



Bank of America Merrill Lynch
2014 Banking & Financial
Services Conference

November 12, 2014



Safe Harbor Statement

Forward-Looking Statements

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We've Built One Bank out of Seven Acquisitions



Merged all acquisitions into a single national charter: Capital Bank, NA

Integrated onto single scalable processing platform

Branded all retail stores Capital Bank

Centralized all back-office functions

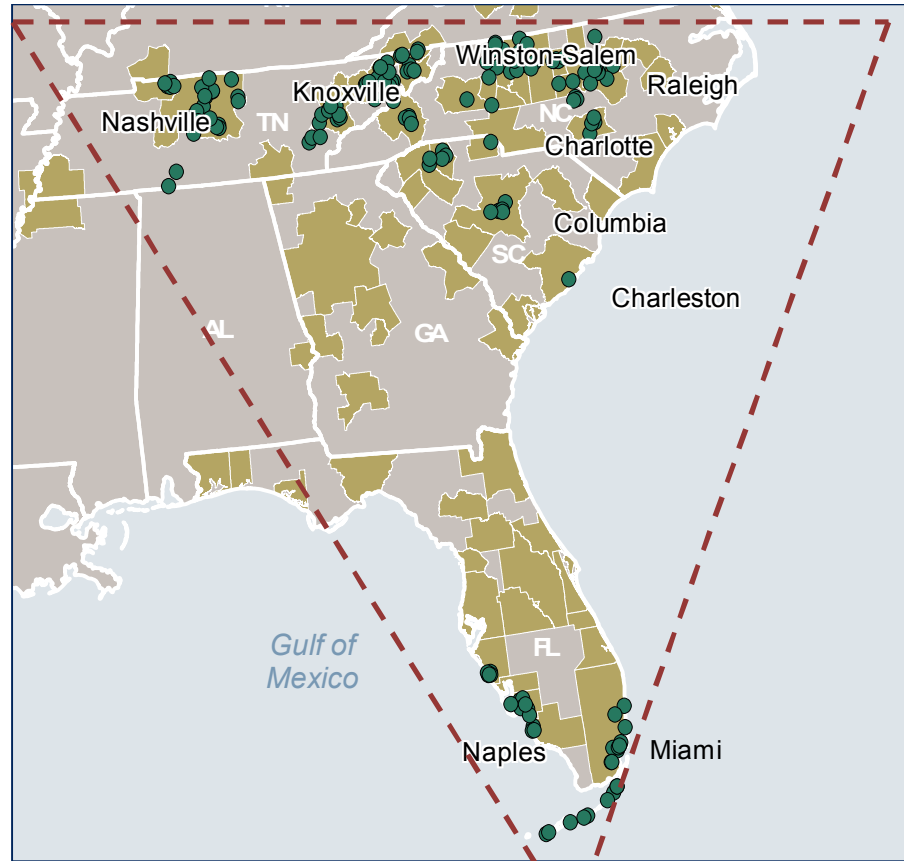
Rolled out uniform products, pricing, and management practices across the footprint

Established a common culture of performance, accountability, and compliance



Positioned in Southeastern Growth Markets

Nashville MSA
Population: 1,765,552
Projected Pop. Growth: **6.2%**



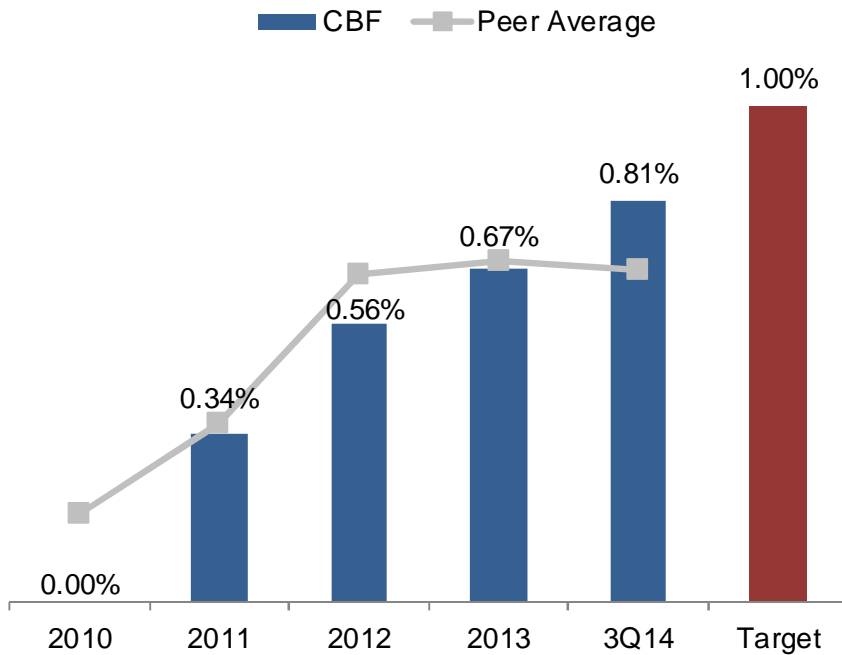
Raleigh MSA
Population: 1,219,465
Projected Pop. Growth: **8.2%**

Miami MSA
Population: 5,860,668
Projected Pop. Growth: **6.4%**

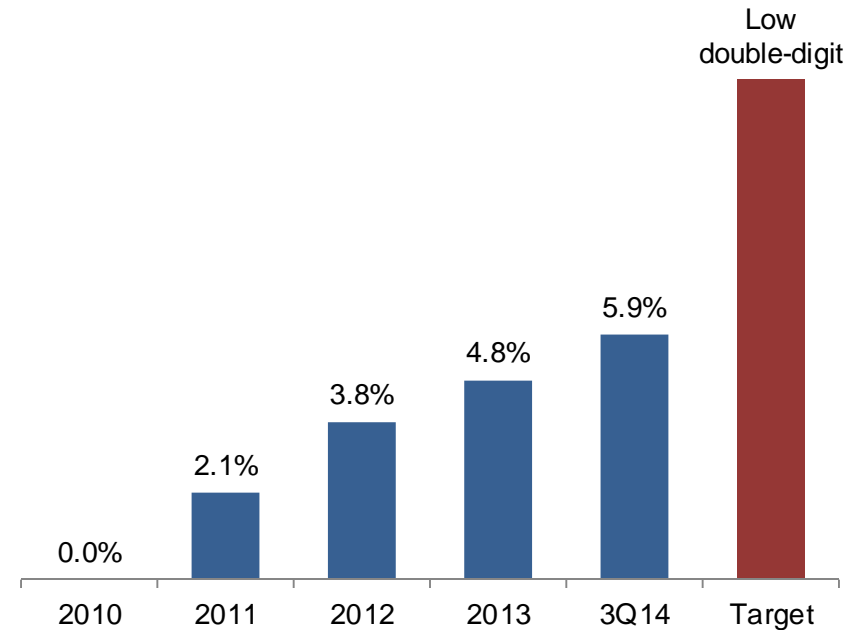


Significantly Improved Returns

Core Return on Average Assets



Core Return on Tangible Common Equity



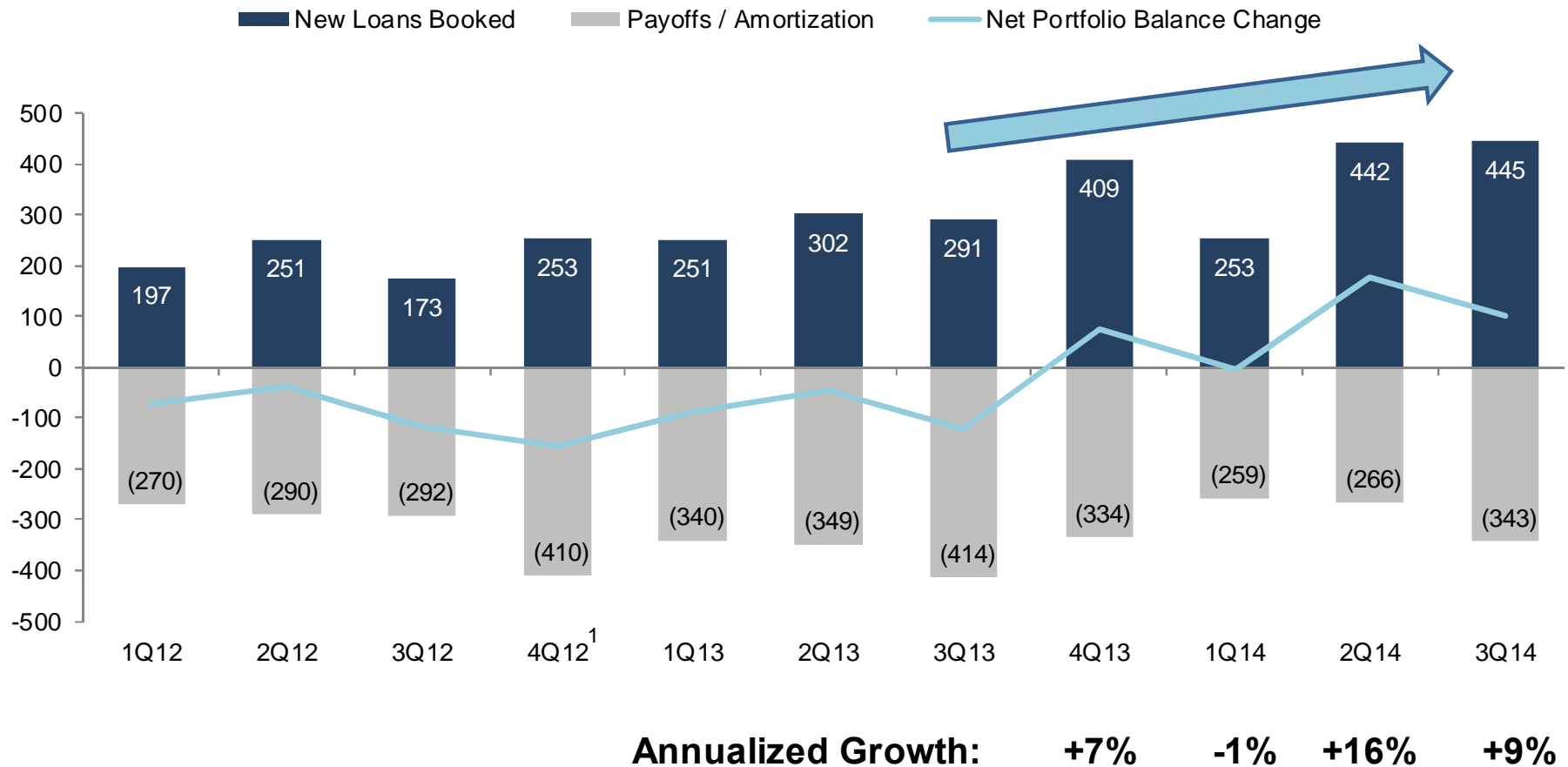
Peers include banks headquartered in FL, NC, SC, and TN with total assets greater than \$500mm as of 3Q14. Return on average assets before extraordinary items as defined by SNL Financial. Source: SNL Financial.



Long Term Growth Story Starting to Emerge

Loan Portfolio Trend

\$ mm's



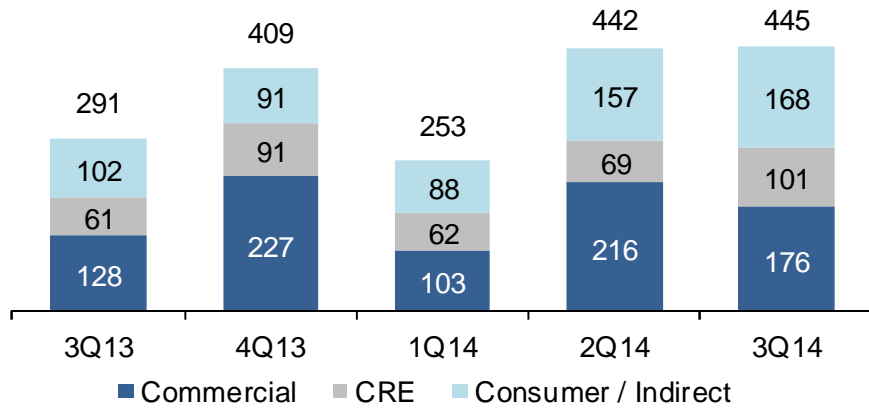
(1) Excludes effect of Southern Community acquisition.



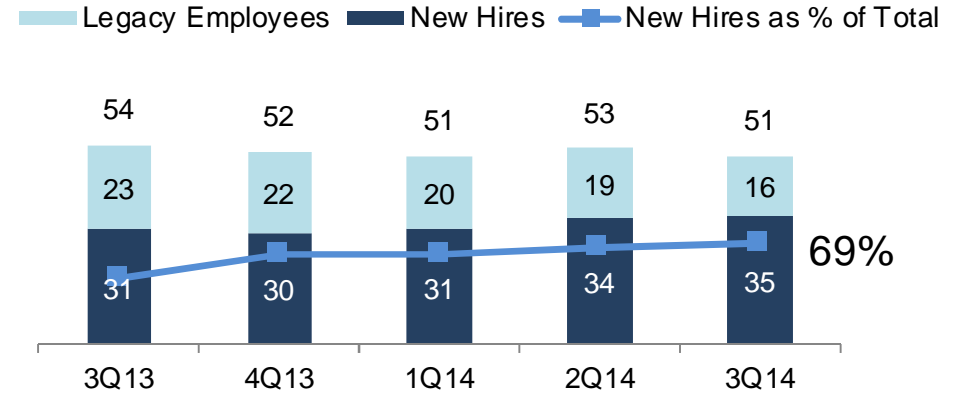
Record \$445 mm New Loan Production

New Loans by Product

\$ mm's

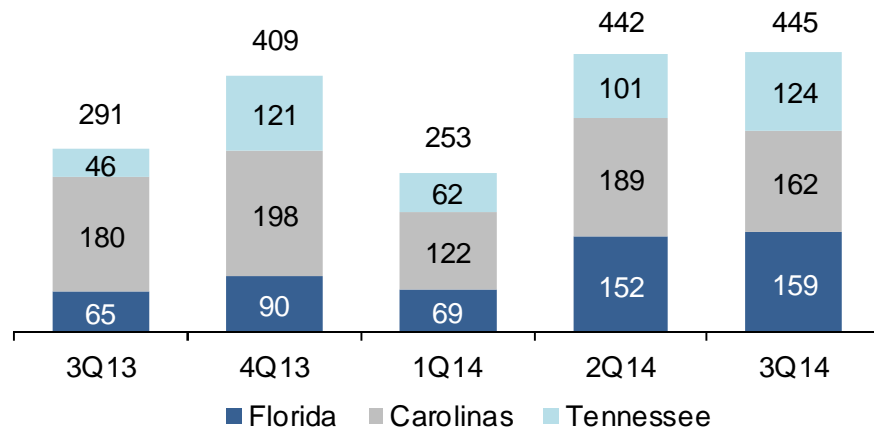


Top-Grading the Commercial Salesforce



New Loans by Geography

\$ mm's



New loan production up 35% YTD

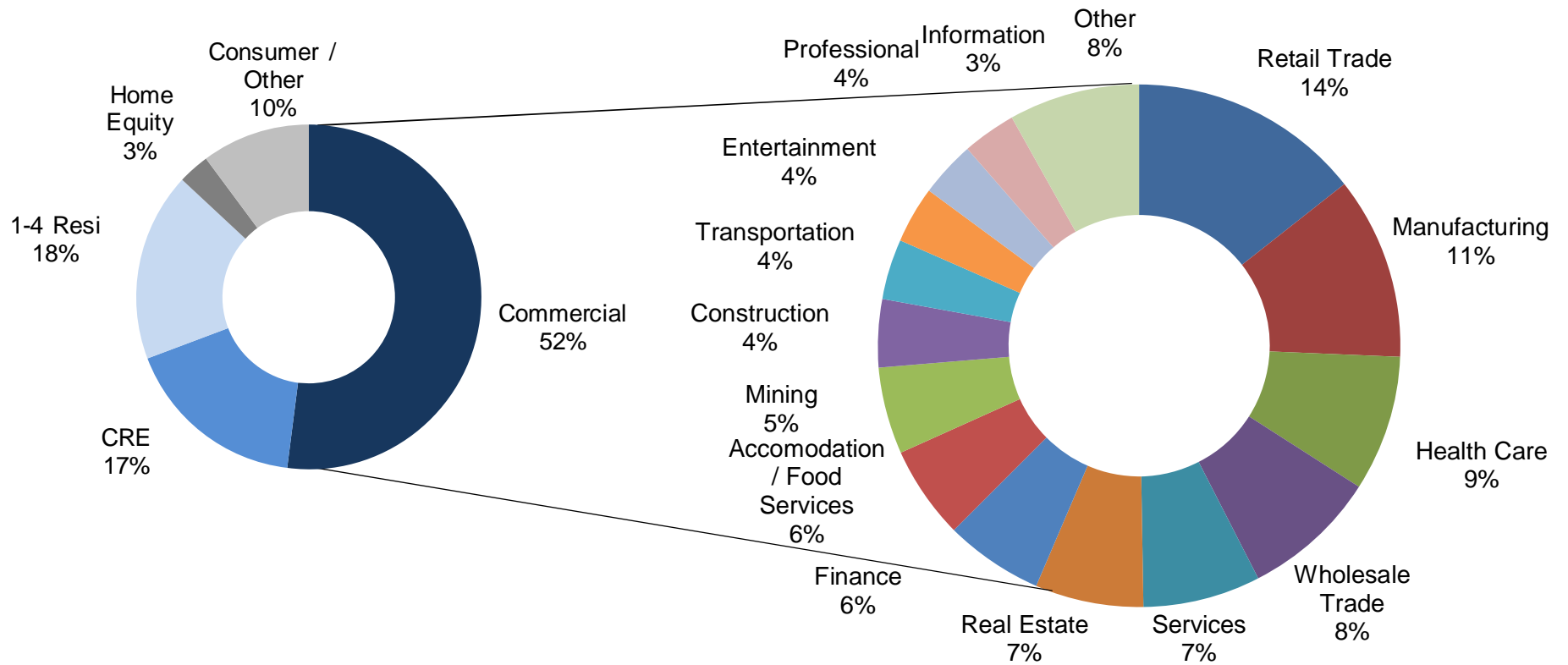
Commercial / CRE originations up more than 50% per loan officer



Building a High Quality Diversified Portfolio

\$3.0 bn New Loan Portfolio by Type

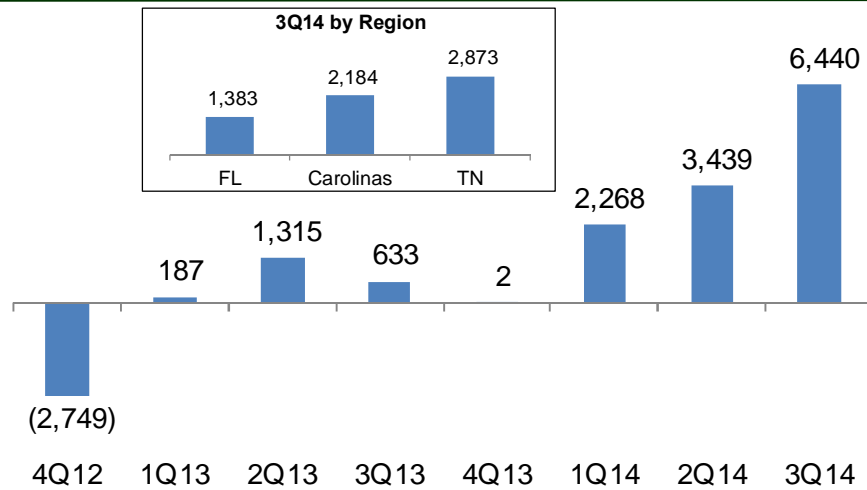
New Commercial Loans by Industry



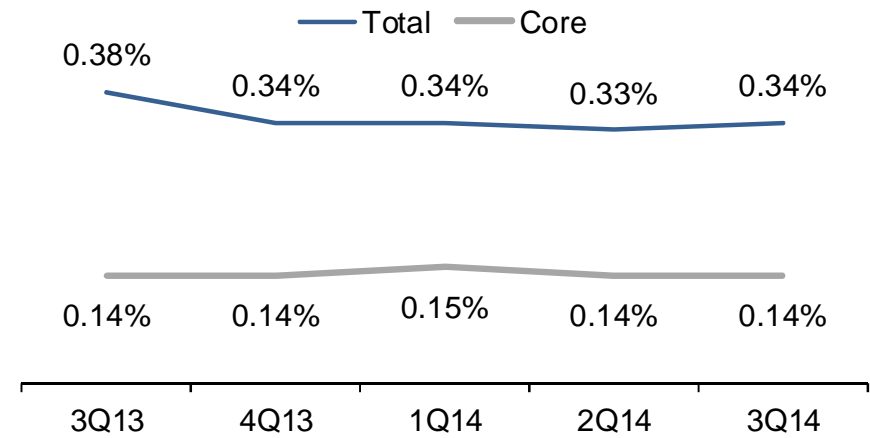


Strong Momentum in Net Checking Account Growth

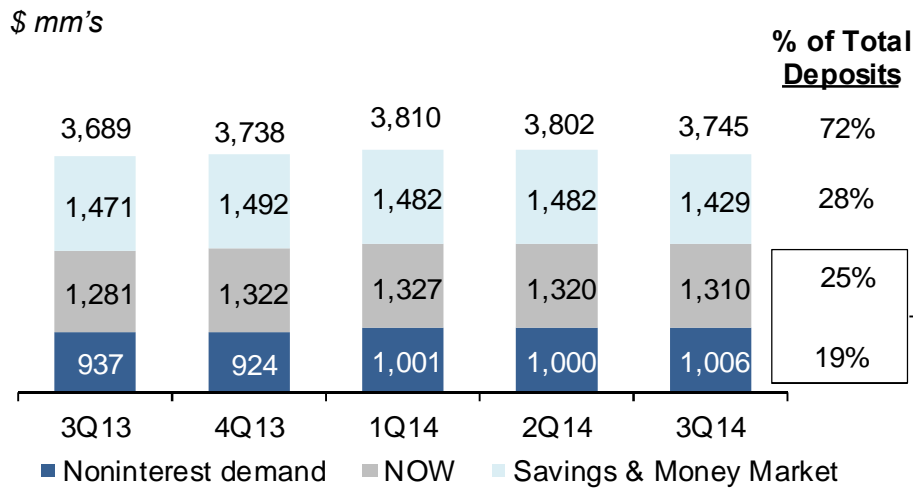
Record Net Checking Account Growth



Cost of Deposits



Core Deposit Balances



**Checking balances +7% y/y,
44% of total deposits**



Third Quarter Highlights

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

	3Q14	% change	
		2Q14	3Q13
Net interest income	61.4	1%	-6%
Provision (reversal)	(1.3)	-195%	-235%
Core non-interest income	9.6	-19%	-38%
Core non-interest expense	50.9	1%	-14%
Core pretax income	21.4	2%	4%
Core net income	13.5	3%	6%
Per share	\$0.27	3%	13%
Non-core adjustments	(0.2)	-71%	-84%
Net income	13.2	7%	16%
Per share	\$0.27	8%	23%

Key Metrics	3Q14	2Q14	3Q13
Net interest margin	4.14%	4.26%	4.45%
Core fee ratio	13.6%	16.4%	19.0%
Core efficiency ratio	71.6%	69.3%	73.5%
Core ROA	0.81%	0.80%	0.76%
Core ROTCE	5.9%	5.7%	5.3%

Record \$445 mm of new loans, up 35% YTD

Loan portfolio grew sequentially 9% annualized

Core ROA improved to 0.81%, up from 0.76% in 3Q13

Legacy credit expenses down 55% y/y

Core expenses excluding REO expense declined \$2.1 mm sequentially

Core efficiency ratio excluding legacy credit costs of 59%

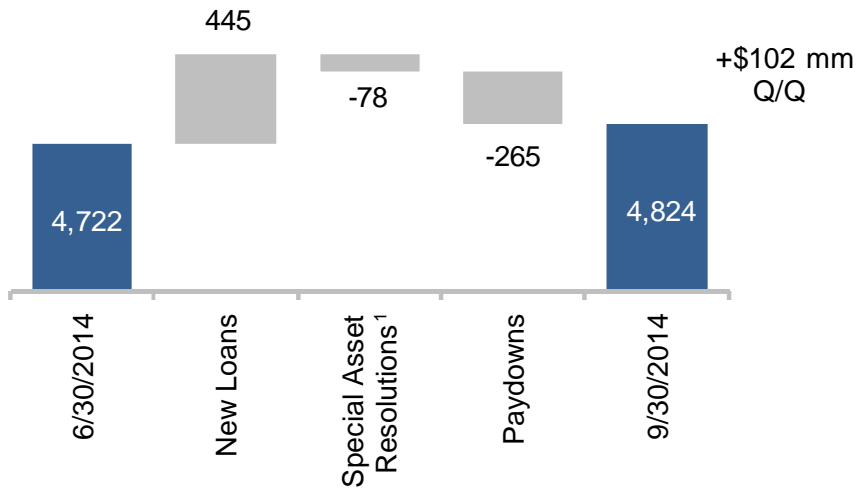
TBV per share of \$19.00



9% Annualized Loan Growth, Despite Resolutions

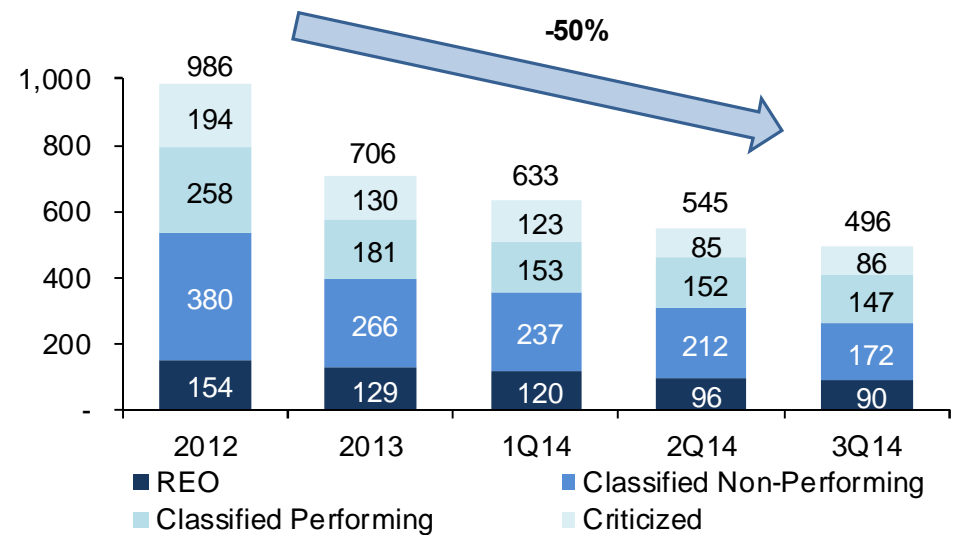
Loan Portfolio

\$ mm's



Special Assets

\$ mm's

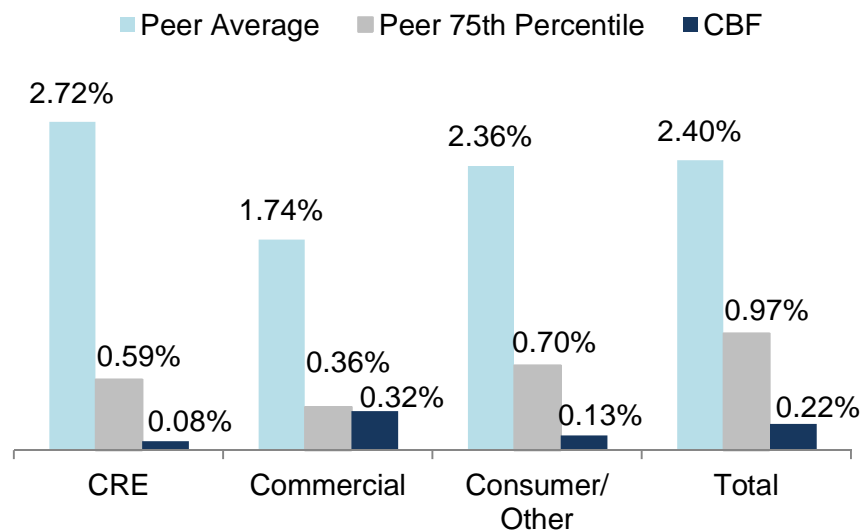


(1) Resolution of criticized / classified loans, including collections, foreclosures, and impairments

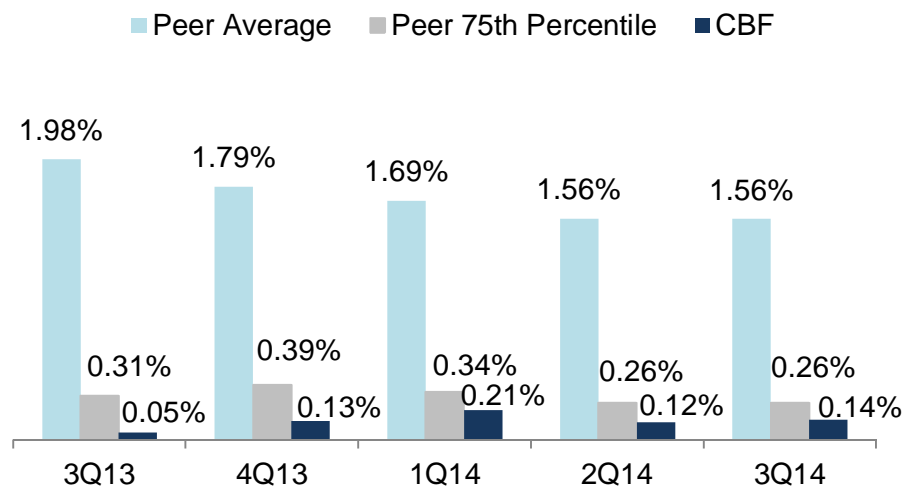


New Loan Portfolio Performing Strongly

3Q14 Noncurrent Loans vs. Peers



Past Dues vs. Peers



New Loan Portfolio Credit Metrics

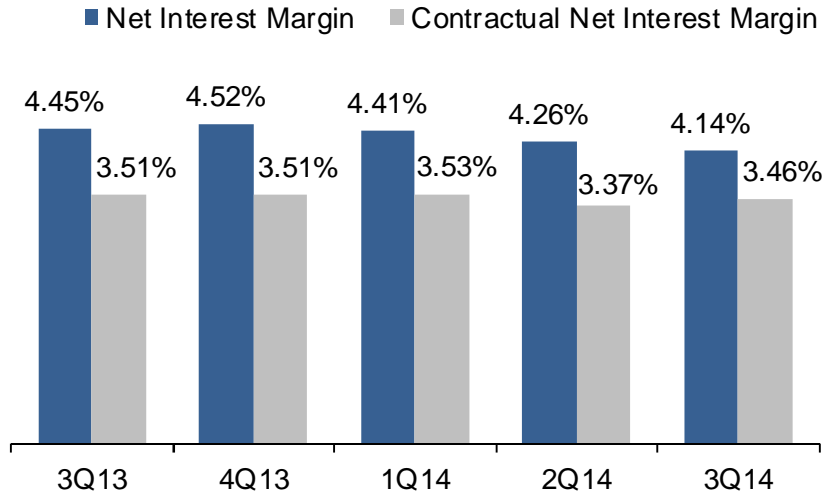
	4Q13	1Q14	2Q14	3Q14
Criticized	0.27%	0.74%	0.30%	0.23%
Classified Performing	0.67%	0.50%	0.62%	0.53%
Classified Nonperforming	0.34%	0.25%	0.21%	0.22%
Total Criticized/Classified	1.28%	1.48%	1.14%	0.98%
Reserve (\$ mm)	17.8	19.1	19.9	21.2
Reserve as % of New Loan Portfolio	0.80%	0.80%	0.74%	0.72%

New loan portfolio performing better than at least 75% of peers

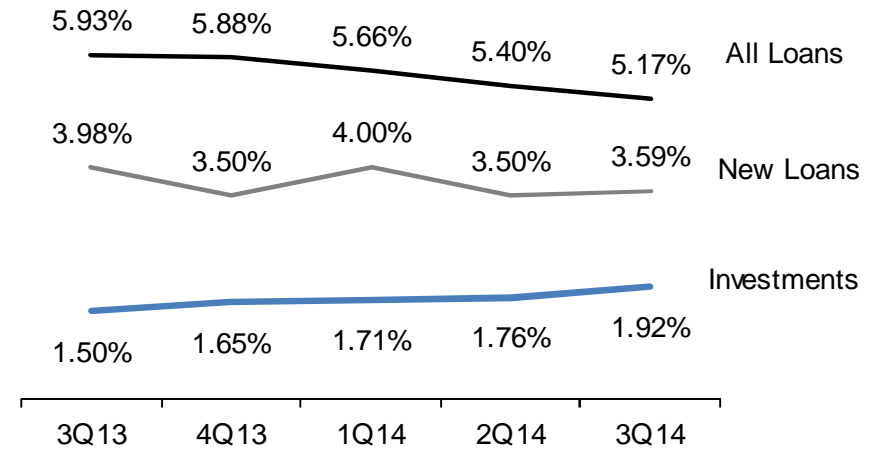


NIM Declines as Expected

Purchase Accounting Impact on NIM



Yields

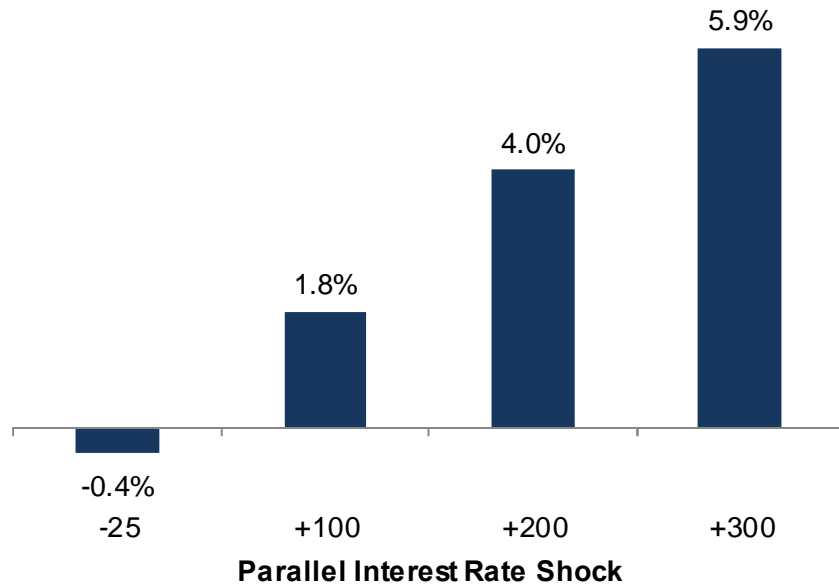


The net interest margin declined by 12 bps in the quarter, in line with expectations, as yields on loans fell and deposit costs were largely flat

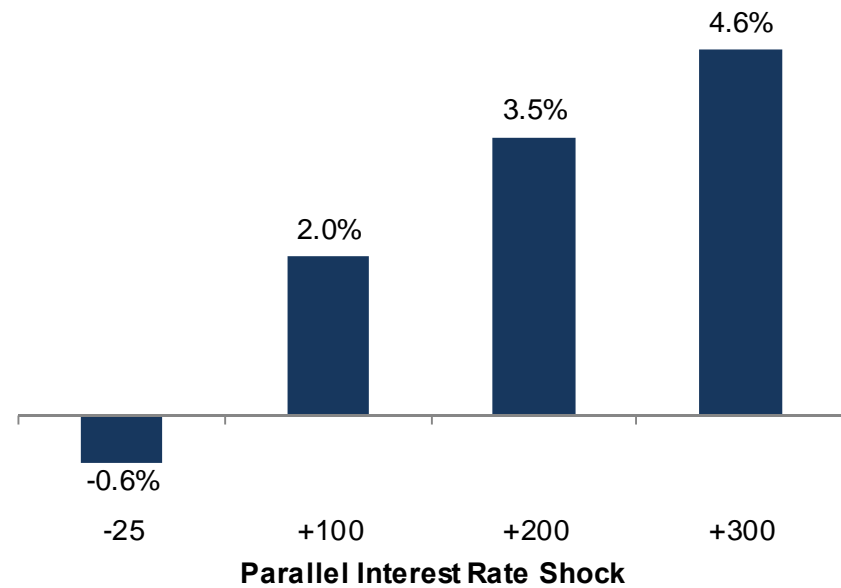


Capital Bank is Asset Sensitive

12-month Net Interest Income at Risk



Economic Value of Equity at Risk

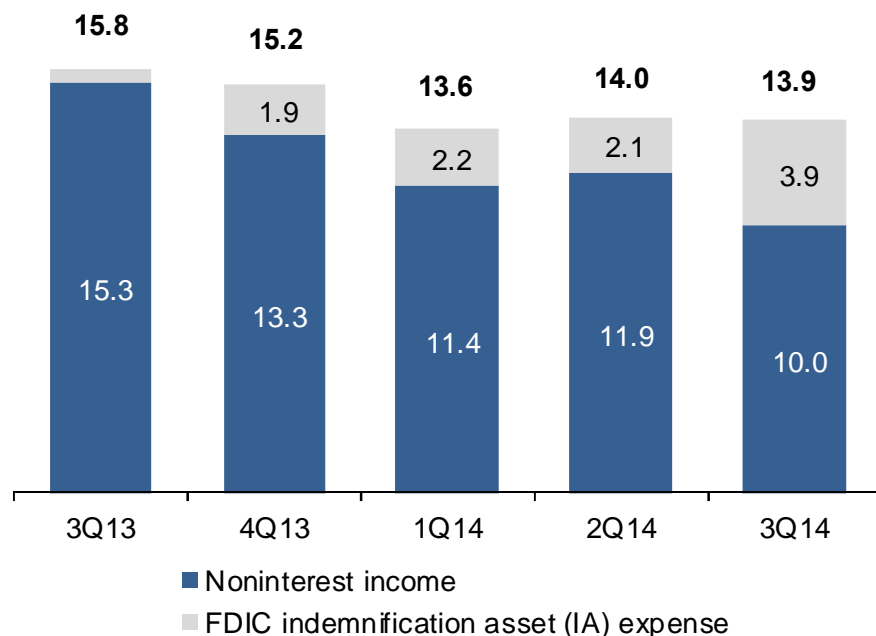




Non-interest Income Ex FDIC Down Slightly Q/Q

Non-interest Income ex FDIC IA Expense

\$ mm's



Non-interest Income

\$ mm's

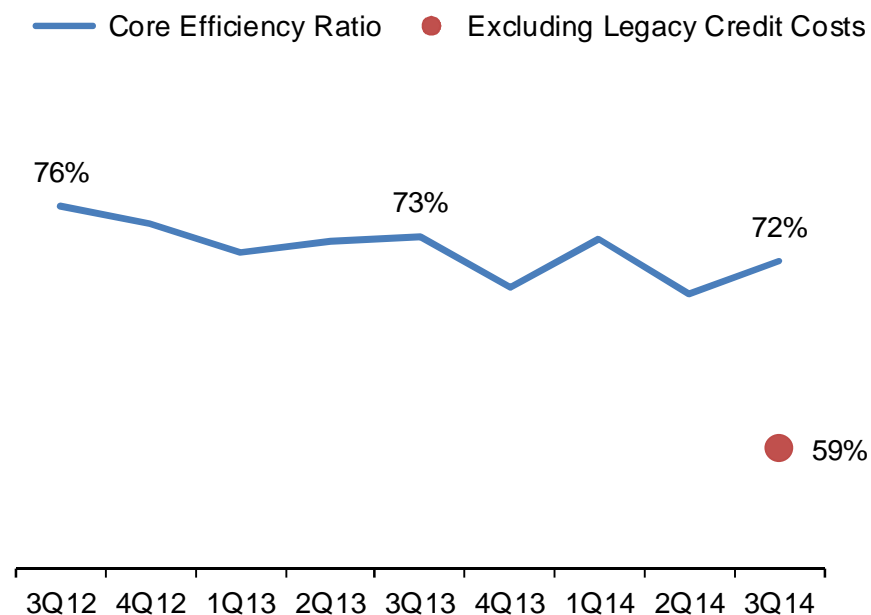
	3Q13	2Q14	3Q14
Services charges on deposits	6.0	5.7	5.6
Debit card income	2.9	3.1	3.0
Fees on mortgage loans sold	1.5	1.1	1.2
Investment advisory and trust fees	0.7	0.9	1.2
Other	4.7	3.2	2.9
Non-interest Income ex FDIC IA	15.8	14.0	13.9
FDIC indemnification asset (IA) expense	(0.5)	(2.1)	(3.9)
Non-interest Income	15.3	11.9	10.0

Better credit performance and favorable resolutions of legacy loans resulted in a \$1.8 mm increase in FDIC indemnification asset expense



Focused on Efficiency

Core Efficiency Ratio



Core Non-interest Expense

\$ mm's

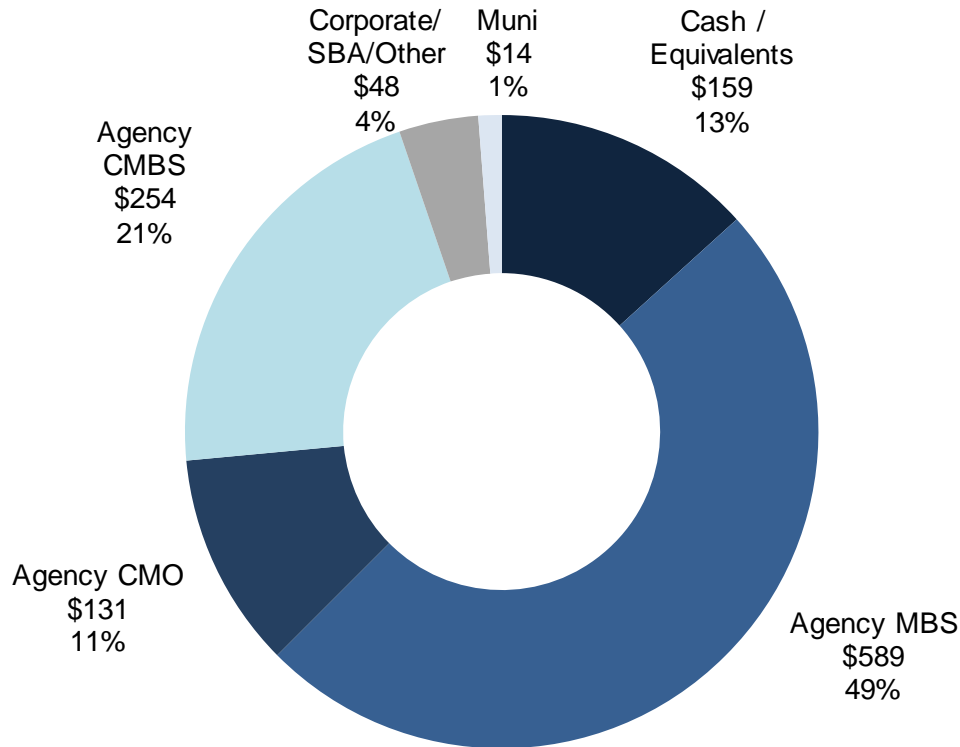
	3Q13	2Q14	3Q14	
Salaries and employee benefits	22.7	23.4	22.6	
Net occupancy and equipment	8.9	8.7	8.5	
Professional fees	2.4	2.0	1.5	
Other	17.9	15.4	14.9	
Core non-interest expense, before REO	51.8	49.6	47.5	-8% y/y
REO expense	7.5	0.8	3.4	
Core non-interest expense	59.3	50.4	50.9	
Non-core adjustments	(0.0)	0.9	0.5	
Total non-interest expense	59.3	51.3	51.4	-13% y/y



Liquidity and Capital Ratios Remain Strong

Liquidity

\$ mm's



Modified duration of investments was 4.0 years at September 30, 2014, down from 4.1 years at June 30

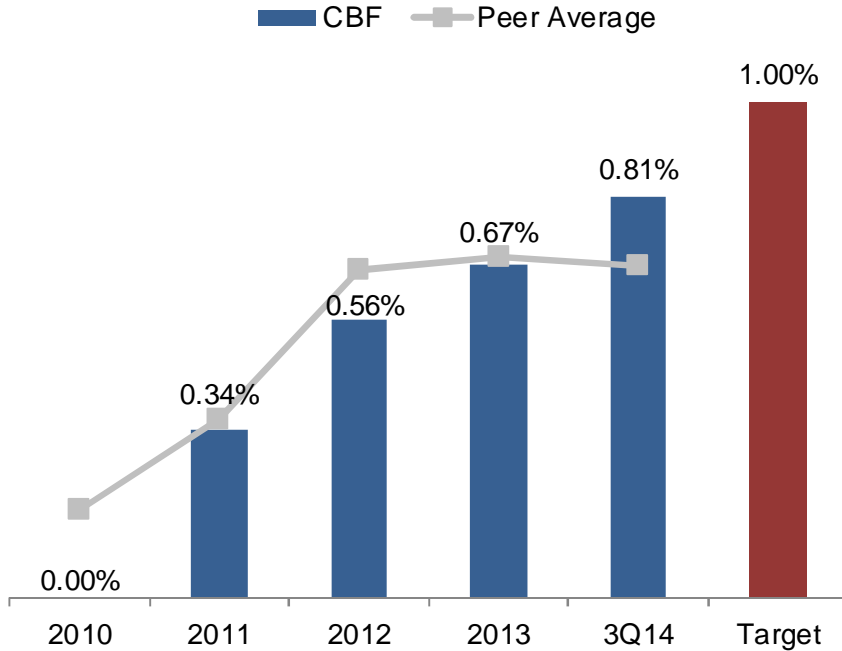
Our capital ratios remain strong with tier 1 leverage of 14.4% on a consolidated basis

Since going public, the company has repurchased 13.2% of shares outstanding

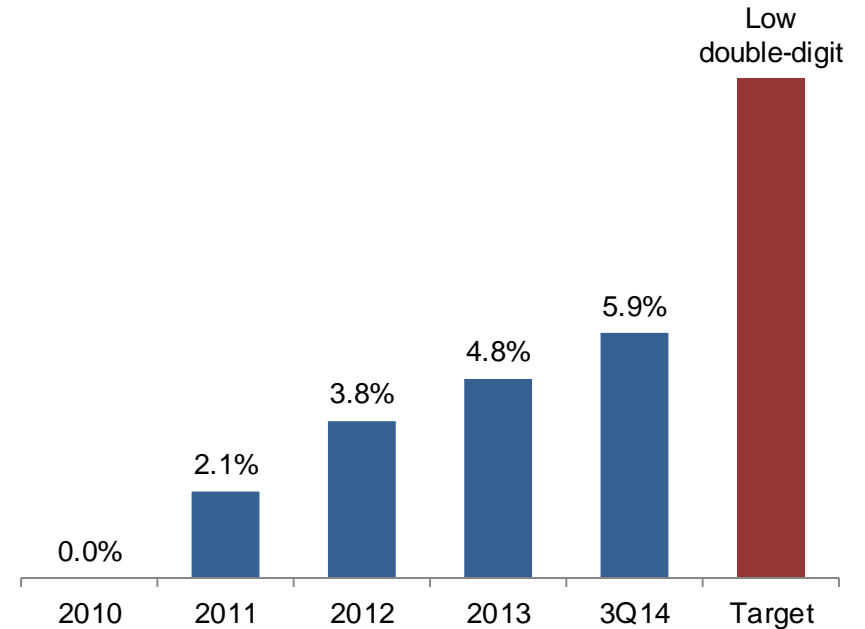


Capital Bank Investment Highlights

Core Return on Average Assets



Core Return on Tangible Common Equity



Peers include banks headquartered in FL, NC, SC, and TN with total assets greater than \$500mm as of 3Q14. Return on average assets before extraordinary items as defined by SNL Financial. Source: SNL Financial. See reconciliation of non-GAAP measures in appendix.



Appendix



Reconciliation of Core Noninterest Income / Expense

\$ 000's

	3Q14	2Q14	1Q14	4Q13	3Q13
Net interest income	\$61,425	\$60,831	\$62,453	\$65,723	\$65,386
Reported non-interest income	9,957	11,887	11,369	13,271	15,280
Less: Securities gains (losses)	317	(28)	174	164	(54)
Core non-interest income	\$9,640	\$11,915	\$11,195	\$13,107	\$15,334
Reported non-interest expense	\$51,418	\$51,273	\$55,224	\$56,251	\$59,263
Less: Stock-based compensation expense	242	531	533	942	1,147
Contingent value right expense (income)	278	327	767	299	(776)
Conversion and severance expense	.	.	.	.	7
Gain on extinguishment of debt	.	.	.	.	(430)
Legal settlement	.	.	.	.	11
Core non-interest expense	\$50,898	\$50,415	\$53,924	\$55,010	\$59,304
Core Fee Ratio*	13.6%	16.4%	15.2%	16.6%	19.0%
Efficiency Ratio**	72.0%	70.5%	74.8%	71.2%	73.5%
Core Efficiency Ratio***	71.6%	69.3%	73.2%	69.8%	73.5%

* 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 3Q14	Quarter Ended 3Q14	Quarter Ended 2Q14	Quarter Ended 2Q14	Quarter Ended 3Q13	Quarter Ended 3Q13
Net income	\$13,243	\$13,243	\$12,425	\$12,425	\$11,444	\$11,444
Adjustments	Pre-Tax	After-tax	Pre-Tax	After-tax	Pre-Tax	After-tax
Non-Interest Income						
Security (gains) losses*	(317)	(194)	28	17	54	33
Non-Interest Expense						
Stock-based compensation*	242	148	531	324	1,147	700
CVR expense (income)	278	278	327	327	(776)	(776)
Conversion and severance*	-	-	-	-	7	4
Gain on extinguishment of debt	-	-	-	-	(430)	(262)
Tax adjustment	-	-	-	-	1,545	1,545
Legal settlement	-	-	-	-	11	11
Tax effect of adjustments*	29	N/A	(218)	N/A	(302)	N/A
Core Net Income	13,475	13,475	\$13,093	\$13,093	\$12,699	\$12,699
Average Assets	\$6,637,179		\$6,519,651		\$6,680,667	
Tangible Common Equity	\$910,552		\$918,160		\$951,158	
** ROA	0.80%		0.76%		0.69%	
*** Core ROA	0.81%		0.80%		0.76%	
**** Core ROTCE	5.9%		5.7%		5.3%	

* Tax effected at an income tax rate of 39%

** ROA: Annualized net income / average assets

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

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



Reconciliation of Annual Core Net Income

\$ mm's

	2013	2012	2011	YTD 2010
Net income	\$38.8	\$55.0	\$7.5	\$12.0
Adjustments	After-Tax	After-Tax	After-Tax	After-Tax
Conversion expenses	0.1	4.5	4.6	1.2
Legal/Merger fees	0.1	1.6	1.5	0.8
Stock-based comp	3.1	11.4	6.0	-
Legal settlement	-	0.5	-	-
Insurance Settlement Gain	-	1.1	-	-
Insurance Settlement Expense	-	(1.1)	-	-
Securities gains	(0.1)	(5.2)	(2.9)	-
CVR Valuation	2.8	0.3	-	-
Extinguishment of debt	(0.1)	2.0	(0.3)	-
Professional	-	-	-	1.2
Bargain Purchase Gain	-	-	-	(15.2)
Tax Gain	1.6	(34.0)	-	-
Intangible Impairment Charge	-	0.1	1.8	-
Severance	0.0	1.1	-	0.1
Core Net Income	\$46.3	\$37.4	\$18.2	\$0.1
Average Assets	\$6,855	\$6,619	\$5,361	\$1,581
Tangible Common Equity	\$957	\$995	\$848	\$830
**Core ROA	0.67%	0.56%	0.34%	0.0%
***Core ROTCE	4.8%	3.8%	2.1%	0.0%

*Tax effected at an income tax rate of 39%

**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, 2014

Total common shareholders' equity	\$1,064,939
Intangibles, net of taxes	146,671
Tangible book value*	<u>\$918,268</u>
Common shares outstanding	48,331
Tangible book value per share	\$19.00

* 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
September 30, 2014			
Reported	5,911,601	61,660	4.14%
Purchase accounting impact	(91,982)	10,292	0.68%
Contractual Net Interest Margin (1)			3.46%
June 30, 2014			
Reported	5,756,466	61,077	4.26%
Purchase accounting impact	(101,062)	12,977	0.89%
Contractual Net Interest Margin (1)			3.37%
March 31, 2014			
Reported	5,774,135	62,721	4.41%
Purchase accounting impact	(117,732)	12,762	0.88%
Contractual Net Interest Margin (1)			3.53%
December 31, 2013			
Reported	5,790,444	65,997	4.52%
Purchase accounting impact	(134,367)	15,094	1.01%
Contractual Net Interest Margin (1)			3.51%
September 30, 2013			
Reported	5,847,708	65,640	4.45%
Purchase accounting impact	(148,206)	14,269	0.94%
Contractual Net Interest Margin (1)			3.51%

(1) Excludes purchase accounting adjustments

11/12/2014

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