321</b>	<b>\$15,321</b>	<b>\$13,836</b>	<b>\$13,836</b>
<b>Adjustments</b>	<b>Pre-Tax</b>	<b>After-tax</b>	<b>Pre-Tax</b>	<b>After-tax</b>	<b>Pre-Tax</b>	<b>After-tax</b>
<b>Non-Interest Income</b>						
Security losses / (gains)*	(54)	(33)	43	26	(513)	(313)
<b>Non-Interest Expense</b>						
Stock-based compensation expense*	-	-	-	-	239	146
Contingent Value Right expense	-	-	-	-	334	334
Severance expense *	-	-	63	39	-	-
Restructuring expense*	32	20	23	14	-	-
Conversion costs and merger tax deductible*	33	20	-	-	-	-
Legal merger non deductible	673	673	-	-	-	-
Contract termination	4,215	2,594	-	-	-	-
Tax effect of adjustments*	(1,625)	NA	(50)	NA	107	NA
<b>Core Net Income</b>	<b>18,295</b>	<b>18,295</b>	<b>15,400</b>	<b>15,400</b>	<b>14,003</b>	<b>14,003</b>
Average Assets	\$7,332,516		\$7,087,882		\$6,749,124	
Tangible Common Equity	\$836,643		\$872,075		\$910,155	
** ROA	0.82%		0.86%		0.82%	
*** Core ROA	1.00%		0.87%		0.83%	
**** Core ROTCE	8.7%		7.1%		6.2%	

\* Tax effected at an income tax rate of 37.0%

\*\* ROA: Annualized net income / average assets



# Tangible Book Value

*(In thousands, except per share data)*

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## **December 31, 2015**

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Total common shareholders' equity	\$986,265
Intangibles, net of taxes	<u>143,863</u>
Tangible book value*	<u>\$842,402</u>
Common shares outstanding	43,143
Tangible book value per share	\$19.53

\* 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	Net Interest Margin
<b>December 31, 2015</b>			
Reported	6,698,719	62,544	3.70%
Purchase accounting impact	(50,768)	8,460	0.49%
<b>Contractual Net Interest Margin (1)</b>			<b>3.21%</b>
<b>September 30, 2015</b>			
Reported	6,442,167	69,167	3.82%
Purchase accounting impact	(55,281)	10,381	0.63%
<b>Contractual Net Interest Margin (1)</b>			<b>3.19%</b>
<b>June 30, 2015</b>			
Reported	6,221,394	67,696	3.94%
Purchase accounting impact	(63,174)	10,711	0.69%
<b>Contractual Net Interest Margin (1)</b>			<b>3.25%</b>
<b>March 31, 2015</b>			
Reported	6,168,668	66,572	3.96%
Purchase accounting impact	(73,831)	10,790	0.70%
<b>Contractual Net Interest Margin (1)</b>			<b>3.26%</b>
<b>December 31, 2014</b>			
Reported	6,045,748	61,723	4.05%
Purchase accounting impact	(79,632)	10,295	0.67%
<b>Contractual Net Interest Margin (1)</b>			<b>3.38%</b>

(1) Excludes purchase accounting adjustments

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