



CAPITAL BANK
FINANCIAL CORP

2014 Second Quarter Earnings

July 24, 2014



Safe Harbor Statement

Forward-Looking Statements

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Our Path to Investor Returns

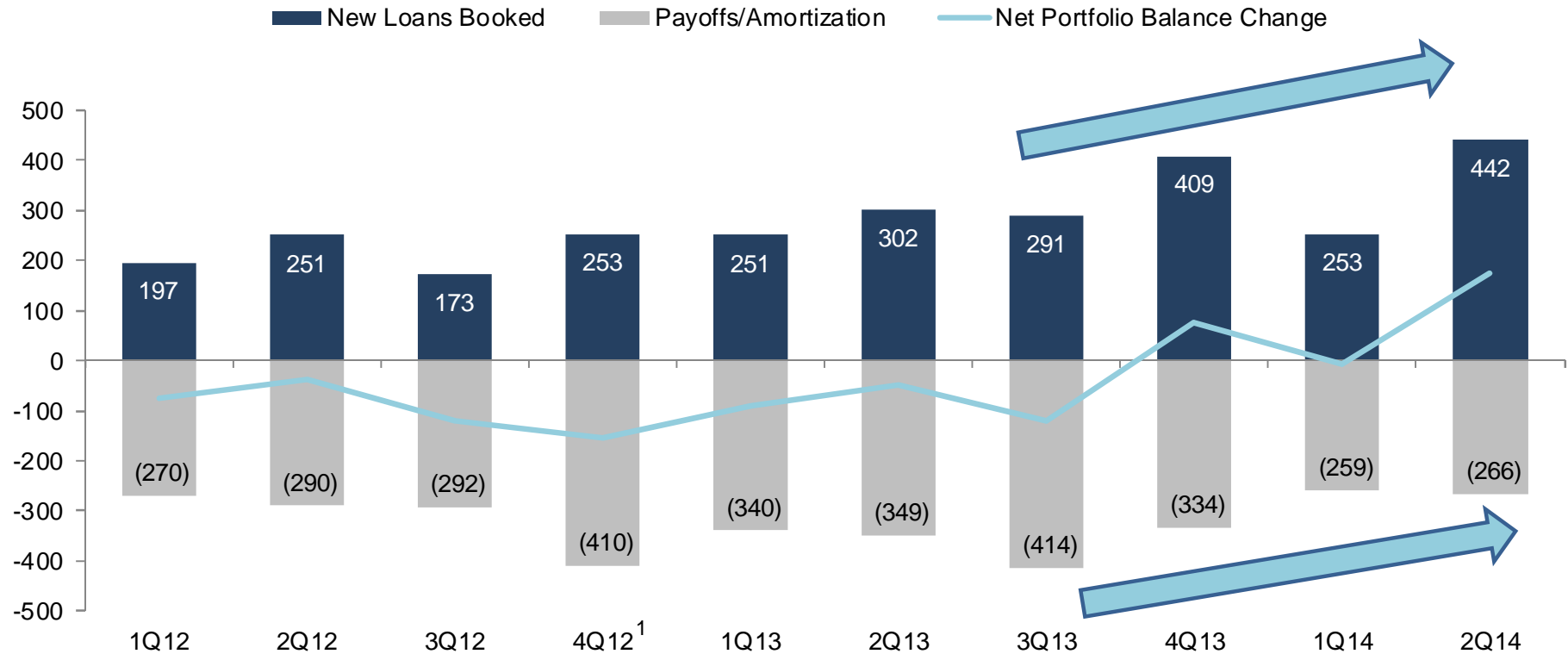
Goals	2Q 2014 Results
Grow originations 20% y/y in 2014	Record \$442 mm, +46% y/y and 26% YTD
Generate organic loan and core deposit growth	16% annualized loan growth, core deposits flat
Generate net checking account growth	Record account growth in 2Q14; noninterest balances up 10% y/y
Improve core efficiency ratio to 60% by YE15	69%, improved from 73% in 2Q13
Improve core ROA to 1.0% by YE15	0.80%, up from 0.61% in 2Q13
Achieve double-digit core ROTCE	5.7%, up from 4.5% in 2Q13



Long Term Growth Story Emerging

Loan Portfolio Trend

\$ mm's



Improvement in new loan production and stabilization of legacy asset run-off is now generating net growth

(1) Excludes effect of Southern Community acquisition.



Second Quarter Highlights

GAAP net income of \$12.4 mm, or \$0.25 per diluted share, up 47% y/y

Core net income of \$13.1 mm, or \$0.26 per diluted share, up 30% y/y

Core ROA improved to 0.80%, up from 0.61% in 2Q13

Record net checking account growth, non-interest bearing deposits up 10% y/y

Legacy credit expenses down 67% y/y, record REO sales of \$29 mm

TBV per share improved by \$0.16 to \$18.85

Strongly capitalized with consolidated tier 1 leverage of 14.6%¹



Second Quarter Core Earnings Summary

(\$ mm's except per share data)

	2Q14	1Q14	2Q13	Q/Q	Y/Y
Net interest income	60.8	62.5	65.4	-3%	-7%
Provision (reversal)	1.4	(0.0)	4.5	NM	69%
Core non-interest income	11.9	11.2	13.3	6%	-11%
Core non-interest expense	50.4	53.9	57.5	6%	12%
Core pretax income	20.9	19.8	16.7	6%	25%
Core net income	13.1	12.4	10.6	6%	22%
Per share	\$0.26	\$0.24	\$0.20	8%	30%
Non-core adjustments	(0.7)	(1.0)	(1.2)	-29%	-42%
Net income	12.4	11.4	9.4	9%	32%
Per share	\$0.25	\$0.22	\$0.17	14%	47%

				Change (bps)	
				Q/Q	Y/Y
Net interest margin	4.26%	4.41%	4.32%	(15)	(6)
Core fee ratio	16.4%	15.2%	16.9%	116	(55)
Core efficiency ratio	69%	73%	73%	(386)	(381)
Core ROA	0.80%	0.76%	0.61%	4	19
Core ROTCE	5.7%	5.2%	4.5%	47	122

After-tax non-core adjustment detail

\$ 000's

Security Gains	17
Non-cash Equity Compensation	324
CVR Expense	327
Total	668

See reconciliation of non-GAAP measures in appendix.

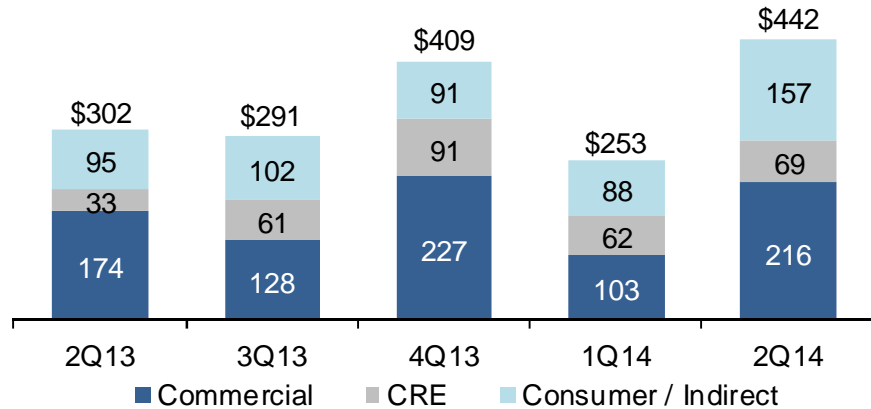
7/24/2014



Record New Loan Production of \$442 mm

New Loans by Product

\$ mm's



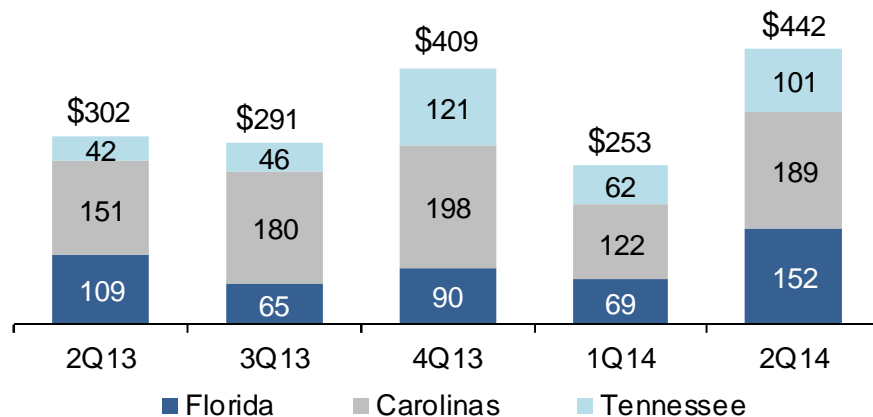
Strong production trends in all markets and product types

Includes \$45 mm portfolio acquisition of FL resi mortgages with weighted average FICO of 764 and 63% LTV

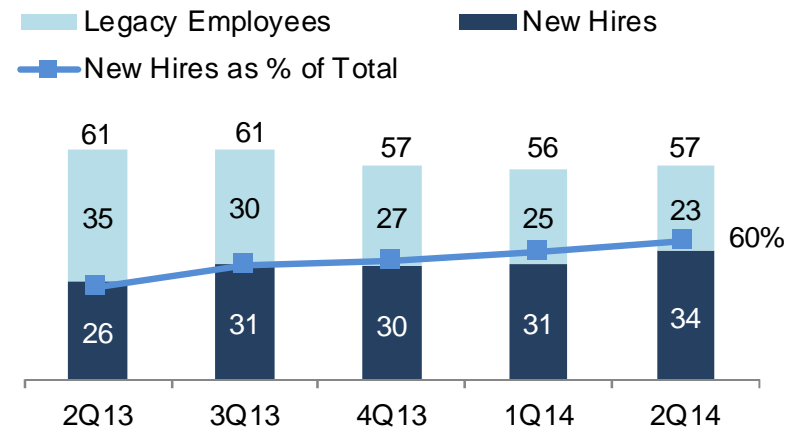
Top grading in the commercial bank drove nearly 50% y/y improvement in production per FTE

New Loans by Geography

\$ mm's



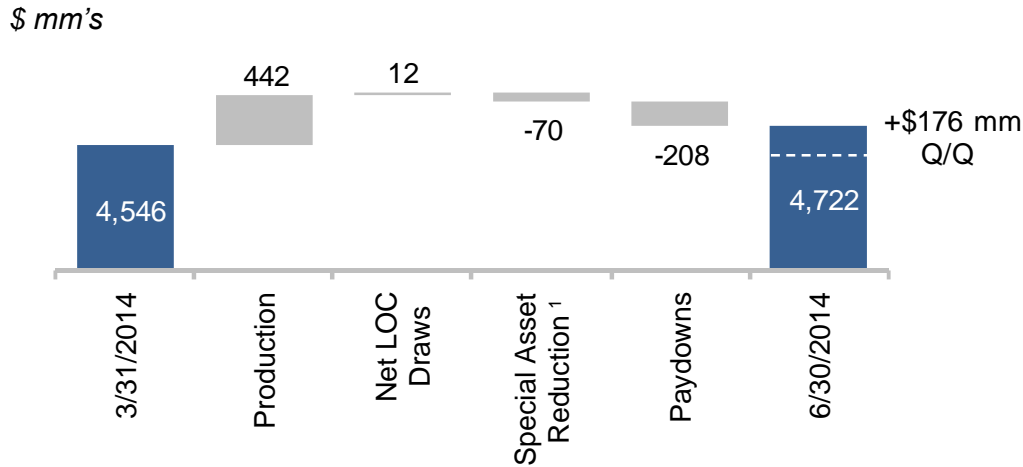
Top Grading Commercial Salesforce





Loan Portfolio Grew 16% Annualized in 2Q

Loan Portfolio



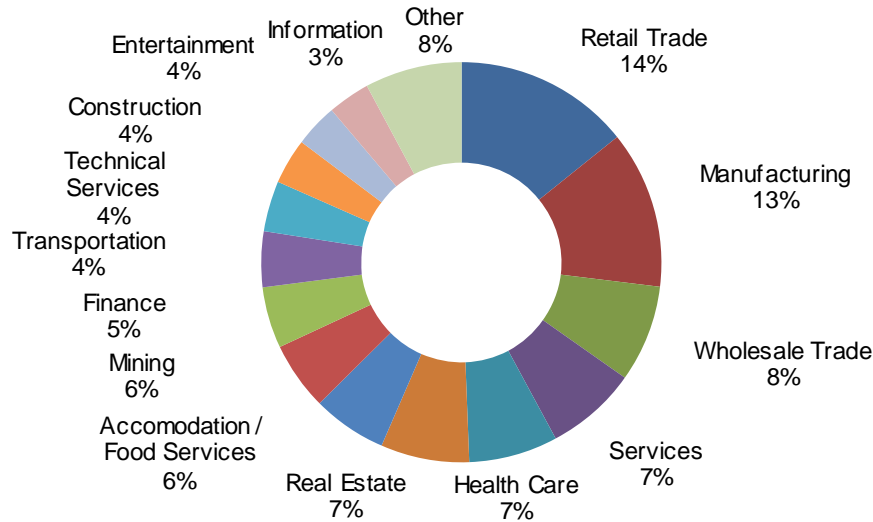
Record production led to 16% annualized growth in 2Q

Line of credit utilization improved to \$12 mm from a decline of \$21 mm in 1Q

Special asset loan resolutions totaled \$70 mm,² down from \$79 mm in 1Q

Paydowns increased to \$208 mm from \$159 mm in 1Q14, but remain at moderate levels due to effective retention strategies

Originated Commercial Loans by Industry



The portfolio is 42% commercial, 25% CRE, and 33% consumer/other

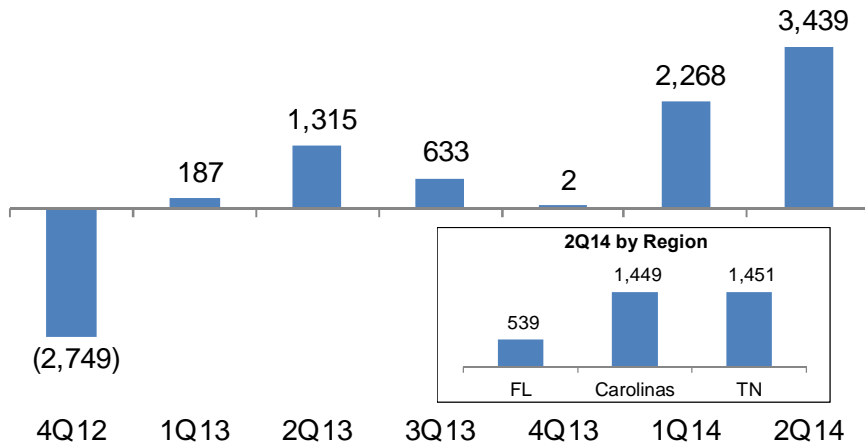
The originated commercial portfolio is highly diversified with respect to industry

(1) Resolution of criticized / classified loans, including collections, foreclosures, and impairments
 (2) Net reductions of special assets, including REO, totaled \$89 mm, see p. 15



Continued Improvement in Deposit Quality and Cost

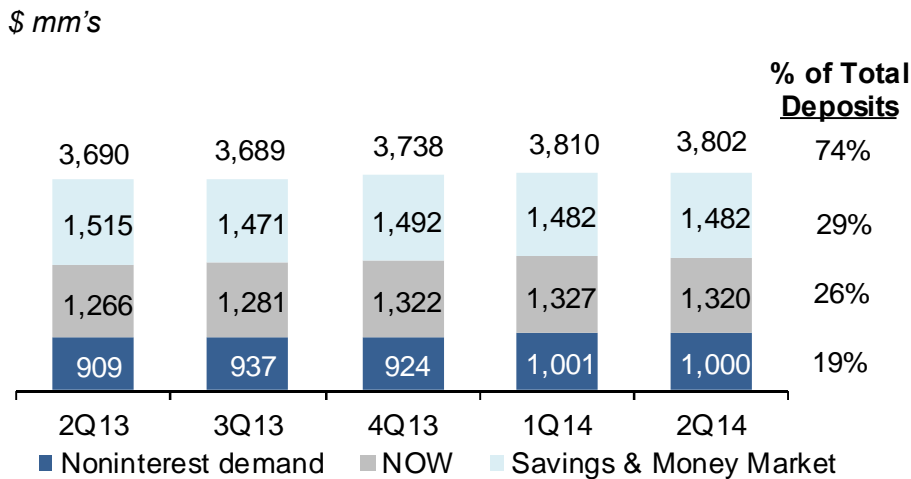
Record Net Checking Account Growth



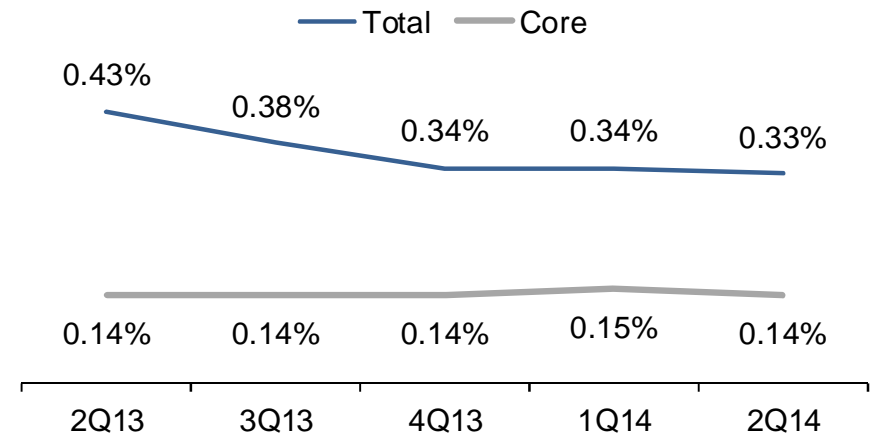
Second consecutive quarter of record net checking account growth

Noninterest checking balances up 10% y/y

Core Deposit Balances



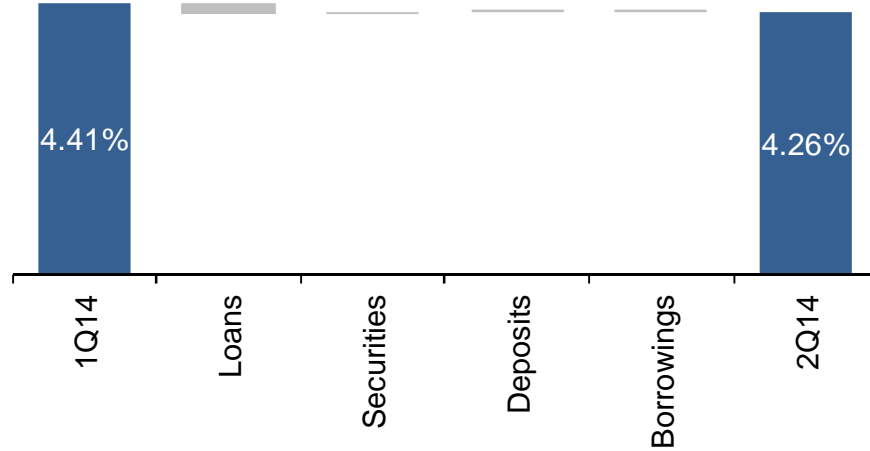
Cost of Deposits





NIM Declines on Lower Loan Yields

Net Interest Margin

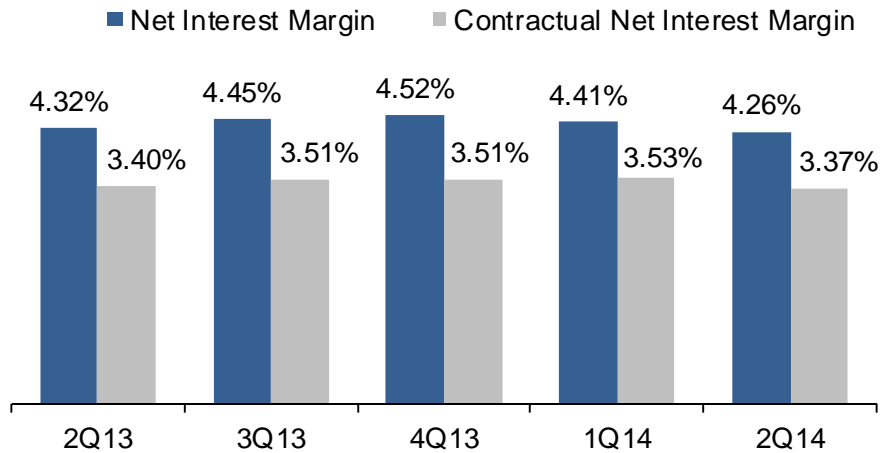


The net interest margin declined by 15 bps in the quarter, as yields on loans fell and deposit costs were largely flat.

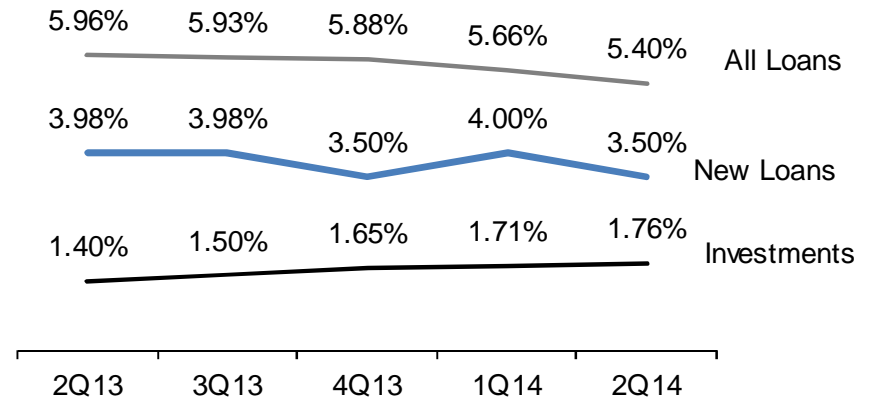
6 bps of compression attributable to lower collections and one-time adjustments

New loan yields reflected a higher proportion of variable rate loans

Purchase Accounting Impact on NIM



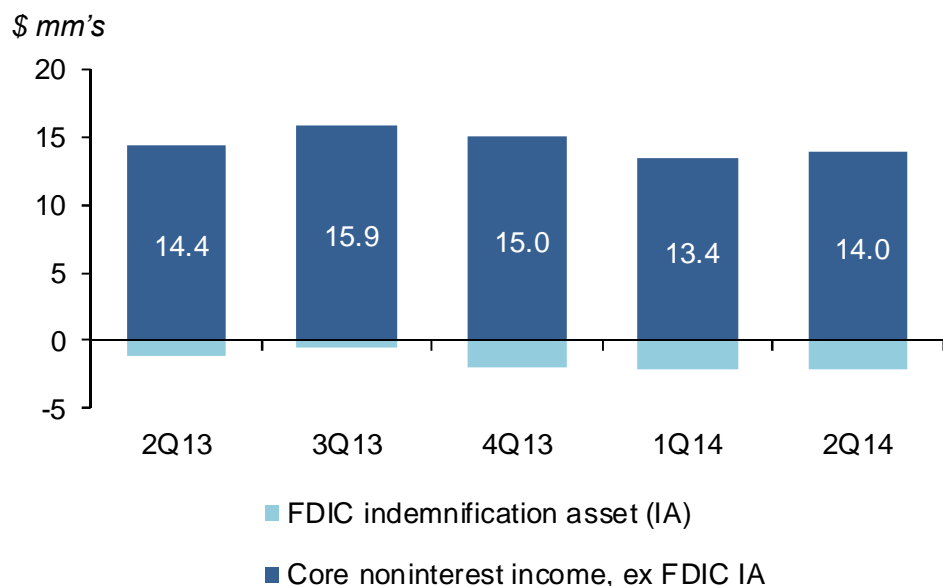
Yields





Core Non-interest Income Stronger Sequentially

Core Non-interest Income



Excluding FDIC asset accretion, core non-interest income increased by \$0.6 mm sequentially

Secondary mortgage loan production was \$45.3 mm in 2Q14, up from \$22.8 mm in 1Q14

\$ mm's

	2Q13	1Q14	2Q14
Services charges on deposits	6.3	5.4	5.7
Debit card income	3.0	2.8	3.1
Fees on mortgage loans sold	1.6	0.8	1.1
Investment advisory and trust fees	0.4	1.3	0.9
Other	3.1	3.1	3.2
Total	14.4	13.4	14.0
FDIC indemnification asset	(1.1)	(2.2)	(2.1)
Total core non-interest income	13.3	11.2	11.9

See reconciliation of non-GAAP measures in appendix.

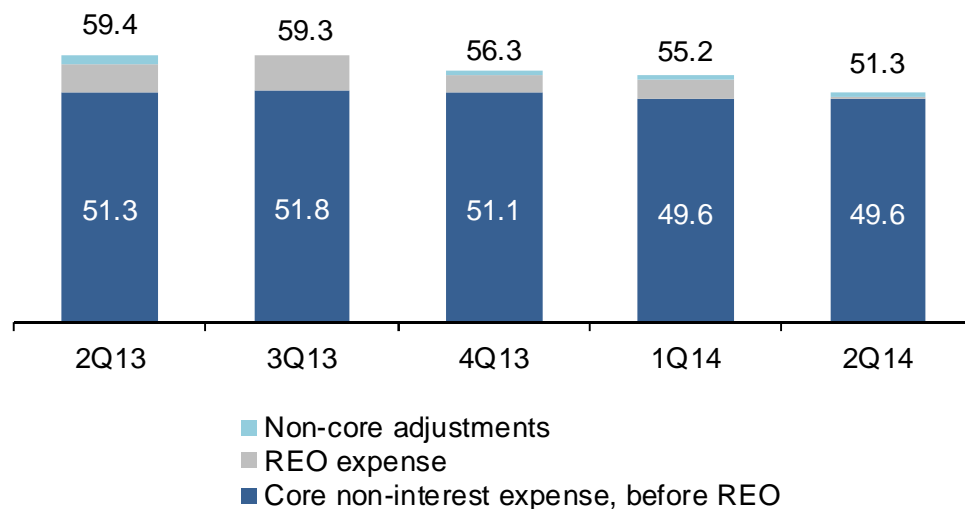
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Expenses Down 14% Y/Y

Non-interest Expense

\$ mm's



Non-interest expenses declined 14% y/y

Core non-interest expense declined \$3.5 mm sequentially due to lower REO expense

The core efficiency ratio was 69%, down from 73% a year ago

\$ mm's

	2Q13	1Q14	2Q14
Salaries and employee benefits	22.6	23.5	23.4
Net occupancy and equipment expense	8.7	8.6	8.7
Professional fees	2.3	2.0	2.0
Other	17.7	15.5	15.4
Core non-interest expense, before REO	51.3	49.6	49.6
REO expense	6.2	4.3	0.8
Core non-interest expense	57.5	53.9	50.4
Non-core adjustments	1.9	1.3	0.9
Total non-interest expense	59.4	55.2	51.3

See reconciliation of non-GAAP measures in appendix.

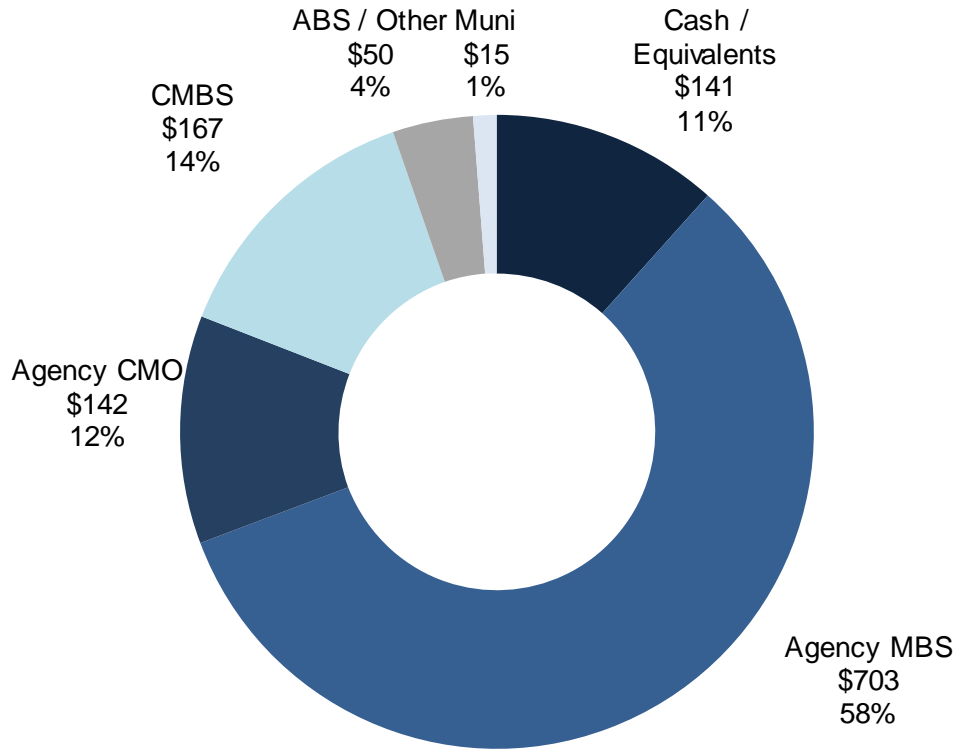
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Liquidity and Capital Ratios Remain Strong

Liquidity

\$ mm's



Modified duration of investments was 4.1 years at June 30, 2014

During 2Q, the company repurchased \$43 mm of stock at an average price of \$24.04 per share

Our capital ratios remain strong with tier 1 leverage of 14.6%¹ on a consolidated basis

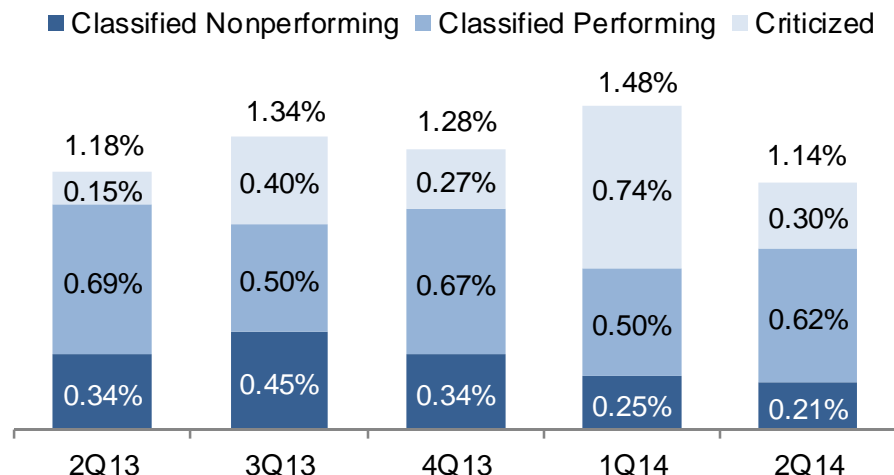
(1) Capital ratios are preliminary.



Originated Loan Portfolio Performing Strongly

Originated Loan Portfolio Credit Metrics

\$ mm's



At June 30, past dues were 12 bps

Non-performing loans were 21 bps

Criticized and classified performing loans were 0.92%, down from 1.24% in 1Q

Net charge-offs in 2Q14 totaled \$1.7 mm, and the provision was \$2.3 mm. The reserve ratio is 0.78% of originated loans.

Criticized / Classified by Loan Type

\$ mm's

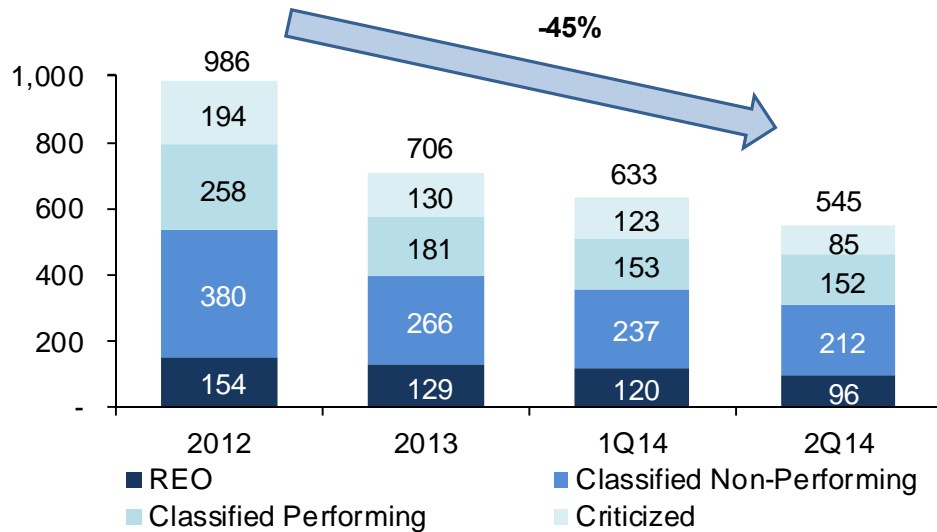
	2Q14 Balance	% of Total	Criticized		Classified Performing		Classified Non- Performing	
			Balance	%	Balance	%	Balance	%
CRE	438.8	16.3%	2.8	0.6%	2.6	0.6%	0.3	0.1%
Commercial	1,486.3	55.3%	5.2	0.3%	13.7	0.9%	3.2	0.2%
Consumer / Other	763.5	28.4%	0.2	0.0%	0.3	0.0%	2.2	0.3%
Total	2,688.6	100.0%	8.2	0.3%	16.6	0.6%	5.7	0.2%



Special Assets Down 45% Since 2012

Special Assets

\$ mm's



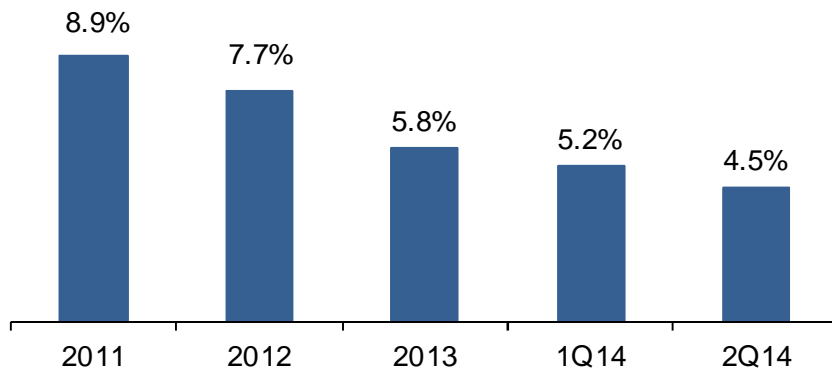
During 2Q, we reduced the Special Assets portfolio by \$88 mm, bringing the reduction since 2012 to \$441 mm or 45%

New inflows to non-performing status were \$21 mm in 2Q14, down from \$34 mm in 2Q13

\$24 mm decline in REO driven by \$29 mm in sales

Nonperforming loans declined to 4.5% of the portfolio and consists almost entirely of legacy acquired loans which have been marked appropriately and are accruing interest

Nonperforming Loans / Total Loans

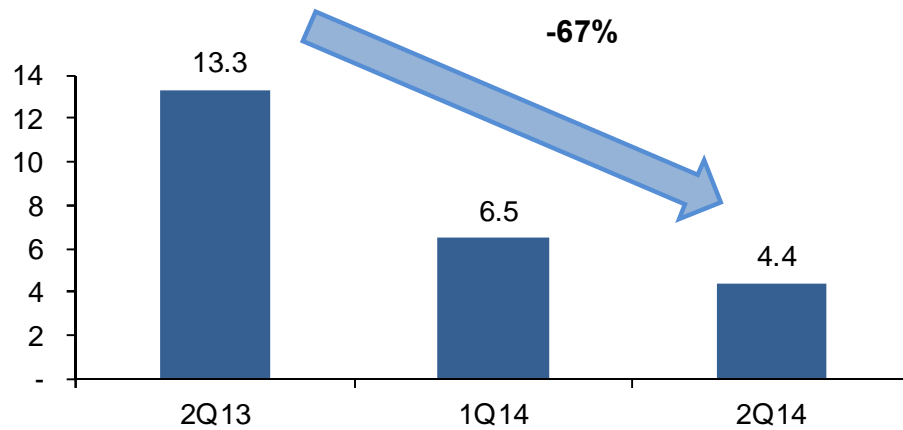




Legacy Credit Expenses Declining

Legacy Credit Expense

\$ mm's



Legacy credit expenses declined by \$2.1 mm sequentially and are down 67% y/y

Legacy Credit Expense Breakdown

\$ mm's

	2Q13	1Q14	2Q14
Provision (reversal) on legacy loans	2.5	(2.5)	(0.9)
FDIC indemnification asset expense	1.1	2.2	2.1
OREO valuation expense	6.2	3.6	3.0
(Gain) loss on sales of OREO	(2.2)	(0.7)	(3.2)
Foreclosed asset related expense	2.2	1.4	1.0
Loan workout expense	2.2	1.2	1.1
Salaries and employee benefits	1.3	1.3	1.3
Total legacy credit expense	13.3	6.5	4.4



Capital Bank Investment Highlights

Experienced management team with institutional track record

Positioned in Southeastern growth markets

Long-term, disciplined, sustainable growth story

Focused on deploying capital and improving profitability

Attractive valuation



Appendix



Reconciliation of Core Noninterest Income / Expense

\$ mm's

Core non Interest Income	2Q14	1Q14	4Q13	3Q13	2Q13
Net interest income	\$60.8	\$62.5	\$65.7	\$65.4	\$65.4
Reported non interest income	11.9	11.4	13.3	15.3	13.5
(-)Securities / Gains (losses)	(0.0)	0.2	0.2	(0.1)	0.2
Core non interest income	\$11.9	\$11.2	\$13.1	\$15.4	\$13.3
Reported non interest expense	\$51.3	\$55.2	\$56.3	\$59.3	\$59.4
(-) Conversion expenses	.	.	.	.	0.1
(-) Stock-based compensation	0.5	0.5	0.9	1.1	1.4
(-) Gain on extinguishment of debt	.	.	.	(0.4)	.
(-) CVR expense (income)	0.3	0.8	0.3	(0.8)	0.4
(-) Legal fees	.	.	.	.	.
Core non interest expense	\$50.4	\$53.9	\$55.0	\$59.3	\$57.5
*Core fee ratio	16.4%	15.2%	16.6%	19.0%	16.9%
**Core efficiency ratio	69.3%	73.2%	69.8%	73.4%	73.0%

*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 2Q14	Quarter Ended 2Q14	Quarter Ended 1Q14	Quarter Ended 1Q14	Quarter Ended 2Q13	Quarter Ended 2Q13
Net income	\$12.4	\$12.4	\$11.4	\$11.4	\$9.4	\$9.4
Adjustments	Pre-Tax	After-tax	Pre-Tax	After-tax	Pre-Tax	After-tax
Non-Interest Income						
Security gains*	0.0	0.0	(0.2)	(0.1)	(0.2)	(0.1)
Non-Interest Expense						
Stock-based compensation*	0.5	0.3	0.5	0.3	0.8	0.8
CVR expense	0.3	0.3	0.8	0.8	0.4	0.4
Legal and merger	-	-	-	-	0.2	0.1
Tax effect of adjustments*	(0.2)	N/A	(0.1)	N/A	0.1	N/A
Core Net Income	\$13.1	\$13.1	\$12.4	\$12.4	\$10.7	\$10.7
Average Assets	\$6,520		\$6,554		\$6,963	
Tangible Common Equity	\$918		\$947		\$945	
**Core ROA	0.80%		0.76%		0.61%	
***Core ROTCE	5.7%		5.2%		4.5%	

*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)

June 30, 2014

Total common shareholders' equity	\$1,073,558
Intangibles, net of taxes	<u>147,290</u>
Tangible book value*	<u><u>\$926,268</u></u>
Common shares outstanding	49,150
Tangible book value per share	\$18.85

* 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
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%
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%

(1) Excludes purchase accounting adjustments