



CAPITAL BANK
FINANCIAL CORP

**Sterne Agee Financial Institutions
Investor Conference**

February 12, 2015



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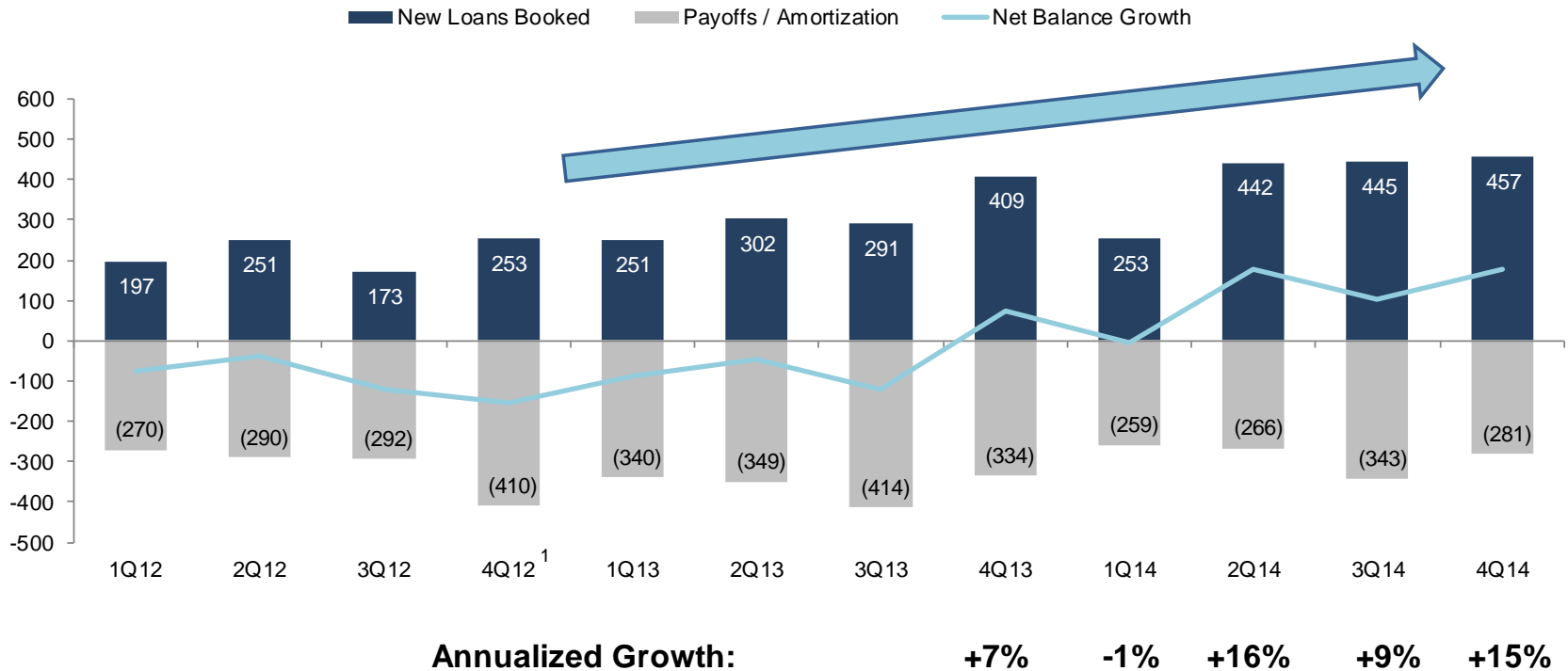
2014 Accomplishments

- **Growth:** Generated record \$457 mm new loans and 15% annualized portfolio growth in 4Q. For the year, new loans totaled \$1.6 bn, up 27%, and portfolio grew 10%
- **Retail Funding:** Grew non-interest balances 14% during the year
- **Credit Discipline:** Reduced special assets portfolio by 40% and NPLs from 5.8% to 2.6%, and generated a new loan portfolio with excellent credit metrics
- **Efficiency:** Reduced full-year expenses by 10%, reflecting declines in legacy credit expenses and targeted reductions in compensation, occupancy, and other costs
- **Profitability:** Improved Core ROA from 0.79% to 0.83%, despite low interest rates
- **Capital Deployment:** Returned \$103 mm to shareholders through stock repurchase, bringing lifetime repurchases to 15% of shares outstanding



Consistent, Sustained Growth Story Emerging

\$ mm's



(1) Excludes effect of Southern Community acquisition.



Fourth Quarter Highlights

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

	4Q14	% change	
		3Q14	4Q13
Net interest income	61.4	0%	-7%
Provision (reversal)	(0.6)	-54%	-118%
Core non-interest income	10.1	5%	-23%
Core non-interest expense	50.4	-1%	-8%
Core pretax income	21.7	1%	6%
Core net income	14.0	4%	8%
Per share	\$0.29	7%	16%
Non-core adjustments	(0.2)	-33%	-75%
Net income	13.8	5%	13%
Per share	\$0.29	7%	26%

Key Metrics	4Q14	3Q14	4Q13
Net interest margin	4.05%	4.14%	4.52%
Core fee ratio	14.1%	13.6%	16.6%
Core efficiency ratio	70.5%	71.6%	69.8%
Core ROA	0.83%	0.81%	0.79%
Core ROTCE	6.2%	5.9%	5.4%

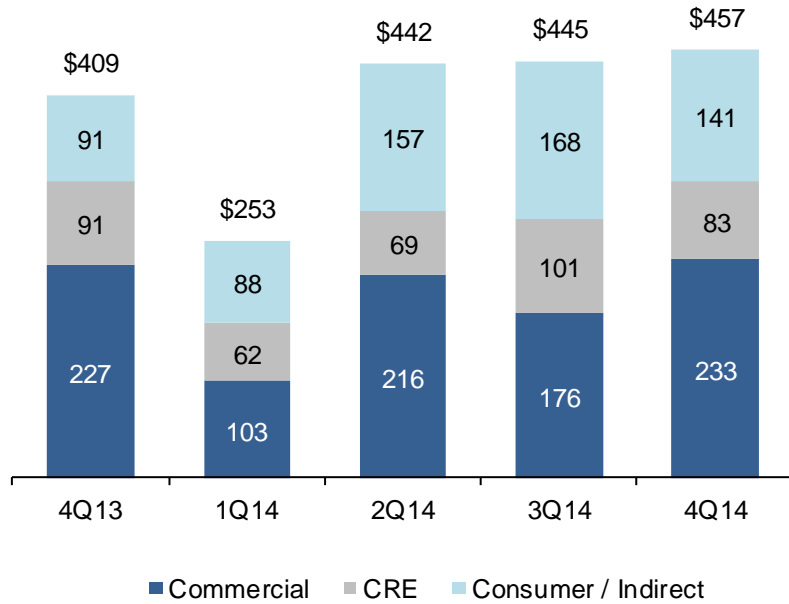
- Record \$457 mm of new loans
- Loan portfolio grew 15% annualized q/q and is up 10% y/y
- NIM compressed by 9 bps, roughly in line with expectations
- Core efficiency ratio improved to 70.5% sequentially
- Core ROA improved to 0.83%, up from 0.79% in 4Q13
- Tangible book value per share increased \$0.28 to \$19.28



Record \$457 mm New Loan Production

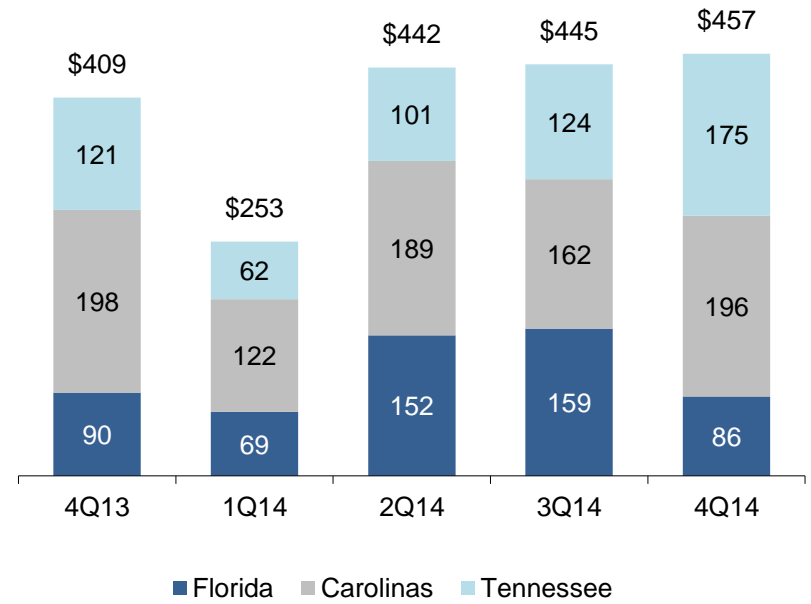
New Loans by Product

\$ mm's



New Loans by Geography

\$ mm's

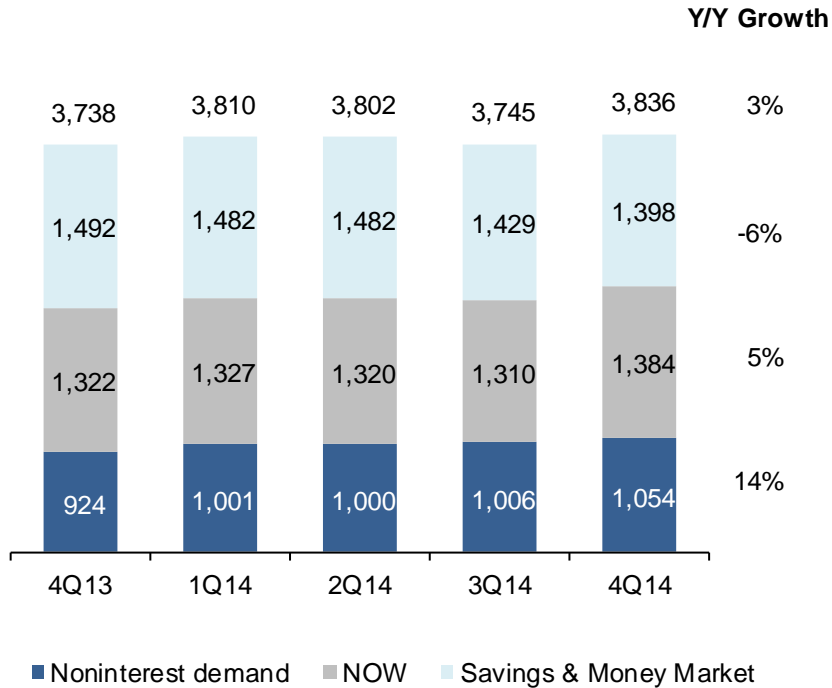




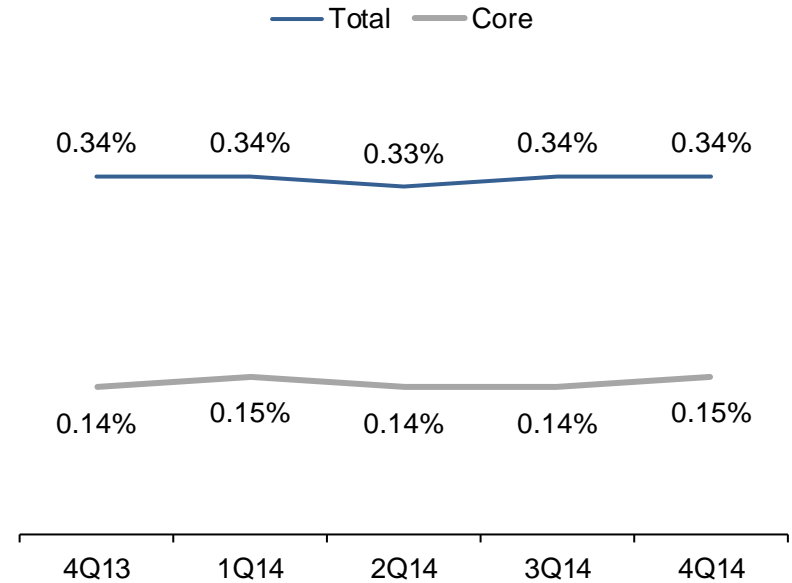
Demand Balances Driving Higher Core Deposits

Core Deposit Balances

\$ mm's



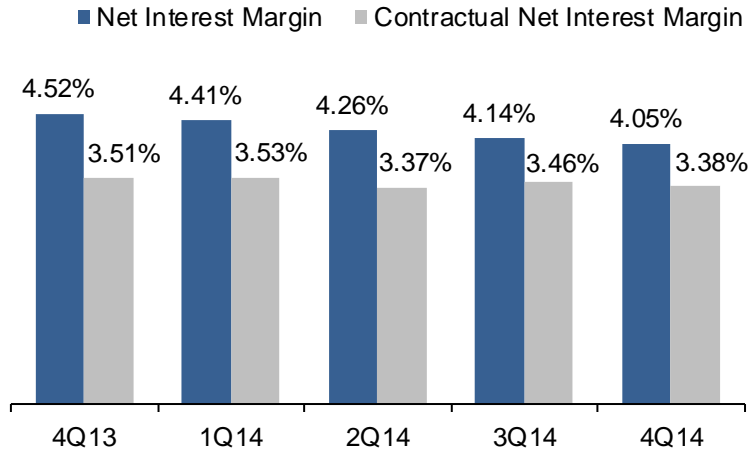
Cost of Deposits



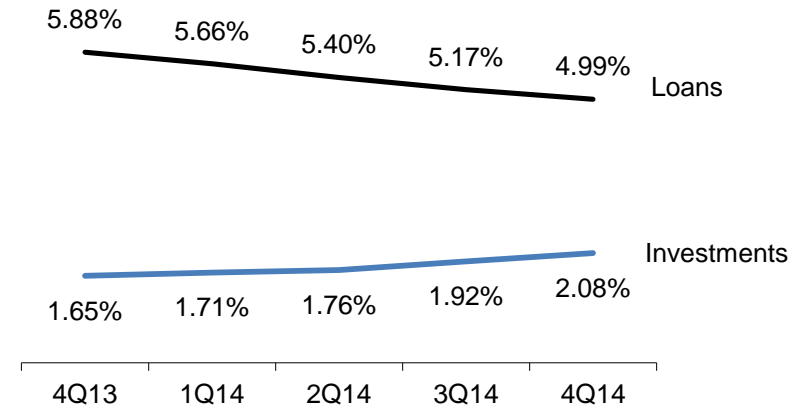


NIM Declines as Expected

Purchase Accounting Impact on NIM



Yields



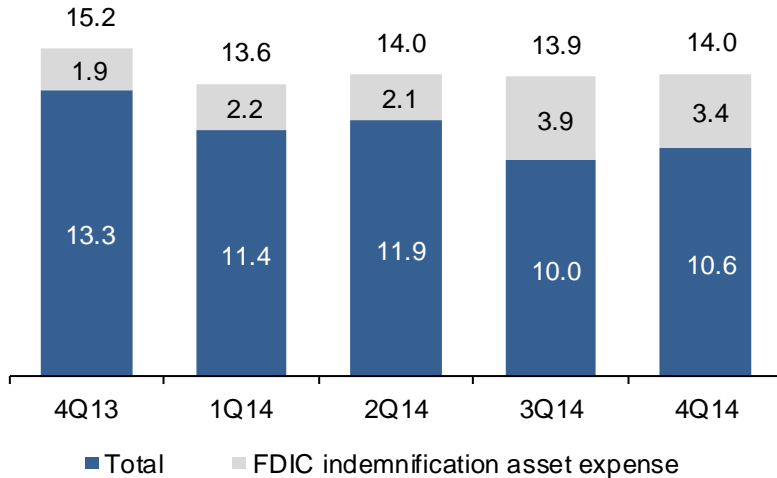
- The net interest margin declined by 9 bps in the quarter, in line with expectations
- Variable rate loans made up 62% of new loan production in the quarter



Core Non-interest Income Largely Stable

Non-interest Income

\$ mm's



- Non-interest income excluding FDIC indemnification expense was stable in 4Q

\$ mm's

	4Q13	3Q14	4Q14
Services charges on deposits	5.9	5.6	5.4
Debit card income	2.9	3.0	3.0
Fees on mortgage loans sold	1.1	1.2	1.1
Investment advisory and trust fees	1.1	1.2	1.2
Other	4.2	2.9	3.3
Non-interest Income ex FDIC expense	15.2	13.9	14.0
FDIC indemnification asset expense	(1.9)	(3.9)	(3.4)
Non-interest Income	13.3	10.0	10.6

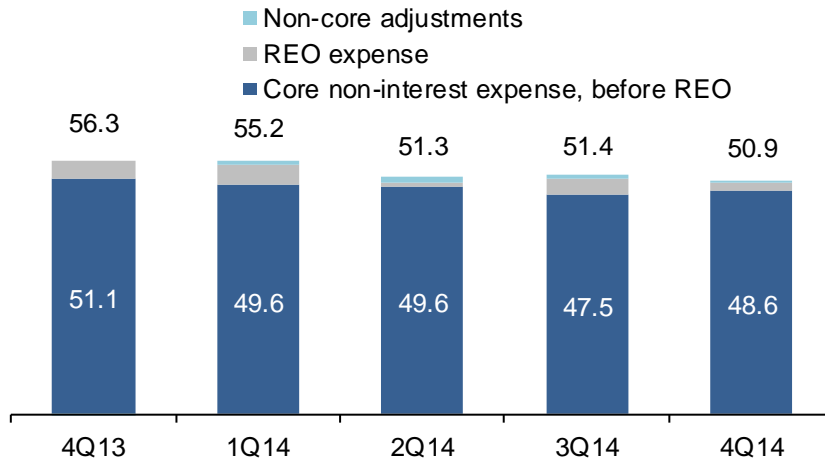
See reconciliation of non-GAAP measures in appendix.

2/12/2015



10% Decline in Core Expenses During 2014

Non-interest Expense

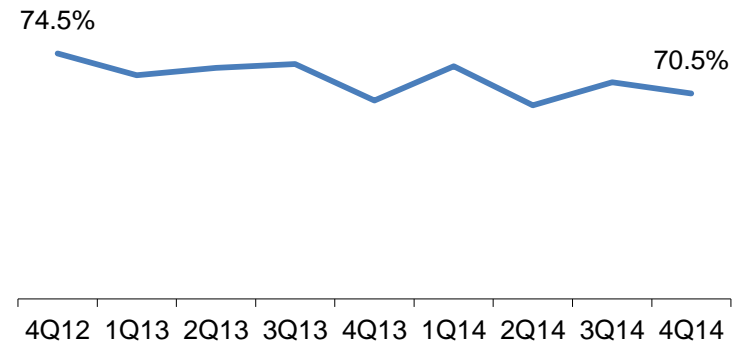


Core Non-interest Expense

\$ mm's

	4Q13	3Q14	4Q14
Salaries and employee benefits	24.0	22.6	23.9
Net occupancy and equipment	8.5	8.5	8.0
Professional fees	2.4	1.5	2.1
Other	16.2	14.9	14.7
Core non-interest expense, before REO	51.0	47.5	48.7
REO expense	4.0	3.4	1.8
Core non-interest expense	55.0	50.9	50.4
Non-core adjustments	1.2	0.5	0.5
Total non-interest expense	56.3	51.4	50.9

Core Efficiency Ratio



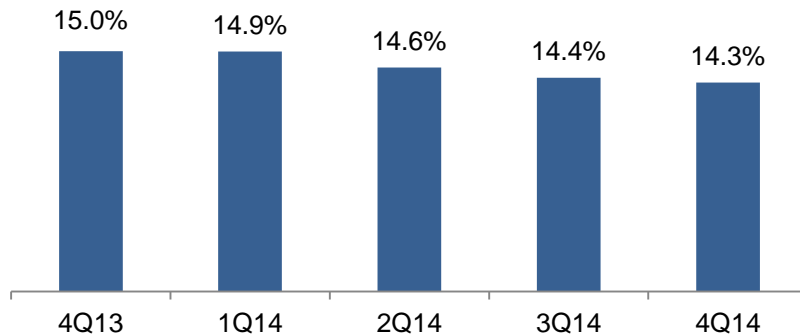
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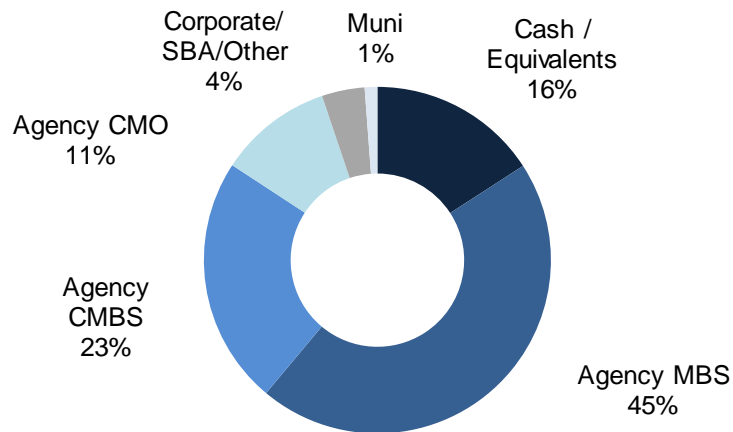
Liquidity and Capital Ratios Remain Strong

Tier 1 Leverage Ratio



- Modified duration of investments was 4.1 years at December 31, 2014, vs 4.0 years at September 30
- Capital ratios remain strong with tier 1 leverage of 14.3%¹ on a consolidated basis

Liquidity



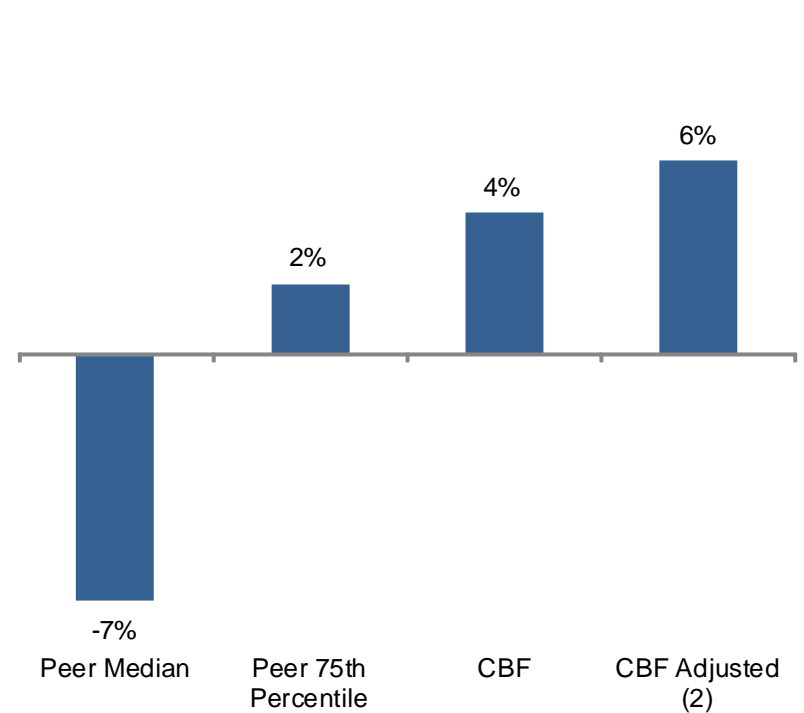
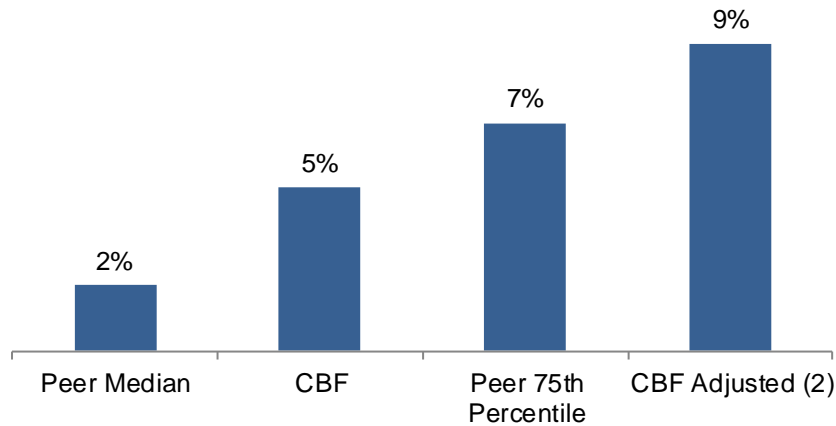
(1) Capital ratios are preliminary.



We are More Asset Sensitive Than Peers¹

12-month Net Interest Income at Risk: +200 bp shock

Economic Value of Equity at Risk: +200 bp shock



- Using the median peer non-maturity deposit assumptions, our asset sensitivity would be higher for both net interest income and equity value at risk

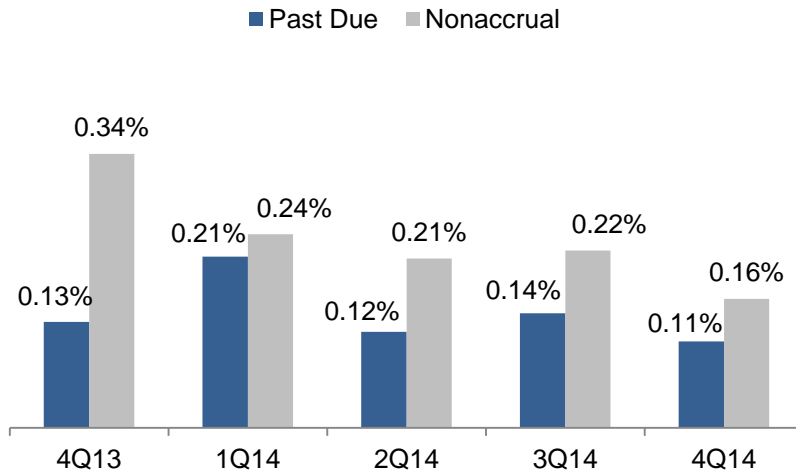
(1) Peers include 1,200 – 1,400 community and mid-size banks/thrifts, data collected in 4Q13 and 1Q14. Source: OCC Interest Rate Risk (IRR) Measurement – Range of Practice Memorandum, 12/17/2014.

(2) CBF Adjusted uses peer median deposit re-pricing and decay assumptions. CBF data as of 12/31/14, bank only.



New Loan Portfolio Performing Strongly

Past Dues & Nonaccruals



New Loan Portfolio Credit Metrics

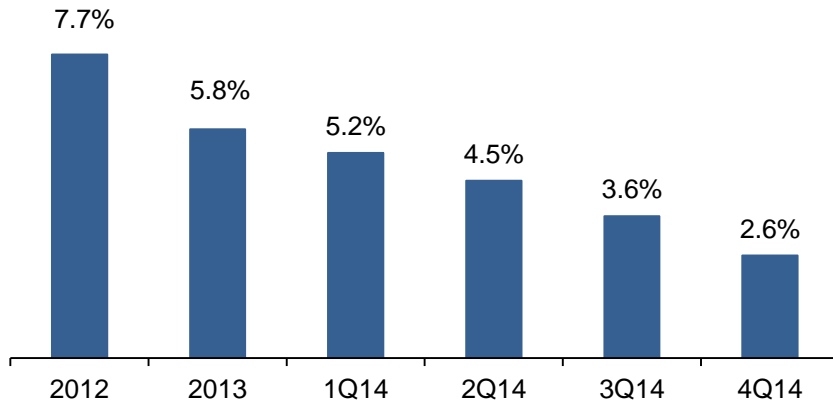
	4Q13	3Q14	4Q14
Criticized	0.27%	0.23%	0.32%
Classified Performing	0.67%	0.53%	0.44%
Classified Nonperforming	0.34%	0.22%	0.16%
Total Criticized/Classified	1.28%	0.98%	0.92%
Reserve (\$ mm)	17.8	21.2	20.7
Reserve as % of New Loan Portfolio	0.80%	0.72%	0.63%

- Provisions for new loans of \$0.8 mm during 4Q were offset by \$1.4 mm reversal of provision on the legacy portfolio

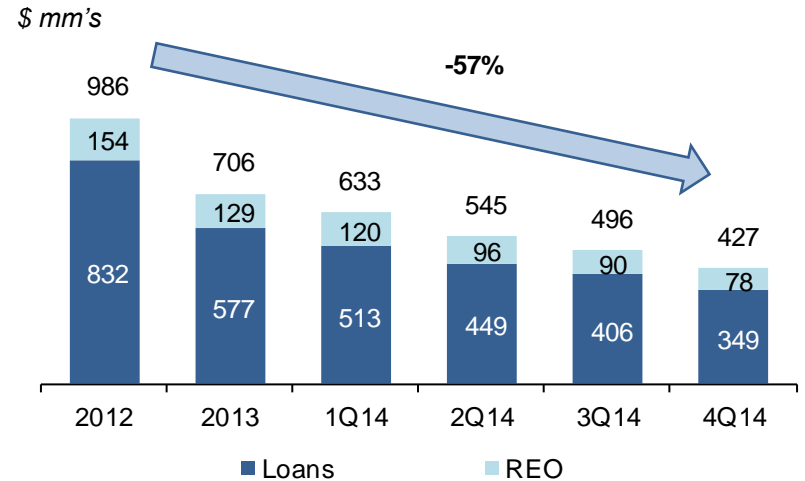


Special Assets Down 57% Since 2012

Nonperforming Loans / Total Loans



Special Assets



Legacy Credit Expenses

\$ mm's

	4Q13	3Q14	4Q14	2013	2014	% Change
Provision (reversal) on legacy loans	(1.2)	(4.2)	(1.4)	(1.9)	(9.0)	
FDIC indemnification asset expense	1.9	3.9	3.4	5.7	11.5	
OREO valuation expense	3.2	2.8	1.6	22.0	10.9	
(Gains) losses on sales of OREO	(0.3)	(0.2)	(0.4)	(3.5)	(4.6)	
Foreclosed asset related expense	1.1	0.8	0.6	6.0	4.0	
Loan workout expense	1.6	0.9	1.4	8.0	4.6	
Salaries and employee benefits	1.3	1.1	1.0	5.2	4.7	
Total legacy credit expense	7.6	5.1	6.1	41.5	22.0	-47%



2015 Outlook

Loan Growth	Similar to the company's performance in 2014 (+10%)
Net Interest Margin	Down 10-15 bps per quarter
Non-interest Income	By 4Q15, FDIC asset indemnification expense should decline to \$500,000/quarter or below
Provision Expense	Not expecting reversals of impairment; provisions to reflect growth and credit quality of New Loans
Non-interest Expense	Estimated \$3 mm restructuring charge in first quarter
Special Assets / Legacy Credit Expense	Continued 35-40% reduction in Special Assets balances and legacy credit expenses
ROAA	Targeting 1% ROAA at the end of 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



Reconciliation of Core Noninterest Income / Expense

\$ 000's

	4Q14	3Q14	2Q14	1Q14	4Q13
Net interest income	\$61,351	\$61,425	\$60,831	\$62,453	\$65,723
Reported non-interest income	10,594	9,957	11,887	11,369	13,271
Less: Securities gains (losses), net	513	317	(28)	174	164
Core non-interest income	\$10,081	\$9,640	\$11,915	\$11,195	\$13,107
Reported non-interest expense	\$50,932	\$51,418	\$51,273	\$55,224	\$56,251
Less: Stock-based compensation expense	239	242	531	533	942
Contingent value right expense	334	278	327	767	299
Core non-interest expense	\$50,359	\$50,898	\$50,415	\$53,924	\$55,010
Core Fee Ratio*	14.1%	13.6%	16.4%	15.2%	16.6%
Efficiency Ratio**	70.8%	72.0%	70.5%	74.8%	71.2%
Core Efficiency Ratio***	70.5%	71.6%	69.3%	73.2%	69.8%

* 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 4Q14	Quarter Ended 4Q14	Quarter Ended 3Q14	Quarter Ended 3Q14	Quarter Ended 4Q13	Quarter Ended 4Q13
Net income	\$13,836	\$13,836	\$13,243	\$13,243	\$12,206	\$12,206
Adjustments	Pre-Tax	After-tax	Pre-Tax	After-tax	Pre-Tax	After-tax
Non-Interest Income						
Security gains*	(513)	(313)	(317)	(194)	(164)	(100)
Non-Interest Expense						
Stock-based compensation*	239	146	242	148	940	575
Contingent Value Right expense	334	334	278	278	299	299
Tax effect of adjustments*	107	NA	29	N/A	(301)	NA
Core Net Income	14,003	14,003	13,475	13,475	\$12,980	\$12,980
Average Assets	\$6,749,124		\$6,637,179		\$6,597,722	
Tangible Common Equity	\$910,155		\$910,552		\$957,436	
** ROA	0.82%		0.80%		0.74%	
*** Core ROA	0.83%		0.81%		0.79%	
**** Core ROTCE	6.2%		5.9%		5.4%	

* 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



Tangible Book Value

(In thousands, except per share data)

December 31, 2014

Total common shareholders' equity	\$1,063,574
Intangibles, net of taxes	146,168
Tangible book value*	<u>\$917,406</u>
Common shares outstanding	47,593
Tangible book value per share	\$19.28

* 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
December 31, 2014			
Reported	6,045,748	61,723	4.05%
Purchase accounting impact	(79,632)	10,295	0.67%
Contractual Net Interest Margin (1)			3.38%
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%

(1) Excludes purchase accounting adjustments

2/12/2015