



CAPITAL BANK
FINANCIAL CORP

2016 Third Quarter Earnings

October 20, 2016



Safe Harbor Statement

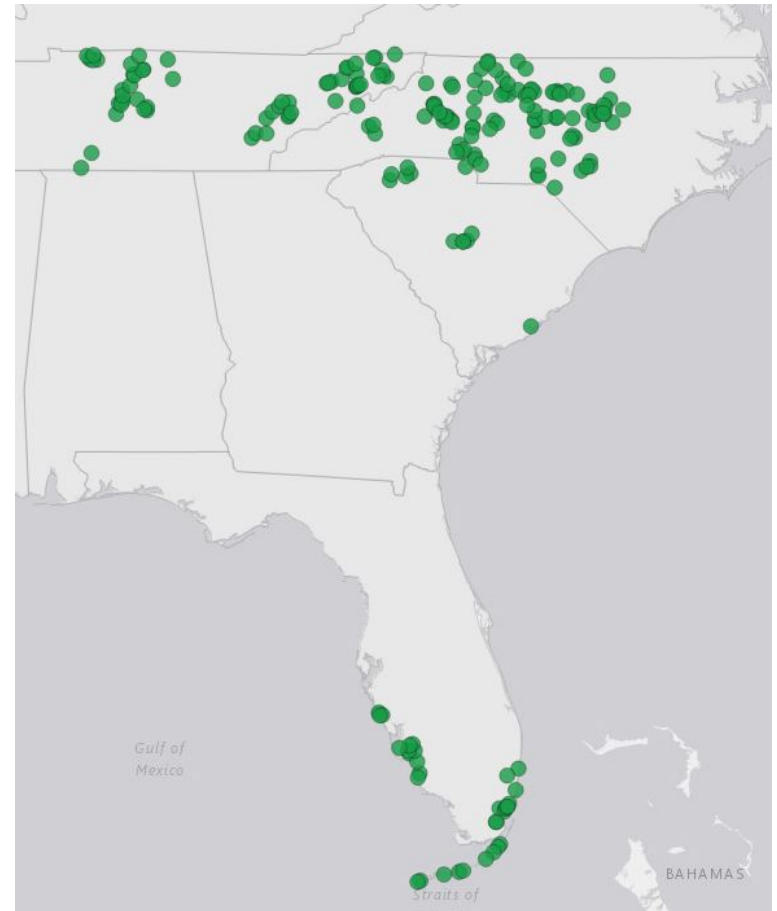
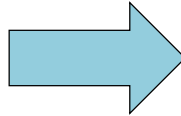
Forward-Looking Statements

Information in this press release contains forward-looking statements. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of several factors more fully described under the caption "Risk Factors" in the annual report on Form 10-K and other periodic reports filed by us with the Securities and Exchange Commission. Any or all of our forward-looking statements in this press release may turn out to be inaccurate. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward looking statements including, but not limited to: (1) changes in general economic and financial market conditions; (2) changes in the regulatory environment; (3) economic conditions generally and in the financial services industry; (4) changes in the economy affecting real estate values; (5) our ability to achieve loan and deposit growth; (6) the completion of future acquisitions or business combinations and our ability to integrate any acquired businesses into our business model; (7) projected population and income growth in our targeted market areas; (8) competitive pressures in our markets and industry; (9) our ability to attract and retain key personnel; (10) changes in accounting policies or judgments and (11) volatility and direction of market interest rates and a weakening of the economy which could materially impact credit quality trends and the ability to generate loans. All forward-looking statements are necessarily only estimates of future results, and actual results may differ materially from expectations. You are, therefore, cautioned not to place undue reliance on such statements, which should be read in conjunction with the other cautionary statements that are included elsewhere in this press release. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.



A Fully Integrated Regional Bank in SE Growth Markets

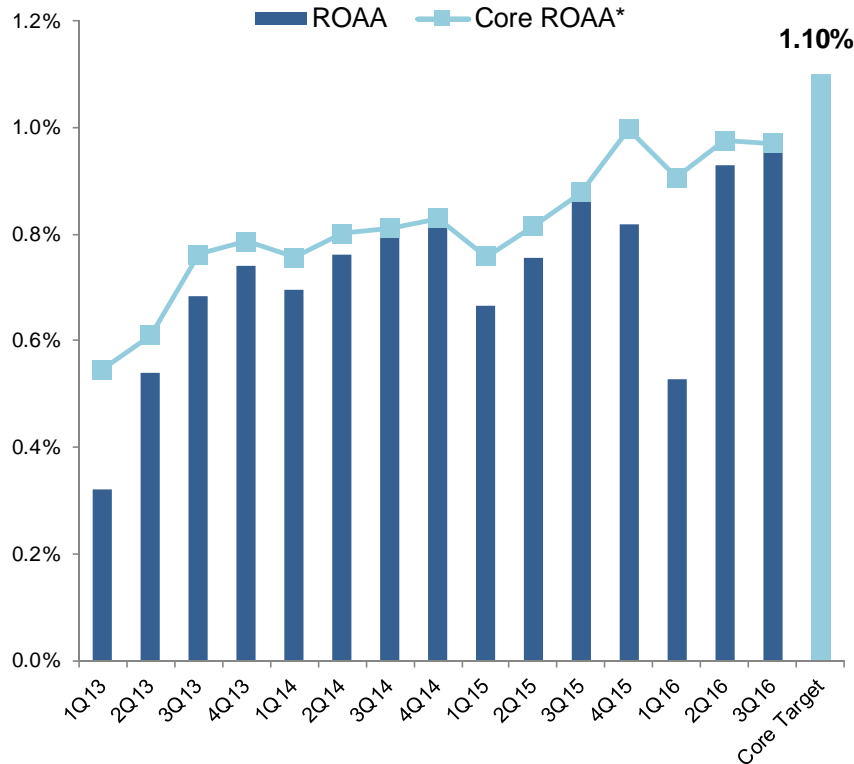
1 CommunityOne



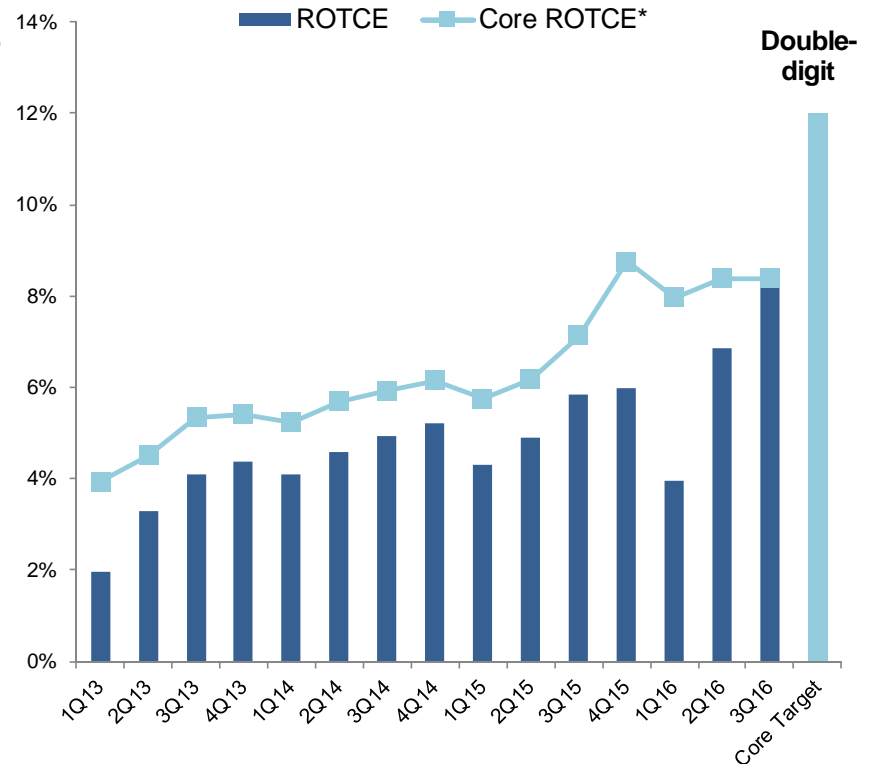


Commitment to Profitability and Returns

Return on Average Assets



Return on Tangible Common Equity



*See reconciliation of non-GAAP measures in appendix.



Third Quarter Highlights

- Received final regulatory approval for merger with CommunityOne, with closing planned for October 26, 2016
- Reported EPS of \$0.42 and Core EPS of \$0.42*, up 27% y/y
- ROA was 0.97%, up from 0.86% in 3Q15, and Core ROA was 0.97%*, up from 0.87%* in 3Q15
- New Loan portfolio nonaccruals remain very low at 0.18%
- NIM compressed only 4 bps to 3.58%
- Non-interest expense down 2% y/y, efficiency ratio declined to 63% y/y, core efficiency ratio declined to 61%* y/y

*See reconciliation of non-GAAP measures in appendix.



Third Quarter Financial Summary

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

	3Q16	% change	
		2Q16	3Q15
Net interest income	62.6	2%	2%
Provision (reversal)	0.6	-50%	-27%
Non-interest income	12.4	4%	8%
Non-interest expense	47.5	7%	-2%
Pretax income	26.9	-3%	12%
Net income	18.5	6%	21%

Per share	\$ 0.42	5%	27%
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Adjustments	0.0	NM	NM
Core Net Income*	18.5	1%	20%

Per share	\$ 0.42	0%	27%
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Key Metrics	3Q16	2Q16	3Q15
Net interest margin	3.58%	3.62%	3.82%
Fee ratio	16.5%	16.2%	15.6%
Efficiency ratio	63.4%	60.6%	66.2%
ROA	0.97%	0.93%	0.86%
ROE	7.2%	6.9%	5.9%

Core Metrics

Core fee ratio*	16.4%	16.1%	15.7%
Core efficiency ratio*	61.1%	59.1%	66.0%
Core ROAA*	0.97%	0.97%	0.87%
Core ROTCE*	8.4%	8.4%	7.1%

- Net interest income increased by \$1.1 mm sequentially, thanks to 13% annualized portfolio growth, offset by 4 bps of NIM compression
- Book value per share sequentially increased by \$0.30 to \$23.82, and tangible book value sequentially rose by \$0.31 to \$20.53

Non-core adjustments detail	
\$ 000s	
Conversion, merger, and restructuring	218
Legal	61
Legal Settlement	1,500
Tax adjustment	(1,067)
Securities gains	(71)
Total pre-tax	641
Tax effect of adjustments	(629)
Total after-tax	12

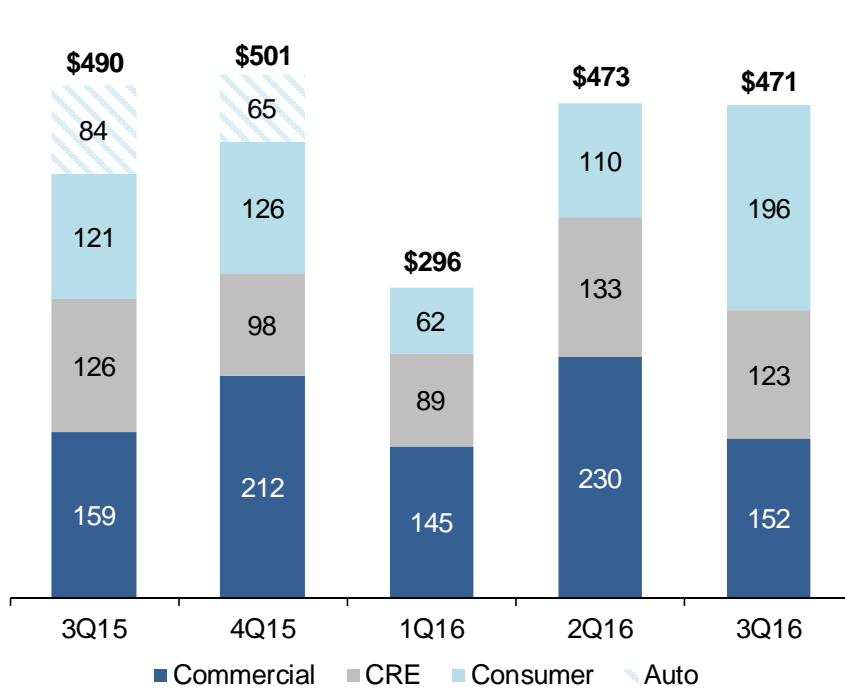
*See reconciliation of non-GAAP measures in appendix.



New Loan Production

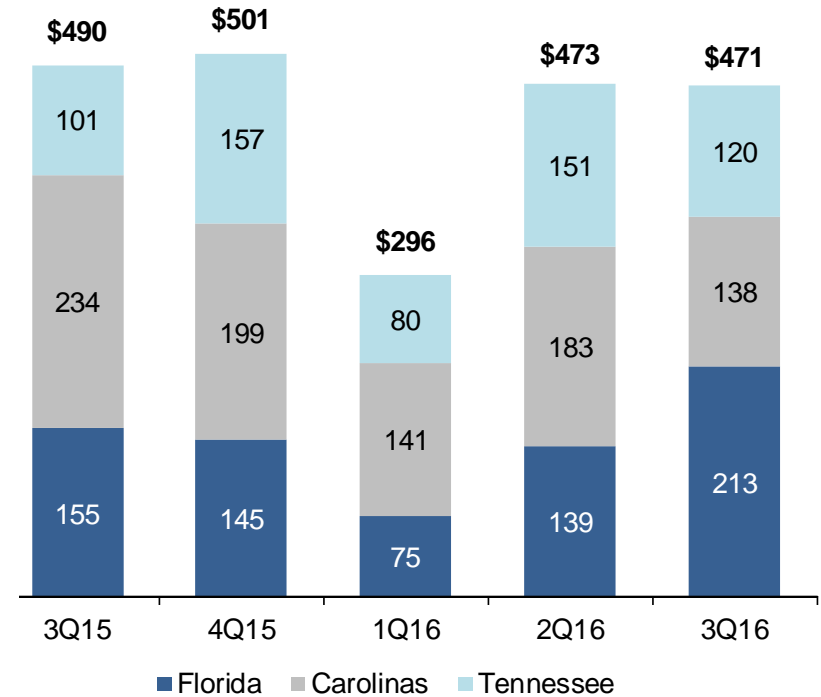
New Loans by Product

\$ mm's



New Loans by Geography

\$ mm's



Note: Includes loan purchases of \$14 mm, \$29mm, \$8mm, \$16mm, and \$126mm in 3Q15, 4Q15, 1Q16, 2Q16, and 3Q16, respectively

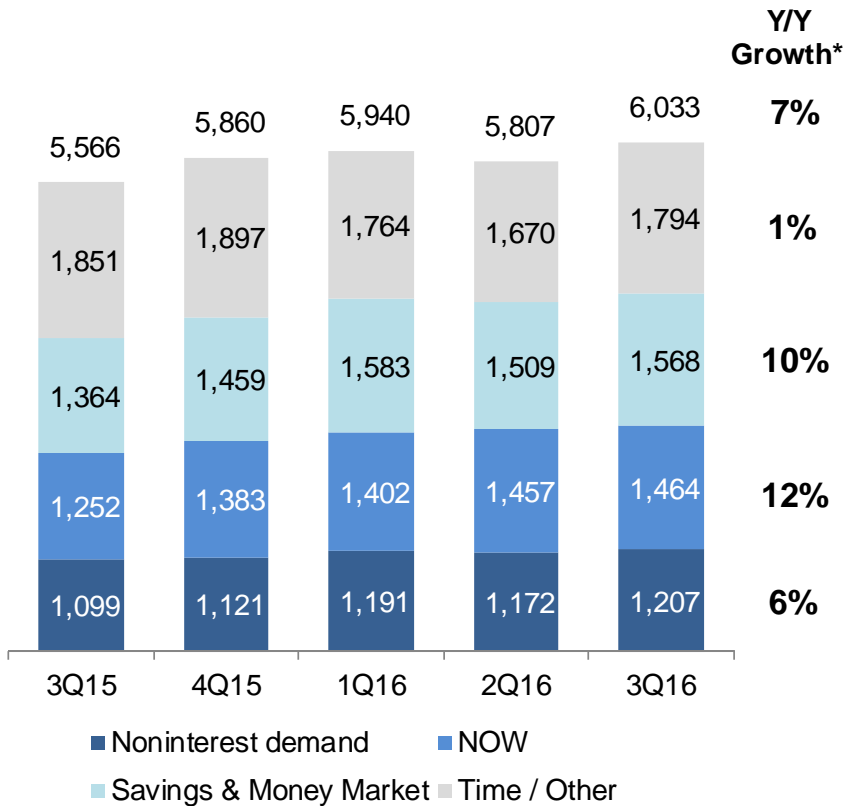
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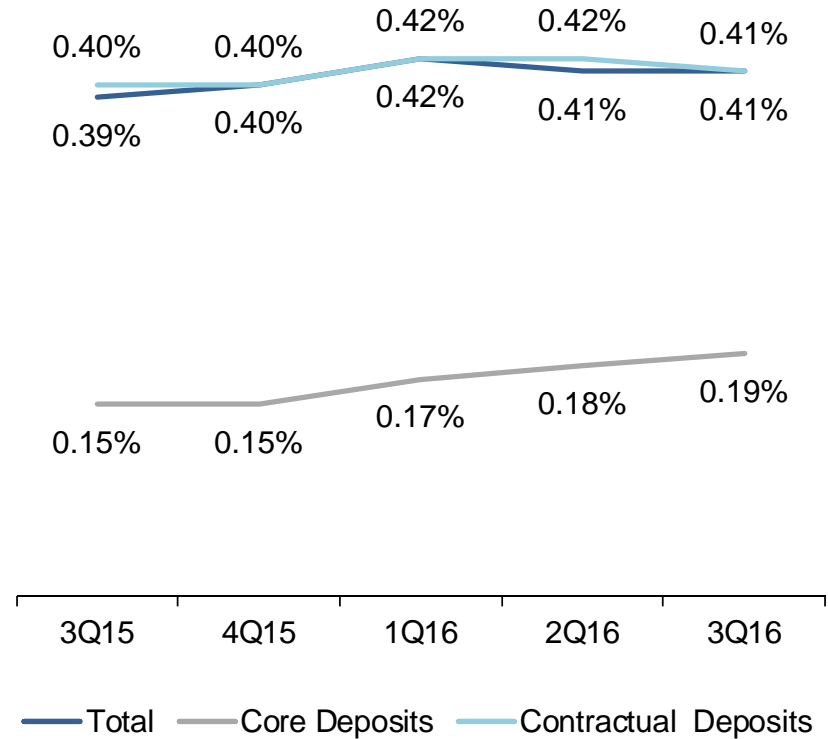
Strong Core Deposit Growth

Deposit Balances

\$ mm's



Cost of Deposits



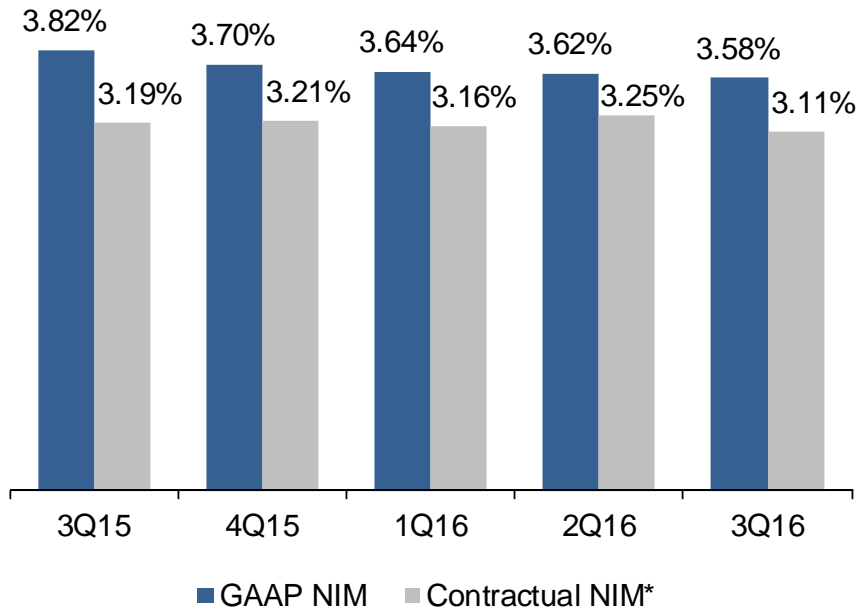
*Growth rate reflects average QTD balances.

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

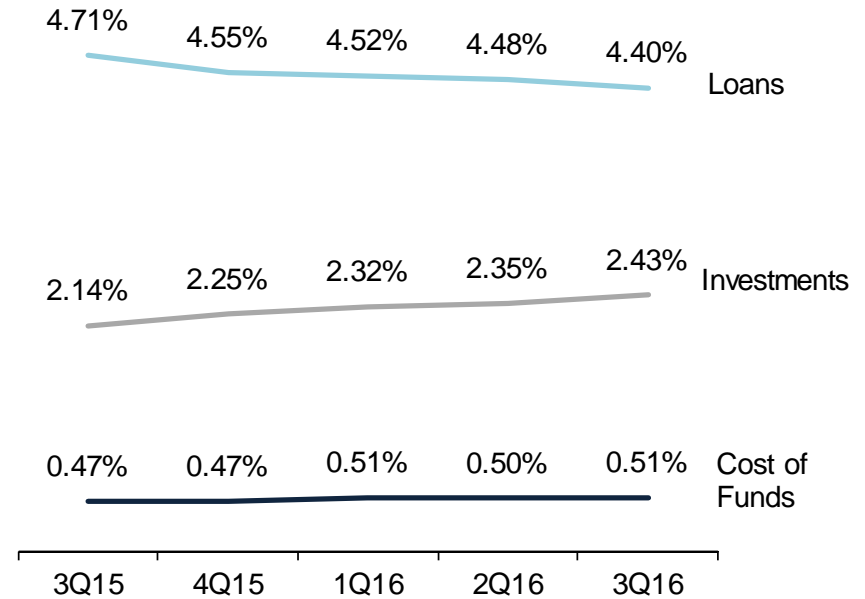


NIM Compresses 4 bps to 3.58%

Net Interest Margin (NIM)



Yields and Cost of Funds



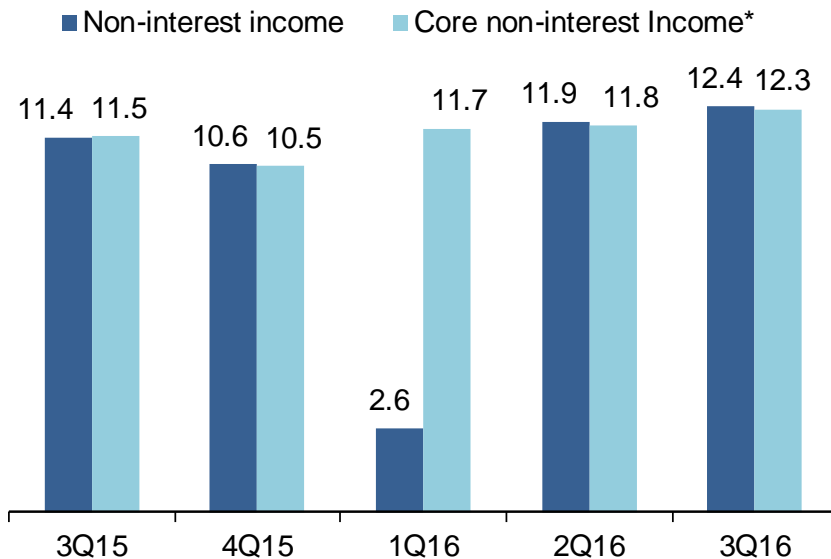
*See reconciliation of contractual net interest margin in appendix.



Non-interest income up \$0.5 mm sequentially

Non-interest Income

\$ mm's



Non-interest Income Detail

\$ mm's

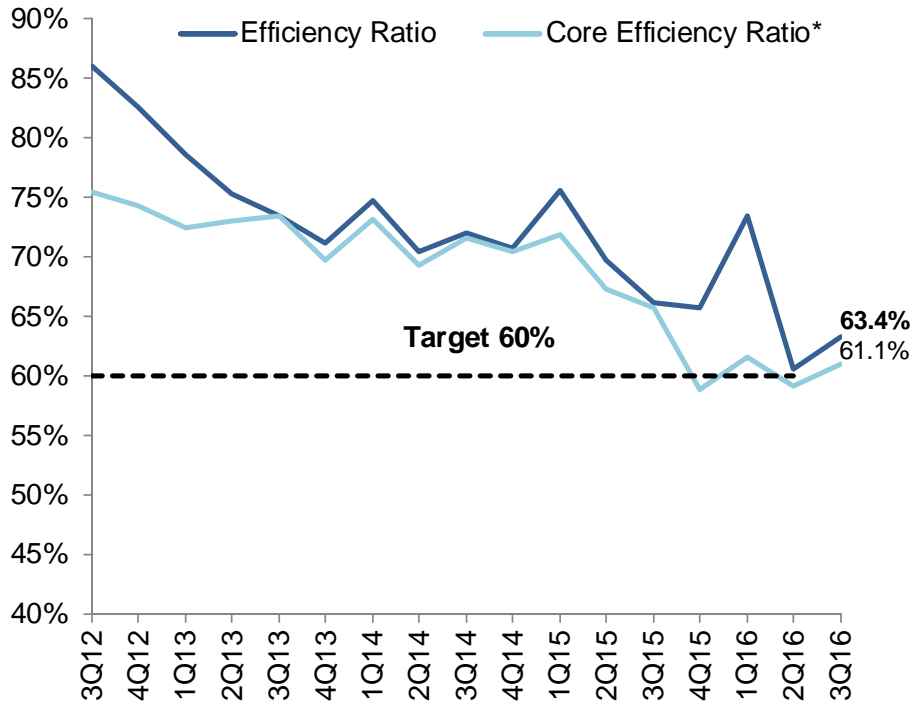
	3Q15	2Q16	3Q16
Services charges on deposits	5.4	4.5	4.8
Debit card income	3.1	3.2	3.4
Fees on mortgage loans sold	1.0	1.1	1.3
Investment advisory and trust fees	0.9	0.5	0.3
FDIC indemnification asset expense	(1.4)	-	-
Securites gains (losses)	-	0.1	0.1
Other	2.4	2.5	2.5
Non-interest income	11.4	11.9	12.4
Core non-interest income*	11.5	11.8	12.3

*See reconciliation of non-GAAP measures in appendix.



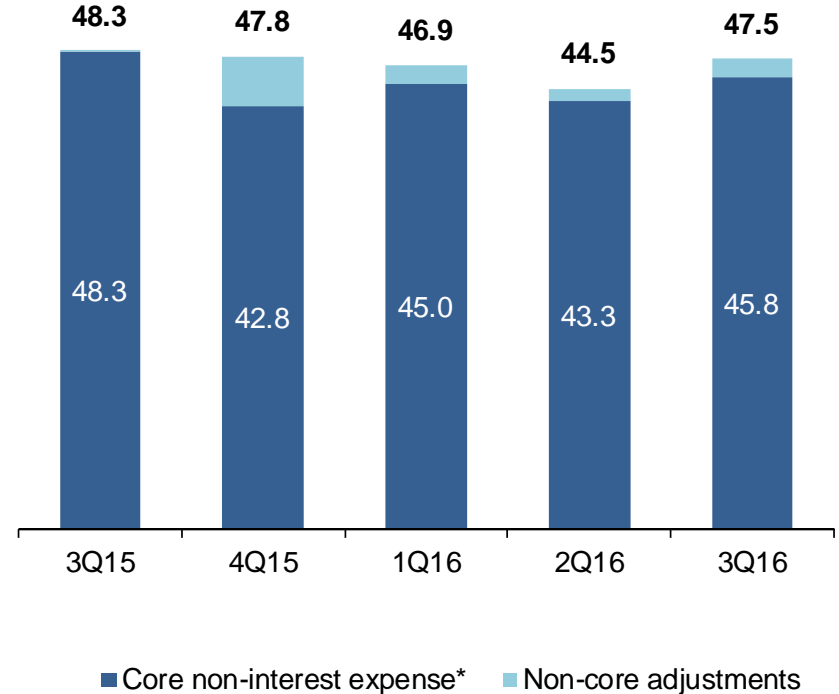
Noninterest Expense Down 2% Y/Y

Efficiency Ratio



Non-interest Expense

\$ mm's

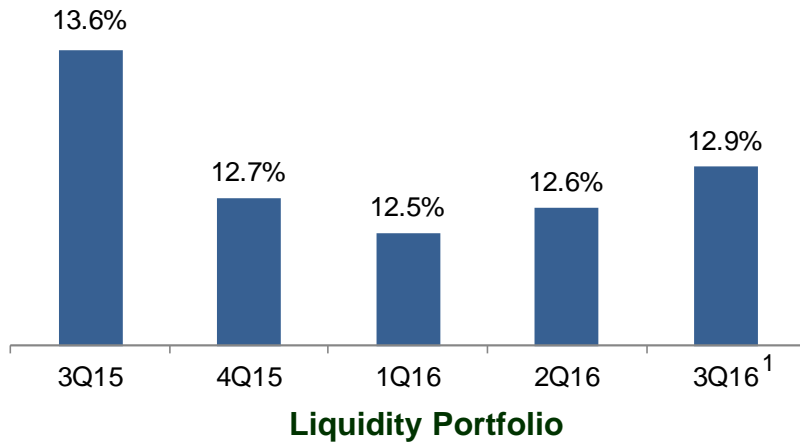


*See reconciliation of non-GAAP measures in appendix.

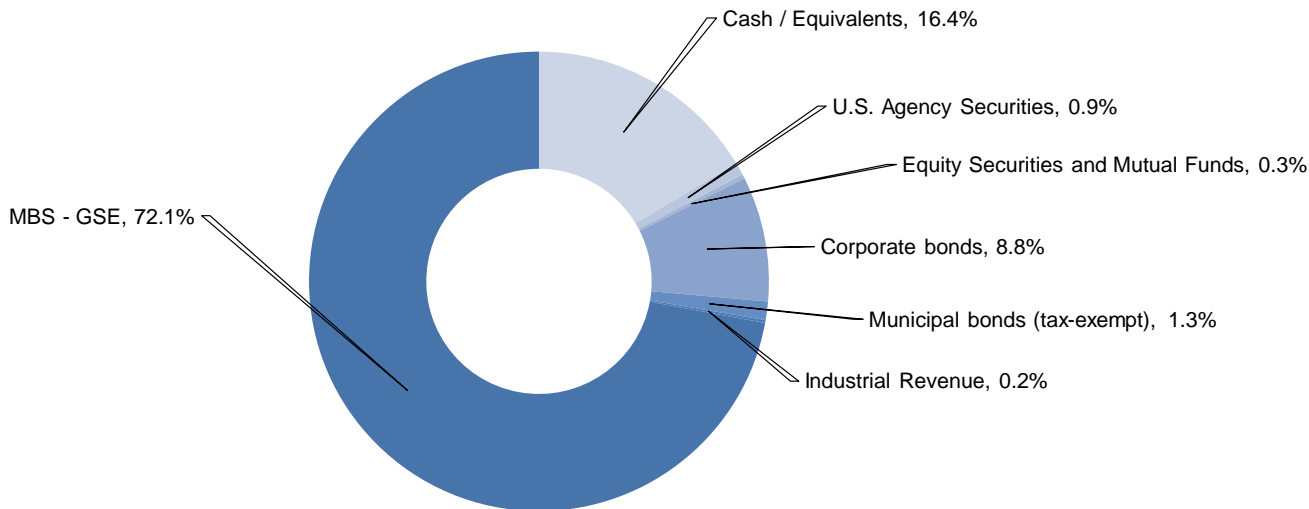


Liquidity and Capital Ratios Remain Strong

Tier 1 Leverage Ratio¹



- Modified duration of investments was 4.4 years at September 30, 2016, vs. 4.6 years at June 30, 2016

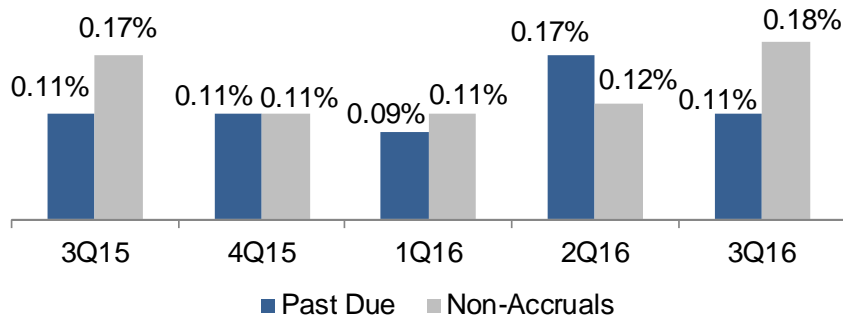


(1) 3Q16 capital ratio is preliminary.

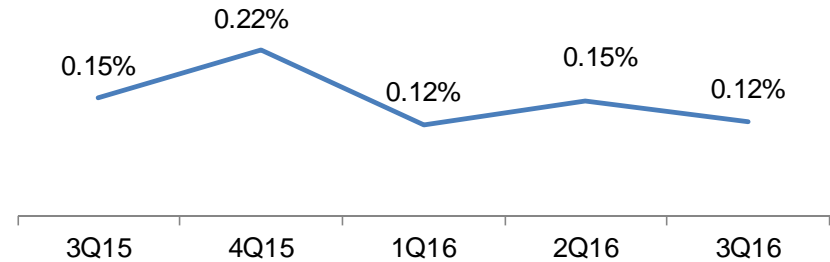


New Loan Portfolio Performing Strongly

Past Dues & Nonaccruals



Net Charge-offs



New Loan Portfolio Credit Metrics

	3Q15	2Q16	3Q16
Criticized	0.61%	0.27%	0.25%
Classified Performing	0.28%	0.83%	0.71%
Classified Nonperforming	0.17%	0.12%	0.18%
Total Criticized/Classified	1.06%	1.22%	1.14%

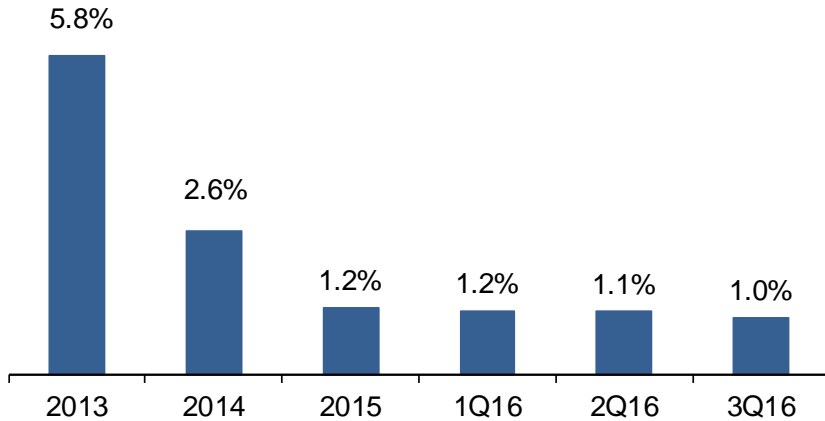
New Loan Portfolio Reserve Metrics

	3Q15	2Q16	3Q16
Reserves / Loans	0.51%	0.46%	0.43%
Reserves / NCOs	3.38x	3.05x	3.39x
Reserves / Nonaccruals	3.04x	3.73x	2.28x



Special Assets Down 76% Since 2012

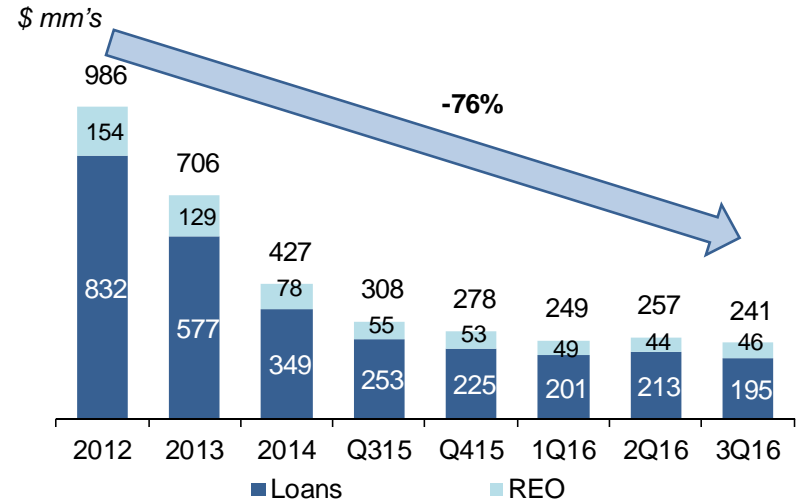
Nonperforming Loans / Total Loans



Legacy Credit Expenses

\$000's	3Q15	2Q16	3Q16
Provision (reversal) on legacy loans	492	(778)	48
FDIC indemnification asset expense	1,418	-	-
OREO valuation expense	2,075	1,119	742
(Gains) losses on sales of OREO	(351)	(413)	(159)
Foreclosed asset related expense	872	399	397
Loan workout expense	194	71	206
Salaries and employee benefits	797	519	511
Total legacy credit expense	5,497	917	1,745

Special Assets



\$ mm's	Q315	Q415	1Q16	2Q16	3Q16
Criticized	86	74	55	67	62
Classified Performing	85	83	81	81	73
Classified Non-Performing	82	68	65	65	60
Total Special Assets (ex REO)	253	225	201	213	195
Current % (see Note)	62%	61%	65%	68%	71%

Note: Percentages represent the portion of criticized loans and classified performing loans that were not past due +30 days since January 1, 2015.



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 in tabular form 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.

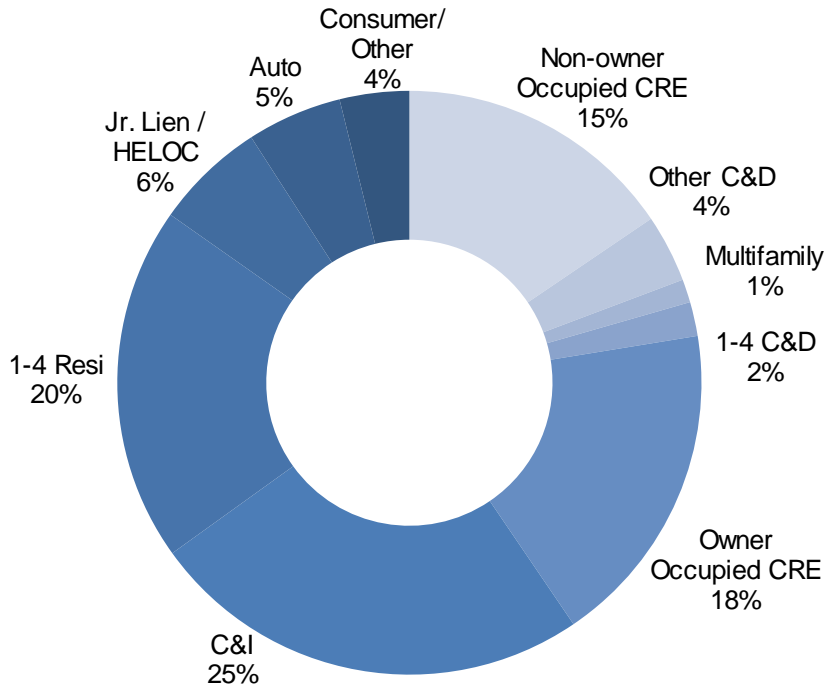
The Company uses these non-GAAP measures for various purposes, including measuring performance for incentive compensation and as a basis for strategic planning and forecasting.

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.

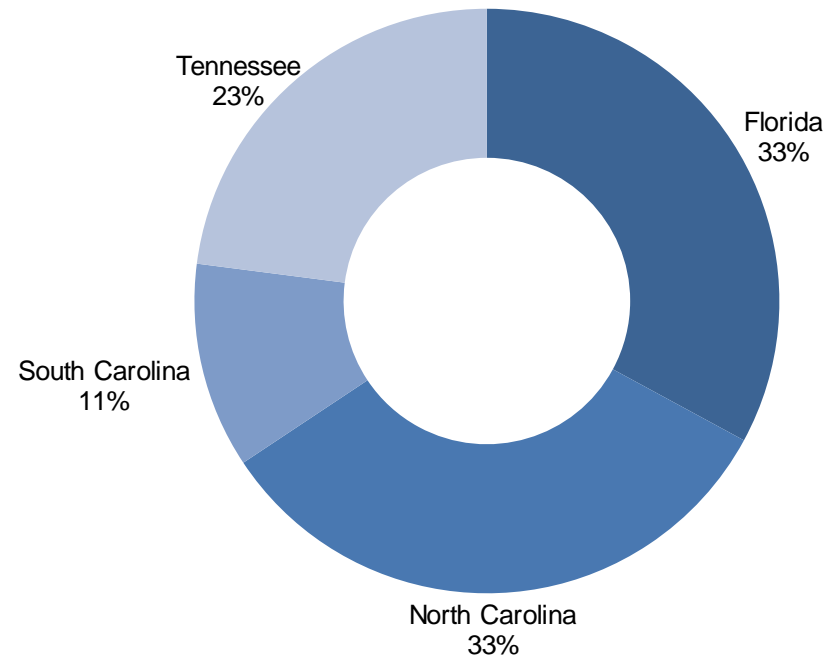


Diversified Portfolio by Loan Type and Geography

Portfolio by Loan Type



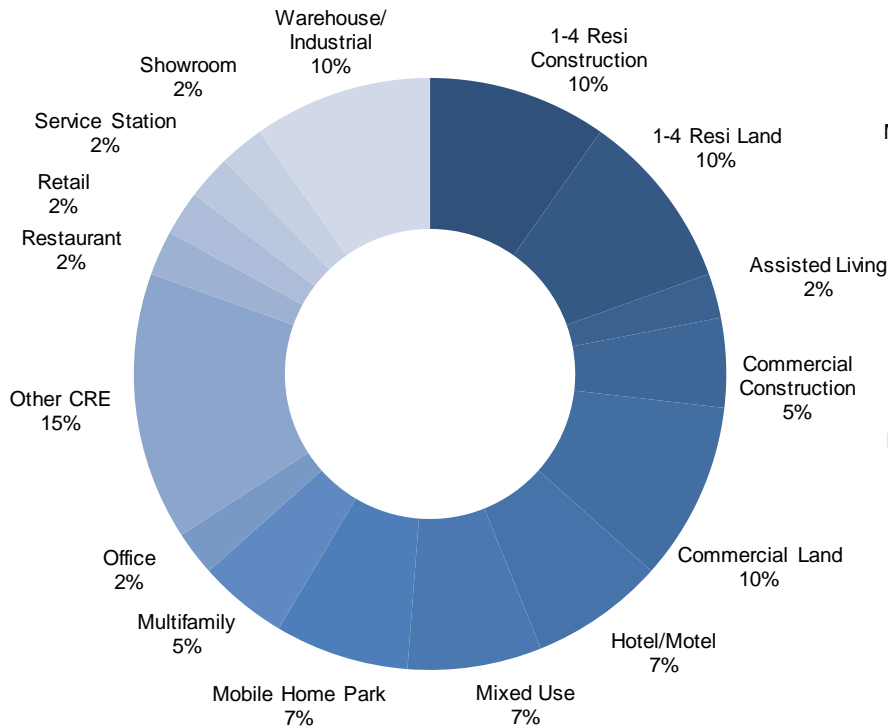
Portfolio by Geography



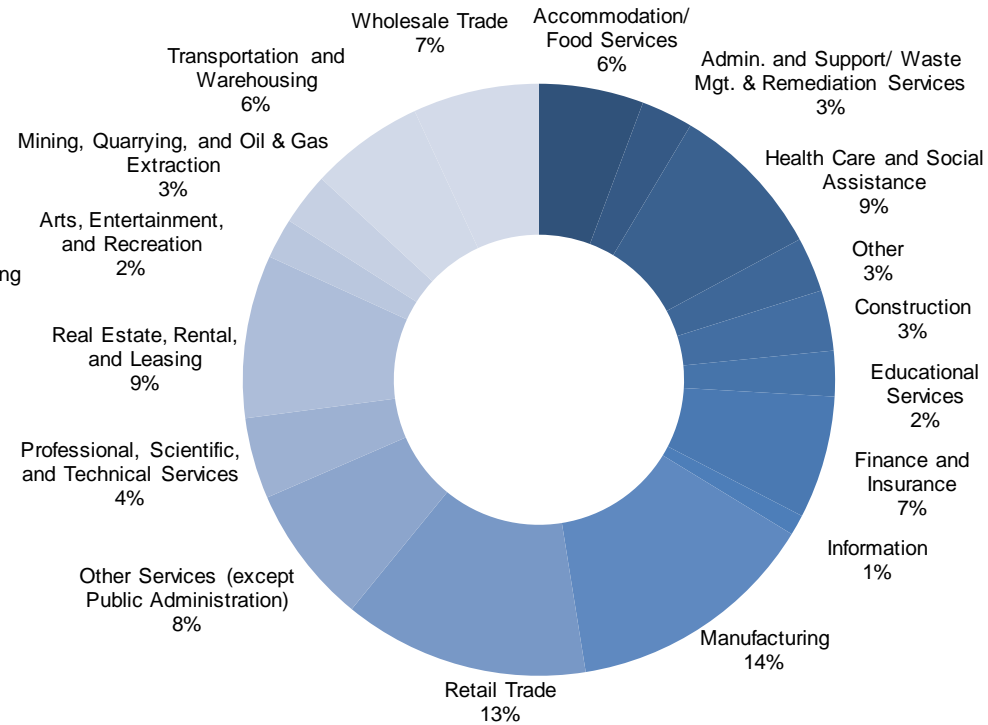


Diversified Portfolio by Collateral and Industry

CRE Portfolio by Collateral



Commercial Loans by Industry





Reconciliation of Core Noninterest Income / Expense

\$ 000's

	3Q16	2Q16	1Q16	4Q15	3Q15
Net interest income	\$62,627	\$61,515	\$61,367	\$62,078	\$61,637
Reported non-interest income	12,370	11,922	2,566	10,597	11,418
Less: Securities gains (losses), net	71	117	40	54	(43)
Termination of loss share	—	—	(9,178)	—	—
Core non-interest income	\$12,299	\$11,805	\$11,704	\$10,543	\$11,461
Reported non-interest expense	\$47,530	\$44,536	\$46,938	\$47,756	\$48,346
Less: Severance expense	—	—	75	—	63
Conversion costs and merger	331	881	1,107	33	—
Legal merger non deductible	61	355	580	—	—
Restructuring expense	(113)	5	142	—	23
Contract termination	—	—	—	4,215	—
Conversion and severance expenses (conversion and merger expenses and salaries and employee benefits)	—	—	—	704	—
Legal settlement	1,500	—	—	—	—
Core non-interest expense	\$45,751	\$43,295	\$45,034	\$42,804	\$48,260
Core Fee Ratio*	16.4%	16.1%	16.1%	14.5%	15.7%
Efficiency Ratio**	63.4%	60.6%	73.4%	65.7%	66.2%
Core Efficiency Ratio***	61.1%	59.1%	61.6%	58.9%	66.0%

* 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 3Q16	Quarter Ended 3Q16	Quarter Ended 2Q16	Quarter Ended 2Q16	Quarter Ended 3Q15	Quarter Ended 3Q15
Net income	\$18,488	\$18,488	\$17,402	\$17,402	\$15,321	\$15,321
Adjustments	Pre-Tax	After-tax	Pre-Tax	After-tax	Pre-Tax	After-tax
Non-Interest Income						
Security losses / (gains)*	(71)	(44)	(117)	(72)	43	26
Non-Interest Expense						
Severance expense *	-	-	-	-	63	39
Restructuring expense*	(113)	(70)	5	3	23	14
Conversion costs and merger tax deductible*	331	205	881	544	-	-
Legal merger non deductible	61	61	355	355	-	-
Tax adjustment	(1,067)	(1,067)	-	-	-	-
Legal settlement*	1,500	927	-	-	-	-
Tax effect of adjustments*	(629)	NA	(294)	NA	(50)	NA
Core Net Income	18,500	18,500	18,232	18,232	15,400	15,400
Diluted shares	43,909		43,879		46,534	
Core Net Income per share	\$0.42		\$0.42		\$0.33	
Average Assets	\$7,592,776		\$7,484,365		\$7,087,882	
Tangible Common Equity	\$883,031		\$868,745		\$872,075	
ROA**	0.97%		0.93%		0.86%	
Core ROA***	0.97%		0.97%		0.87%	
Core ROTCE****	8.4%		8.4%		7.1%	

* Tax effected at an income tax rate of 38%

** 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)

	September 30, 2016
Total common shareholders' equity	\$1,029,841
Less: Goodwill and core deposit intangibles, net of taxes	
Intangibles, net of taxes	142,141
Tangible book value*	<u>\$887,700</u>
Common shares outstanding	43,235
Tangible book value per share	\$20.53

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



Contractual Net Interest Margin

<i>\$ 000's</i>	Average Earning Assets	Net Interest Income (1)	Net Interest Margin
September 30, 2016			
Reported	7,009,363	63,083	3.58%
Purchase Accounting Impact	(33,558)	8,307	0.47%
Contractual Net Interest Margin (2)			3.11%
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%

(1) Includes effects of tax equivalent adjustments

(2) Excludes purchase accounting adjustments