



CAPITAL BANK
FINANCIAL CORP

2014 First Quarter Earnings

April 17, 2014



Safe Harbor Statement

Forward-Looking Statements

Information in this presentation 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 presentation 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 the acquired business into our business model; (7) projected population and income growth in our targeted market areas; (8) competitive pressures in our markets and industry; and (9) 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 presentation. 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.



Our Path to Investor Returns

Goals	1Q 2014 Results
Improve core ROA to 1.0%	0.76%, up from 0.55% in 1Q13
Generate organic loan and core deposit growth	7.7% annualized core deposit growth, flat loan growth
Deploy capital through acquisitions, in a thoughtful and disciplined manner	Ongoing evaluation of / dialogue with potential targets
Optimize capital structure and return excess capital to investors	Repurchased \$23 mm of stock
Target low double-digit core ROTCE	5.2%, up from 4.0% in 1Q13

Intense focus on improving/sustaining ROTCE

ROTCE = Return on Tangible Common Equity. ROA = Return on average assets. See reconciliation of non-GAAP measures in appendix.

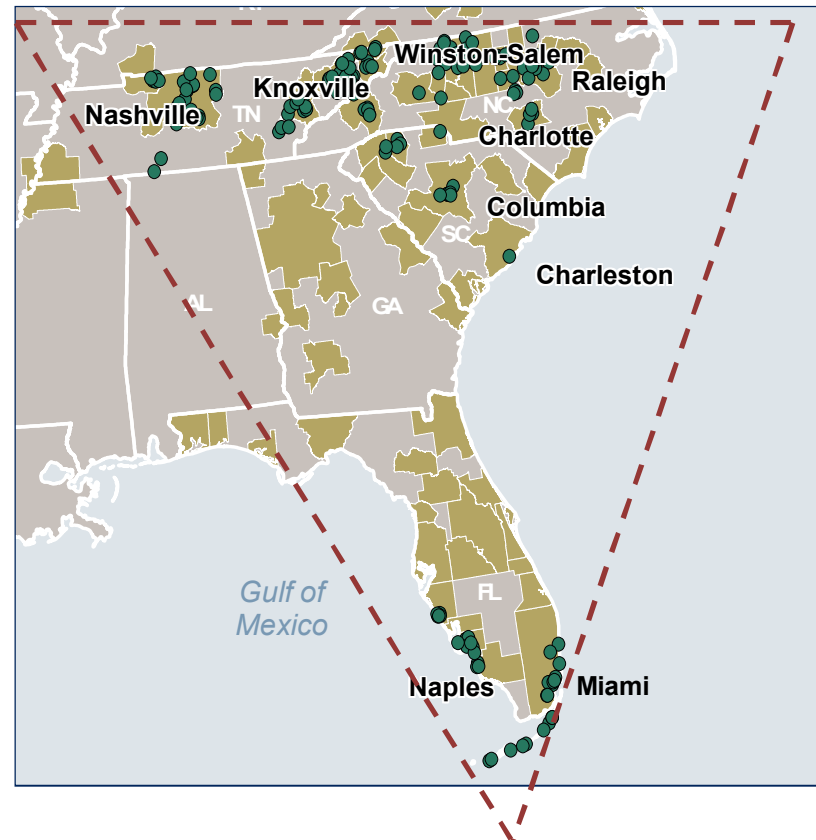
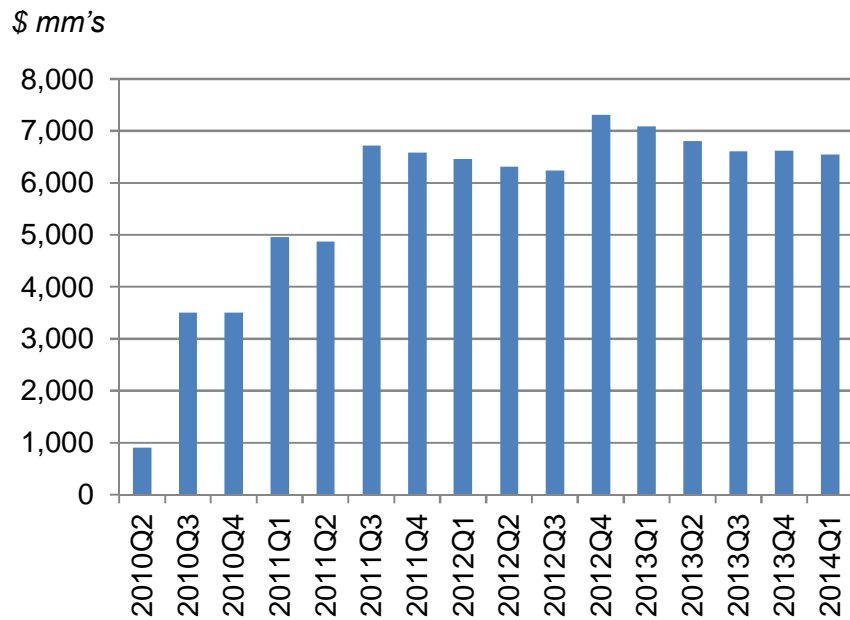
4/17/2014



The Capital Bank Story

From 'blind pool' to \$6.5 billion bank in three years

Total Assets





We've Built One Bank out of Seven Acquisitions



Merged all acquisitions into 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



First Quarter Highlights

GAAP net income of \$11.4 mm, or \$0.22 per diluted share

Core net income of \$12.4 mm, or \$0.24 per diluted share, up 33% y/y

Core ROA improved to 0.76%, up from 0.55% in 1Q13

Core deposit growth of 7.7% annualized on strong checking balances / accounts

Legacy credit expenses down 30% y/y

TBV per share improved to \$18.69

Strongly capitalized with consolidated tier 1 leverage of 14.9%



First Quarter Core Earnings Summary

(\$ mm's except per share data)

	1Q14	4Q13	1Q13	Q/Q	Y/Y
Net interest income	62.5	65.7	67.1	-5%	-7%
Provision	(0.0)	3.3	5.4	100%	100%
Core non-interest income	11.2	13.1	10.9	-15%	3%
Core non-interest expense	53.9	55.0	56.4	2%	4%
Core pretax income	19.8	20.5	16.2	-3%	22%
Core net income	12.4	13.0	9.9	-5%	25%
Per share	\$0.24	\$0.25	\$0.18	-4%	33%
Non-core adjustments	(1.0)	(0.8)	(4.1)	24%	-76%
Net income	11.4	12.2	5.8	-6%	98%
Per share	\$0.22	\$0.23	\$0.10	-4%	120%
Net interest margin	4.41%	4.52%	4.33%	-0.11%	0.08%
Core fee ratio	15.2%	16.6%	14.0%	-1.4%	1.2%
Core efficiency ratio	73%	70%	72%	3%	1%
Core ROAA	0.76%	0.79%	0.55%	-0.03%	0.21%
Core ROTCE	5.2%	5.4%	4.0%	-0.2%	1.2%

After-tax non-core adjustment detail

\$ mm's

Security Gains	(0.1)
Non-cash Equity Compensation	0.3
CVR Expense	0.8
Total	1.0

See reconciliation of non-GAAP measures in appendix.

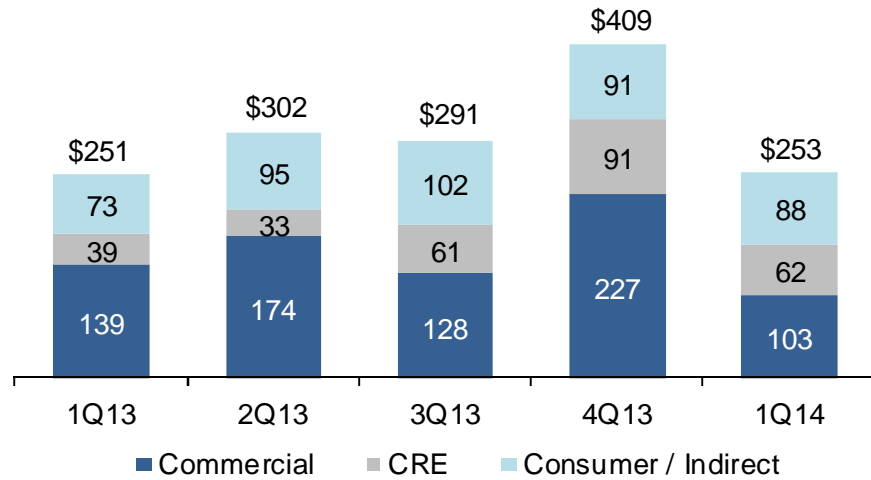
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New Loan Production Flat Y/Y

Originations by Product

\$ mm's



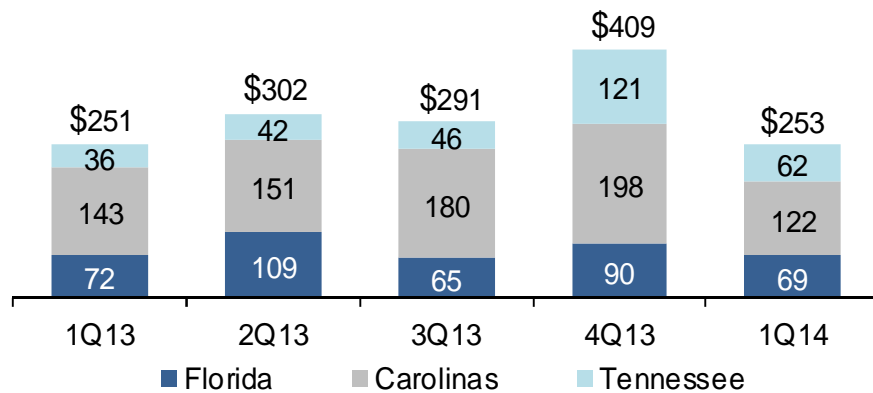
Originations of \$253 mm, flat y/y

Appointed new leadership for mortgage lending and Florida commercial teams

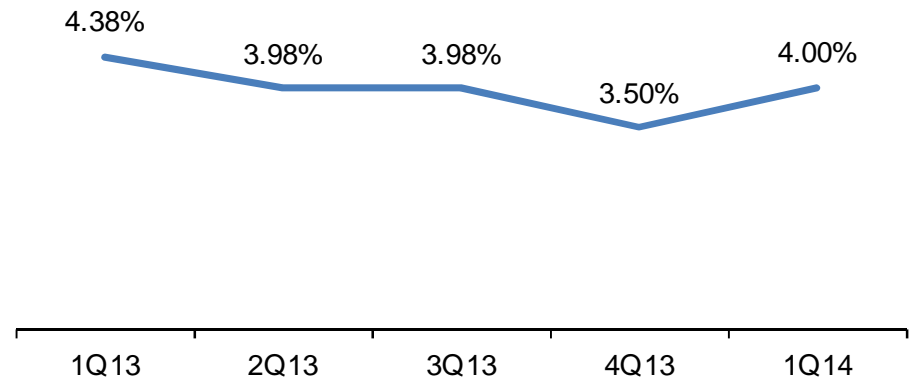
All production consistent with credit and interest rate risk standards

Originations by Geography

\$ mm's



Yield on New Loans

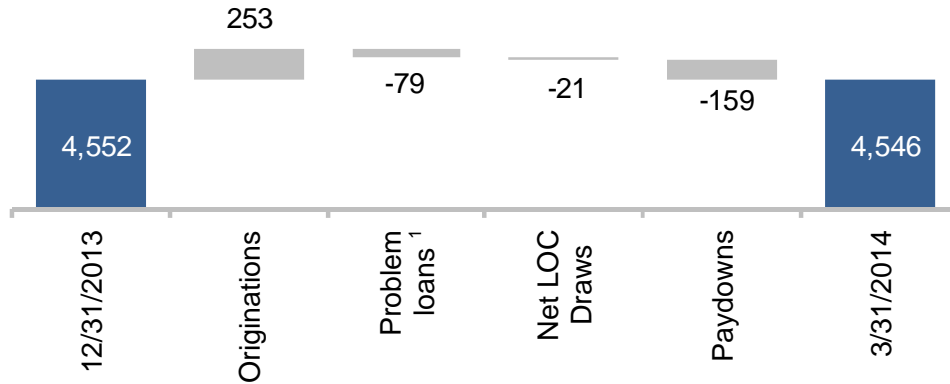




Loan Portfolio Flat in 1Q

Loan Portfolio

\$ mm's



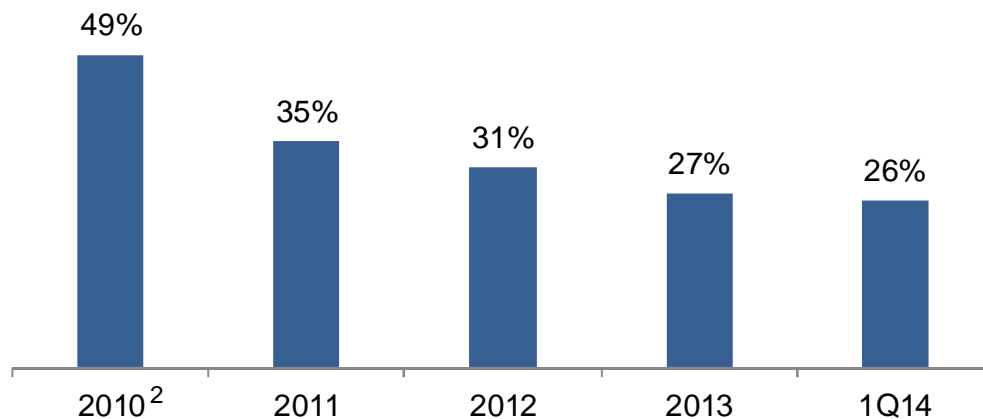
Problem loan resolutions totaled \$79 mm,³ up from \$68 mm in 4Q, and ahead of plan

Paydowns improved significantly from \$266 mm in 4Q13

\$21 mm net paydowns on lines of credit vs. flat in 4Q13

CRE Concentration

Commercial real estate concentration remains within limits



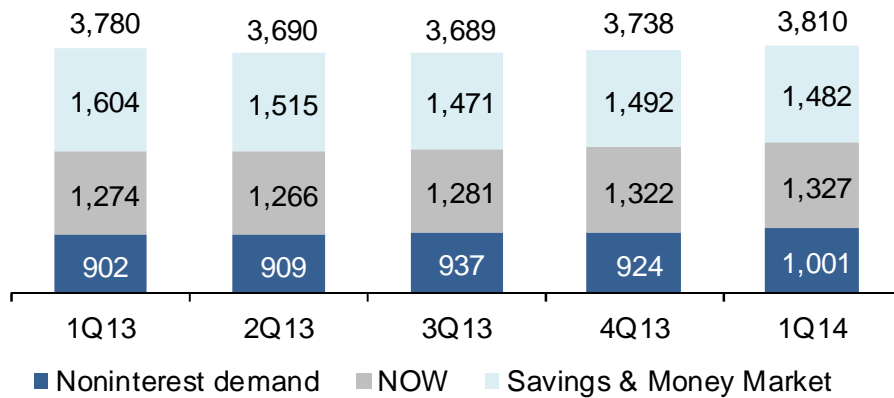
(1) Resolution of criticized / classified loans, including collections, foreclosures, and impairments
 (2) As of 6/30/2010, prior to purchase accounting
 (3) Net reductions of special assets, including REO, totaled \$73 mm, see p. 16



Continued Improvement in Deposit Quality and Cost

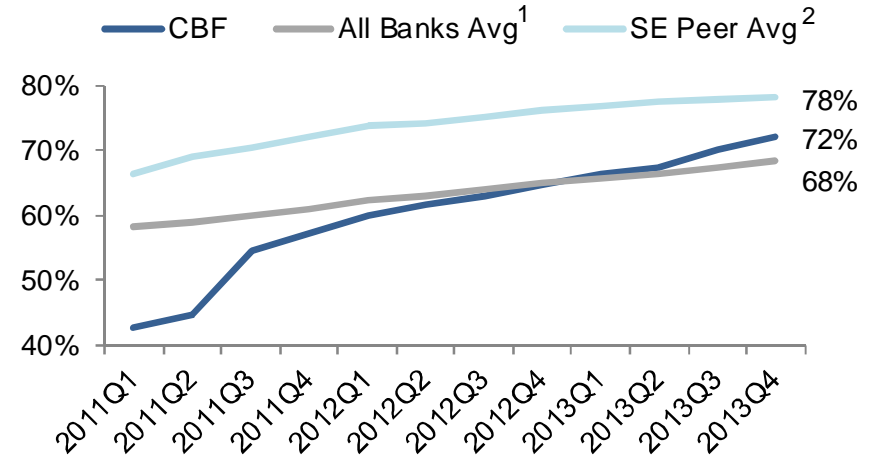
Core Deposit Balances

\$ mm's

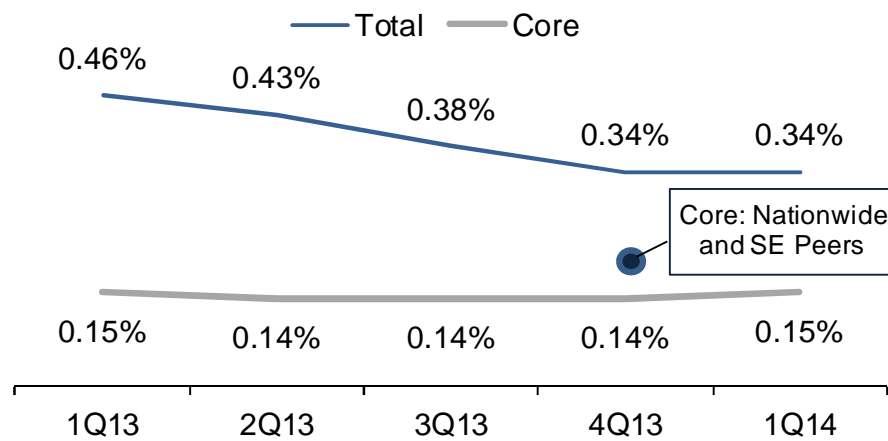


Core Deposit Mix

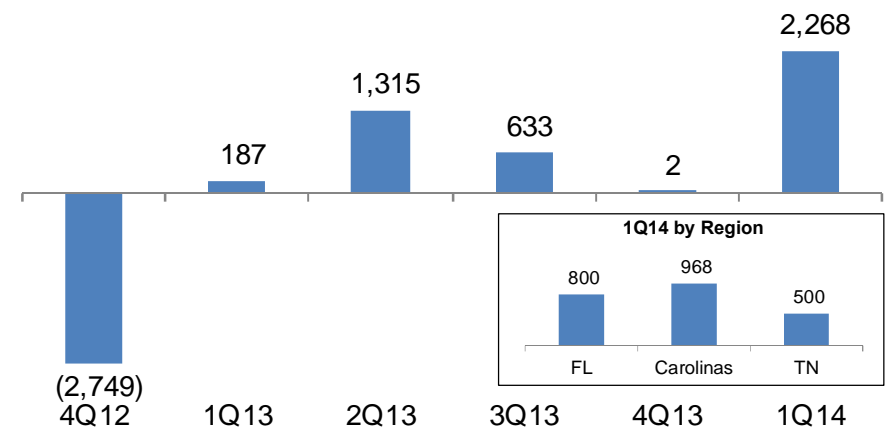
Core Deposits as a % of Total Deposits



Cost of Deposits



Net Checking Account Growth

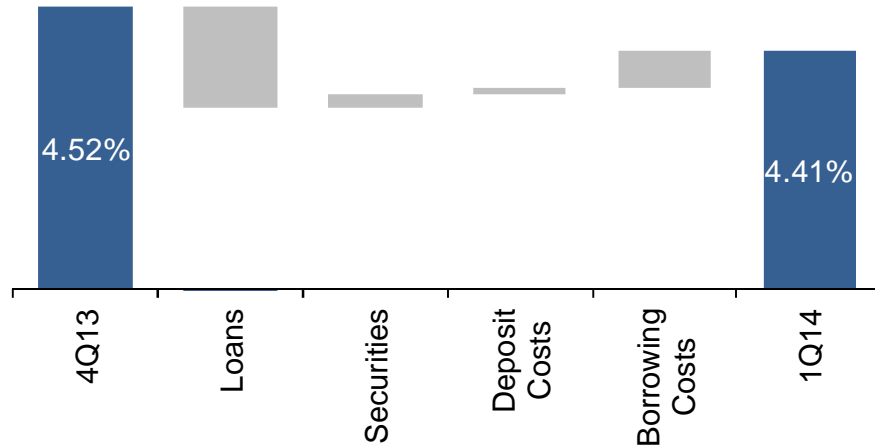


(1) Includes all publicly traded banks.
 (2) Includes BKU, HBHC, UBSI, BXS, SCBT, IBKC, HOMB, EVER, FHN, PNFP, and UCBI.
 (3) Average cost of core deposits nationwide was 19 bps in 4Q, and 20 bps for SE peers.



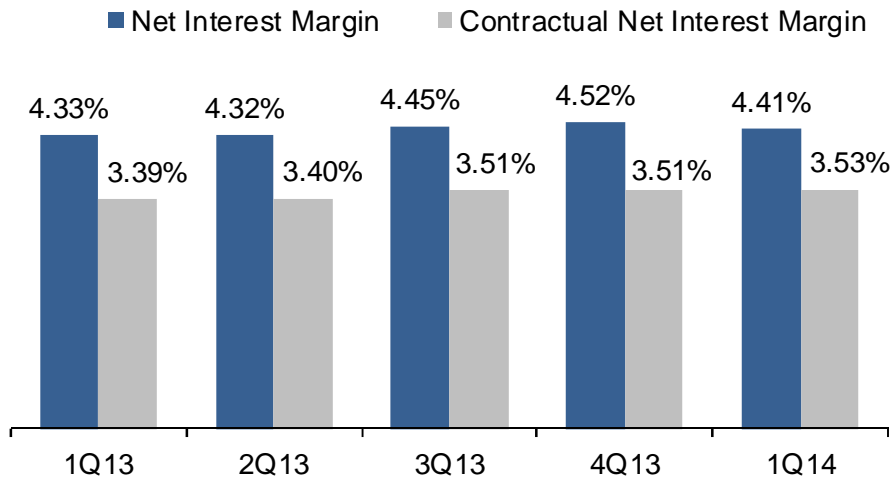
NIM Declines on Lower Loan Yields

Net Interest Margin

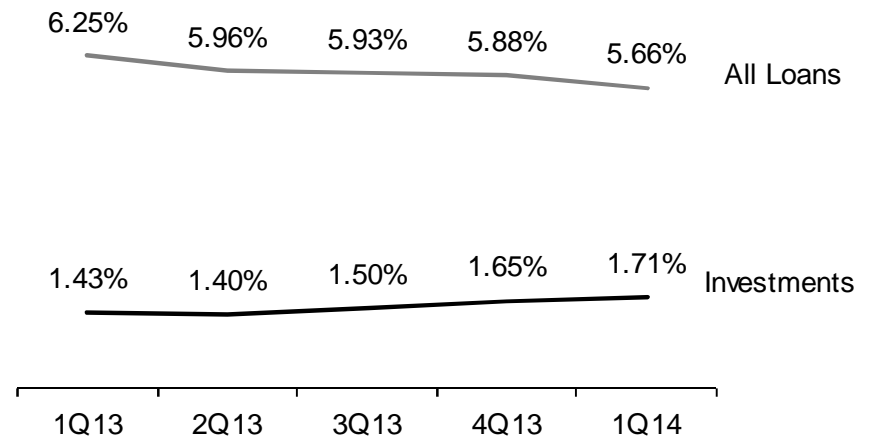


The net interest margin declined by 11 bps in the quarter, as yields on loans fell while the cost of deposits remained flat

Purchase Accounting Impact on NIM



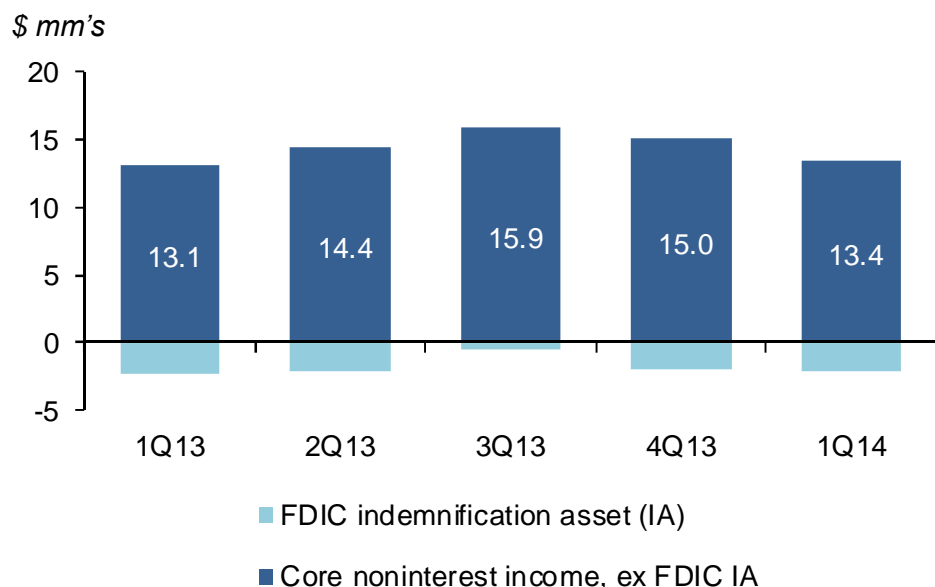
Yields





Core Noninterest Income Flat Y/Y

Core Noninterest Income



Excluding FDIC asset accretion, core noninterest income declined by \$1.6 mm sequentially

Mortgage fee pressure reflects higher interest rates. Secondary mortgage loan production declined from \$34.7 mm in 4Q13 to \$22.8 mm in 1Q14

Investment advisory and trust fees reflect expansion of the wealth management sales force

\$ mm's

	1Q14	4Q13	1Q13
Services charges on deposits	5.4	5.9	6.3
Debit card income	2.8	2.9	2.8
Fees on mortgage loans sold	0.8	1.1	1.2
Investment advisory and trust fees	1.3	1.1	0.3
Other	3.1	4.0	2.5
Total	13.4	15.0	13.1
FDIC indemnification asset	(2.2)	(1.9)	(2.2)
Total core noninterest income	11.2	13.1	10.9

See reconciliation of non-GAAP measures in appendix.

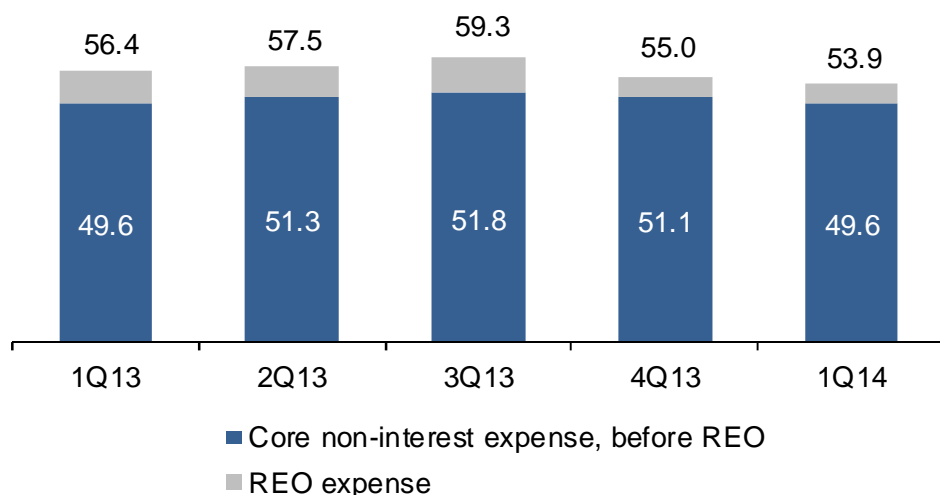
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Core Noninterest Expense Flat Year-to-Date

Core Noninterest Expense

\$ mm's



Excluding non-core adjustment and REO expense, expenses have been largely flat as we continue investing in revenue-producing positions and compliance functions, while improving the efficiency of our back office

\$ mm's

	1Q14	4Q13	1Q13
Salaries and employee benefits	23.5	24.0	20.8
Net occupancy, equipment and software expense	10.5	10.4	10.7
Professional fees	2.0	2.4	2.6
Other	13.7	14.2	15.4
Core non-interest expense, before REO	49.6	51.1	49.6
REO expense	4.3	4.0	6.8
Core non-interest expense	53.9	55.0	56.4

See reconciliation of non-GAAP measures in appendix.

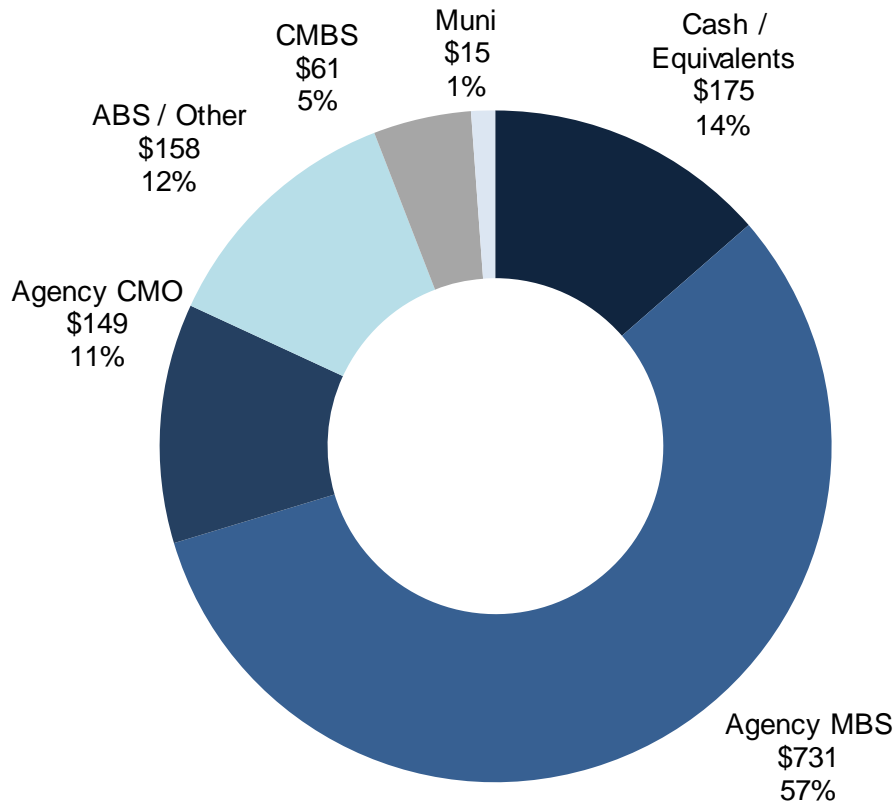
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Liquidity and Capital Ratios Remain Strong

Liquidity

\$ mm's



Modified duration of investments was 4.0 years at March 31, 2014

During 1Q, the company repurchased \$23 mm of stock at an average price of \$23.39 per share

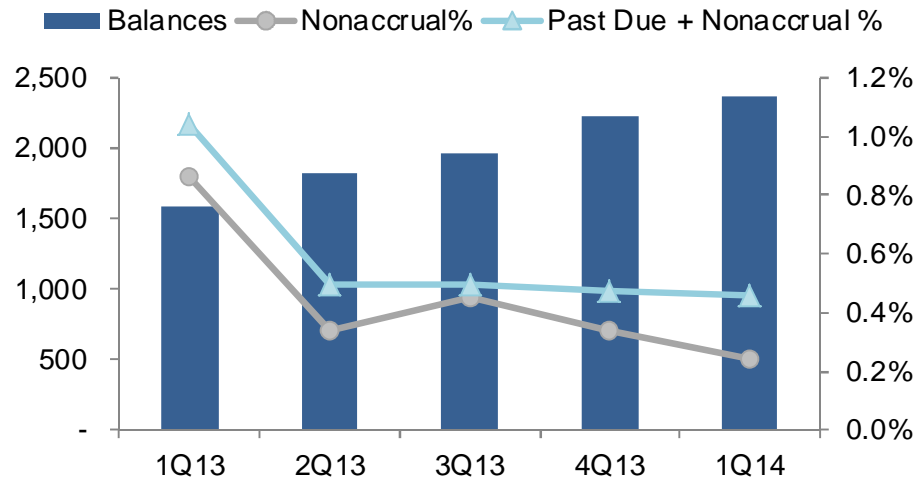
Our capital ratios remain strong with tier 1 leverage of 14.9% on a consolidated basis



Originated Loan Portfolio Performing Strongly

Originated Loan Portfolio

\$ mm's



At March 31, past dues / nonaccruals were 0.46%

Net charge-offs in 1Q14 totaled \$1.2 mm

The provision of \$2.5 mm maintained our reserve ratio at 0.85% of originated loans

Originated Loan Portfolio by Loan Type

\$ mm's

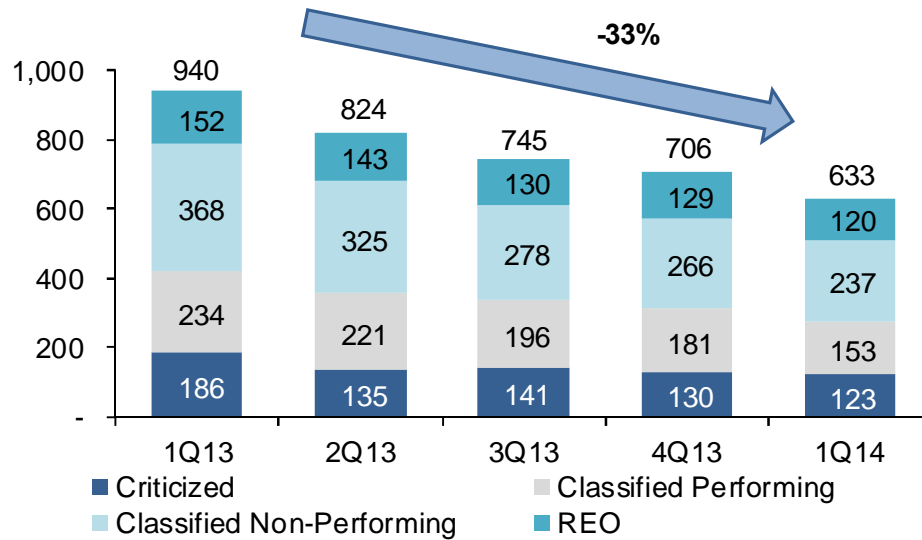
	1Q14 Balance	% of Total	Criticized / Classified	
			Balance	%
CRE	395.7	16.7%	5.8	1.5%
Commercial	1,332.5	56.3%	27.0	2.0%
Consumer / Other	639.8	27.0%	2.3	0.4%
Total	2,368.0	100.0%	35.1	1.5%



Special Assets Down 33% Y/Y

Special Assets

\$ mm's

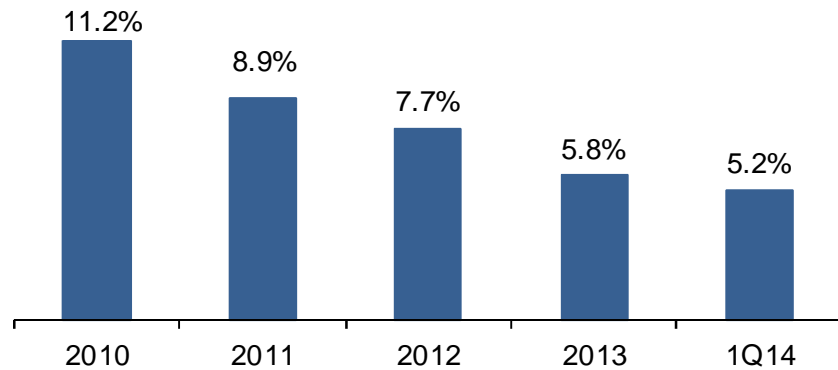


During 1Q, we reduced the Special Assets portfolio by \$73 mm, bringing the Y/Y reduction to \$307 mm or 33%

New inflows to non-performing status were \$27 mm in 1Q14, down from \$49 mm in 1Q13

During 1Q14, we sold \$16 mm in REO, up from \$13 mm in 4Q13

Nonperforming Loans / Total Loans

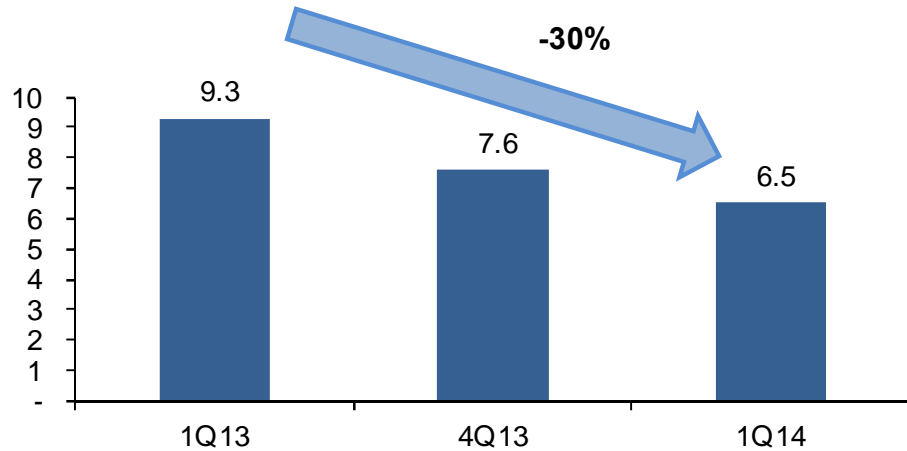




Legacy Credit Expenses Declining

Legacy Credit Expense

\$ mm's



Legacy credit expenses declined by \$1.1 mm sequentially and are down 30% y/y

We posted a reversal of impairment instead of a provision for the legacy loan portfolio to reflect strong cash flow performance in certain loan pools

Legacy Credit Expense Breakdown

	1Q14	4Q13	1Q13
Provision on legacy loans	(2.5)	(1.2)	(3.1)
FDIC indemnification asset expense	2.2	1.9	2.2
Foreclosed asset related expenses	4.3	4.0	6.9
Loan workout expense	1.2	1.6	2.0
Salaries and employee benefits	1.3	1.3	1.3
Total legacy credit expense	6.5	7.6	9.3



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Generate organic loan and core deposit growth	7.7% annualized core deposit growth, flat loan growth
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Optimize capital structure and return excess capital to investors	Repurchased \$23 mm of stock
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Intense focus on improving/sustaining ROTCE

ROTCE = Return on Tangible Common Equity. ROA = Return on average assets. See reconciliation of non-GAAP measures in appendix.

4/17/2014



Appendix



Reconciliation of Core Noninterest Income / Expense

\$ mm's

Core non Interest Income	1Q14	4Q13	3Q13	2Q13	1Q13
Net interest income	\$62.5	\$65.7	\$65.4	\$65.4	\$67.1
Reported non interest income	11.4	13.3	15.3	13.5	10.9
(-)Securities / Gains (losses)	0.2	0.2	(0.1)	0.2	.
Core non interest income	\$11.2	\$13.1	\$15.3	\$13.3	\$10.9
Reported non interest expense	\$55.2	\$56.3	\$59.3	\$59.4	\$61.3
(-) Conversion expenses	.	.	.	0.1	.
(-) Stock-based compensation	0.5	0.9	1.1	1.4	1.6
(-) Gain (loss) on extinguishment of debt	.	.	(0.4)	.	0.3
(-) CVR expense (income)	0.8	0.3	(0.8)	0.4	2.9
(-) Legal fees	0.1
Core non interest expense	\$53.9	\$55.0	\$59.3	\$57.5	\$56.4
*Core fee ratio	15.2%	16.6%	19.0%	16.9%	14.0%
**Core efficiency ratio	73.2%	69.8%	73.4%	73.0%	72.3%

*Core fee ratio: core noninterest income / (net interest income + core noninterest income)

**Core efficiency ratio: core noninterest expense / (net interest income + core noninterest income)



Reconciliation of Core Net Income

\$ mm's

	Quarter Ended 1Q14	Quarter Ended 1Q14	Quarter Ended 4Q13	Quarter Ended 4Q13	Quarter Ended 1Q13	Quarter Ended 1Q13
Net income	\$11.4	\$11.4	\$12.2	\$12.2	\$5.8	\$5.8
Adjustments	Pre-Tax	After-tax	Pre-Tax	After-tax	Pre-Tax	After-tax
Non-Interest Income						
Security gains*	(0.2)	(0.1)	(0.2)	(0.1)	-	-
Non-Interest Expense						
Stock-based compensation*	0.5	0.3	0.9	0.6	1.6	1.0
CVR expense	0.8	0.8	0.3	0.3	2.9	2.9
Legal and merger (professional fees)	-	-	-	-	0.1	0.1
Loss on extinguishment of debt*	-	-	-	-	0.3	0.2
Tax effect of adjustments*	(0.1)	N/A	(0.2)	N/A	(0.8)	N/A
Core Net Income	\$12.4	\$12.4	\$13.0	\$13.0	\$9.9	\$9.9
Average Assets	\$6,554		\$6,598		\$7,202	
Tangible Common Equity	\$947		\$957		\$1,002	
**Core ROAA	0.76%		0.79%		0.55%	
***Core ROTCE	5.2%		5.4%		4.0%	

*Tax effected at an income tax rate of 38.84%

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

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



Tangible Book Value

(In thousands, except per share data)

March 31, 2014

Total common shareholders' equity	\$1,103,756
Intangibles, net of taxes	<u>(148,045)</u>
Tangible book value*	<u>\$955,711</u>
Common shares outstanding	51,129
Tangible book value per share	\$18.69

* 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
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%
June 30, 2013			
Reported	6,097,535	65,616	4.32%
Purchase accounting impact	(169,225)	14,271	0.91%
Contractual Net Interest Margin (1)			3.40%
March 31, 2013			
Reported	6,304,160	67,376	4.33%
Purchase accounting impact	(199,952)	15,144	0.94%
Contractual Net Interest Margin (1)			3.39%

(1) Excludes purchase accounting adjustments