



**CAPITAL BANK**  
FINANCIAL CORP

## 2016 First Quarter Earnings

April 22, 2016

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# Safe Harbor Statement

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## Forward-Looking Statements

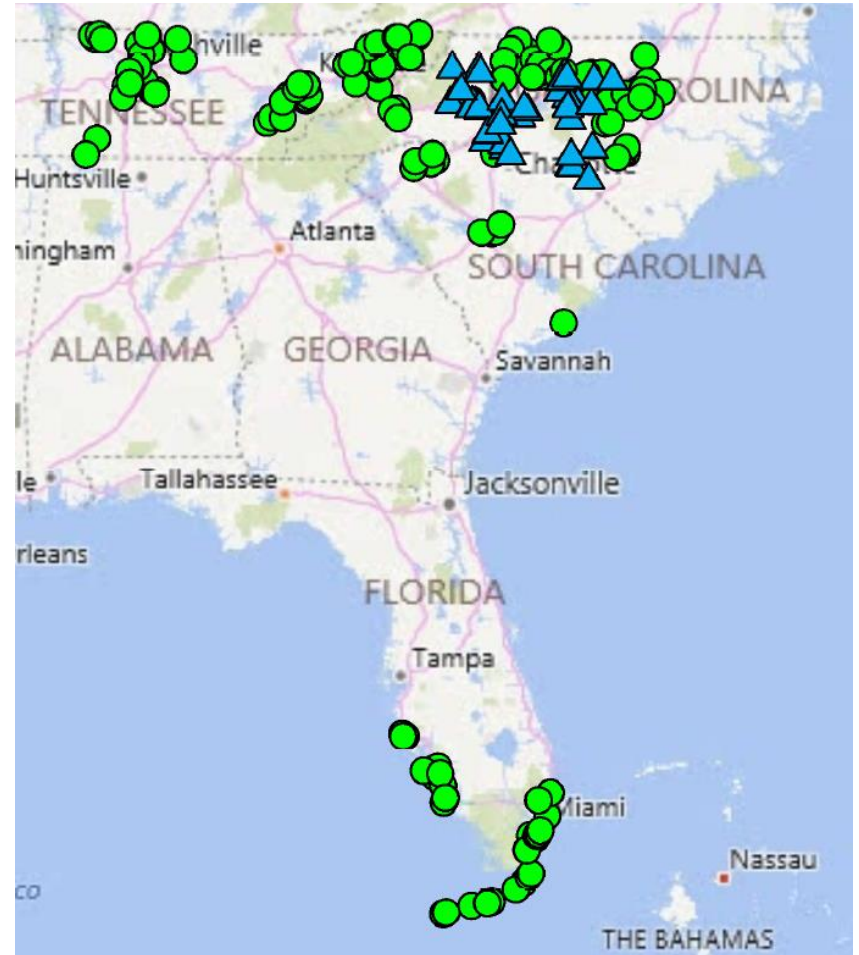
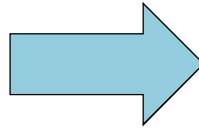
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# Creating Regional Bank Franchise in SE Growth Markets

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CommunityOne\*



● Capital Bank

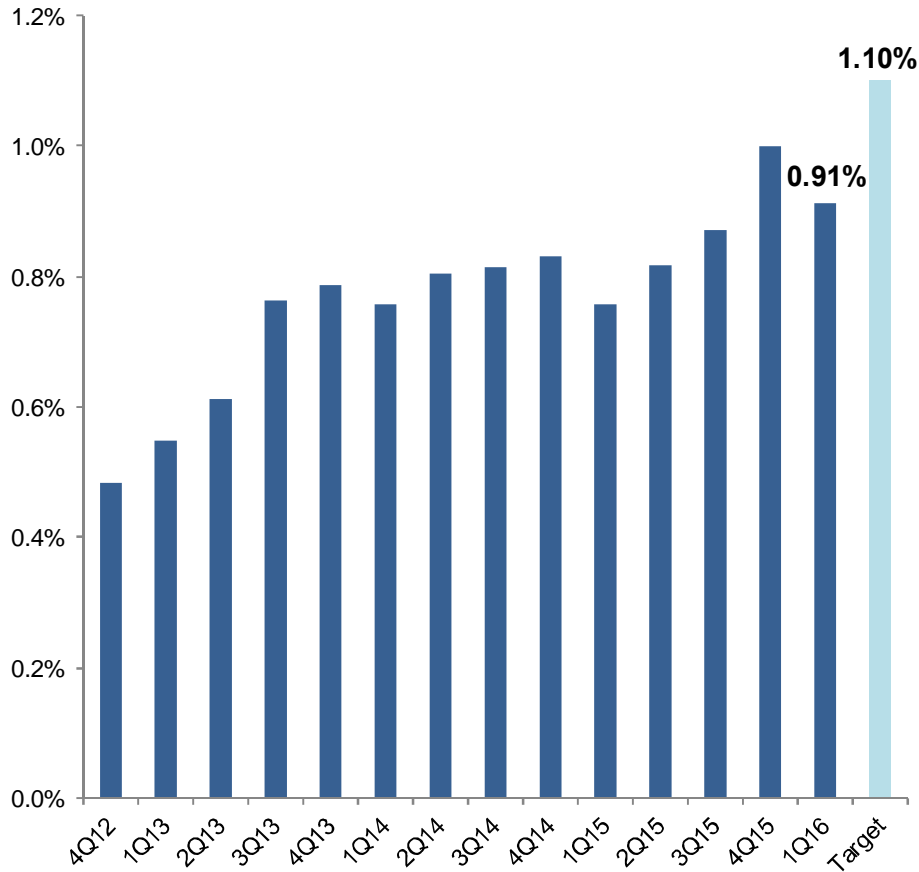
▲ CommunityOne\*

\* Subject to regulatory approval.

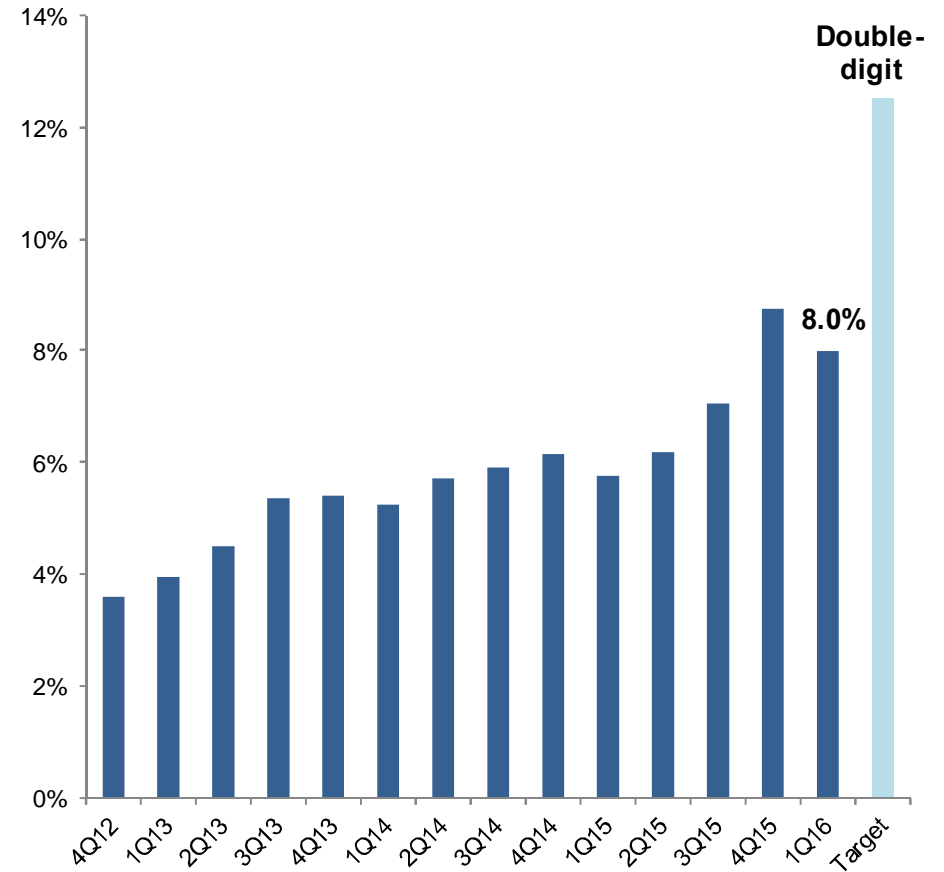


# Commitment to Profitability and Returns

## Core ROA



## Core ROTCE



See reconciliation of non-GAAP measures in appendix.

4/22/2016



## First Quarter Highlights

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Reported EPS of \$0.22 and core EPS of \$0.38, up 41% y/y

Generated \$296 million in new loans, up 9% y/y ex prime auto

Grew core deposits by \$213 mm, up 21% annualized

Drove core noninterest expense down 10% y/y and held core efficiency ratio to 61.6%

Shareholder approvals received and integration planning on track for CommunityOne



# First Quarter Financial Summary

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

	1Q16	% change	
		4Q15	1Q15
Net interest income	61.4	-1%	3%
Provision (reversal)	1.4	26%	-263%
Non-interest income	2.6	-76%	-74%
Non-interest expense	46.9	-2%	-11%
Pretax income	15.6	-34%	-12%
Net income	9.8	-34%	-14%
<b>Per share</b>	<b>\$0.22</b>	<b>-33%</b>	<b>-6%</b>
Adjustments	7.0	NM	NM
Core Net Income	16.9	-8%	30%
<b>Per share</b>	<b>\$0.38</b>	<b>-7%</b>	<b>41%</b>

Key Metrics	1Q16	4Q15	1Q15
Net interest margin	3.64%	3.70%	3.96%
Core fee ratio	16.1%	14.5%	14.1%
Core efficiency ratio	61.6%	58.9%	71.9%
Core ROA	0.91%	1.00%	0.76%
Core ROTCE	8.0%	8.7%	5.8%

Net interest income decreased by \$0.7 million sequentially on 6 bps of NIM compression, but is up \$1.6 mm y/y

\$1.4 mm provision for new loan production

Excluding FDIC loss-share charges, non-interest income was largely stable

Core noninterest expense up sequentially on seasonal accruals, but down 10% y/y

Tangible book value rose by \$0.24 to \$19.77

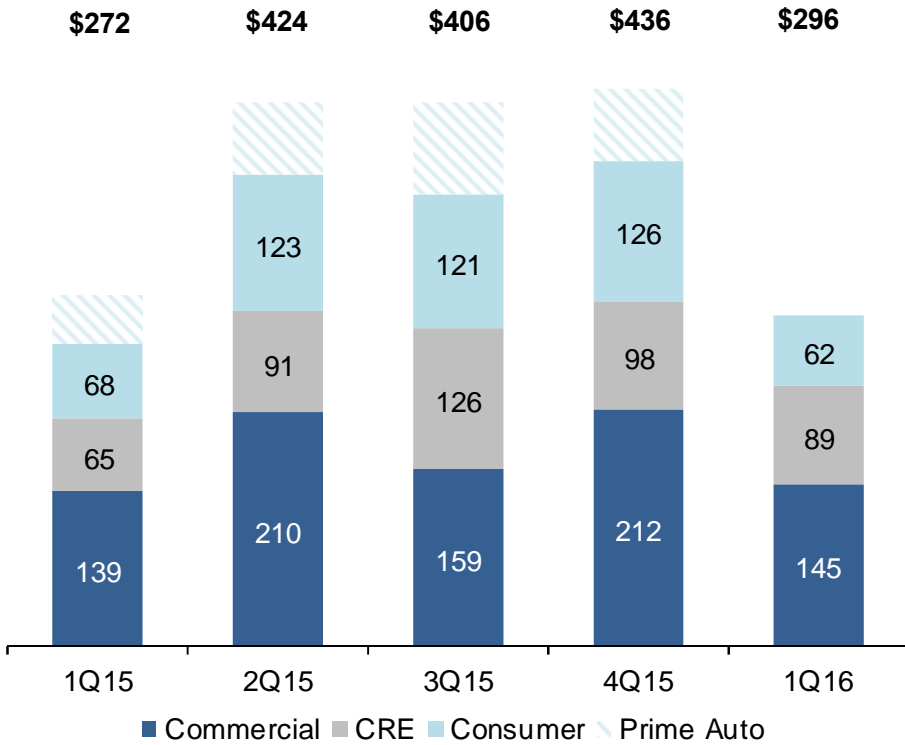
Non-core adjustments detail	
\$ 000s	
Indemnification asset termination	9,178
Conversion, merger, and restructuring	1,904
Securities gains	(40)
<b>Total pre-tax</b>	<b>11,042</b>
Tax effect of adjustments	(3,999)
<b>Total after-tax</b>	<b>7,043</b>



# New Loan Production Up 9% y/y ex Auto

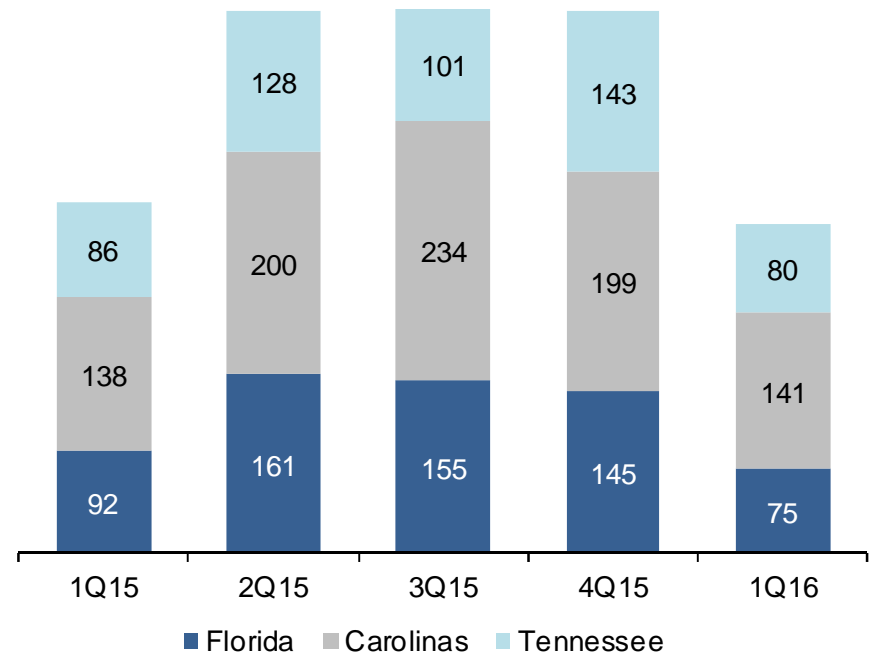
**New Loans by Product - ex Prime Auto**

\$ mm's



**New Loans by Geography**

\$ mm's



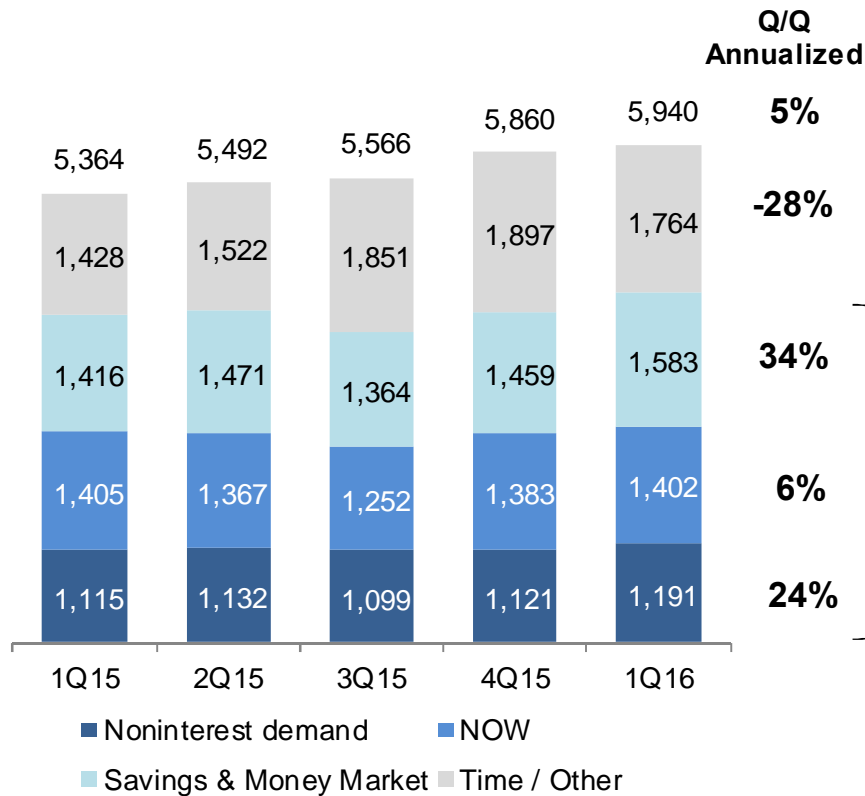
Includes loan purchases of \$8 mm, \$43 mm, \$14 mm, and \$33 mm in 1Q16, 4Q15, 3Q15, and 2Q15, respectively



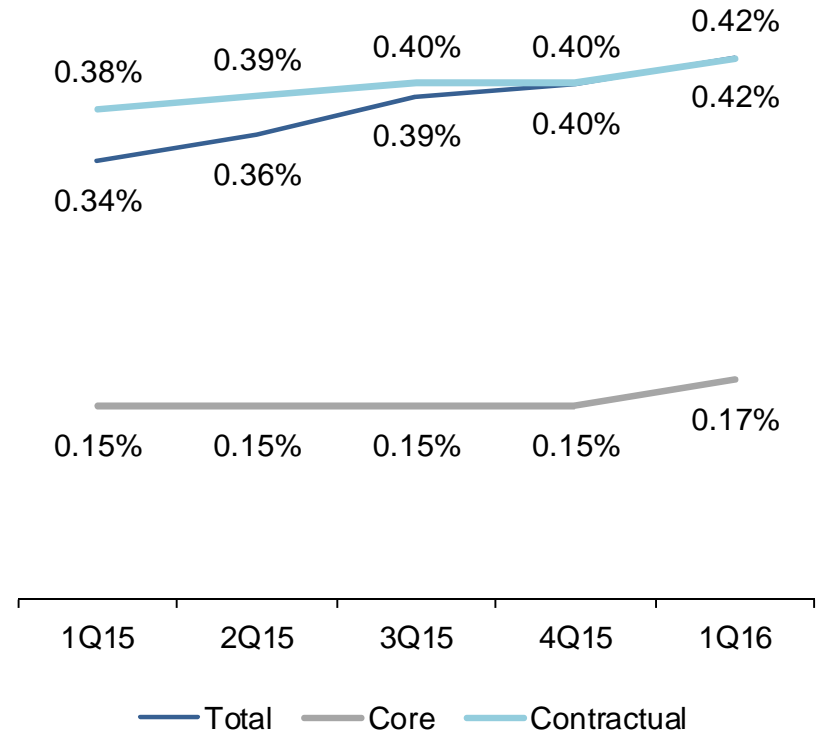
# Strong Quarter for Core Deposit Growth

## Deposit Balances

\$ mm's



## Cost of Deposits



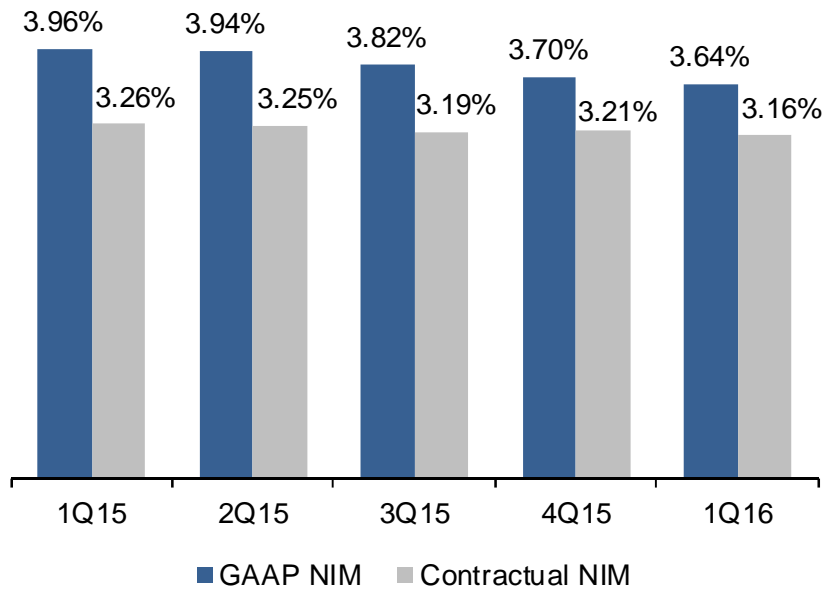
Note: Core deposits include noninterest demand, NOW, and savings & money market, excluding brokered deposits.



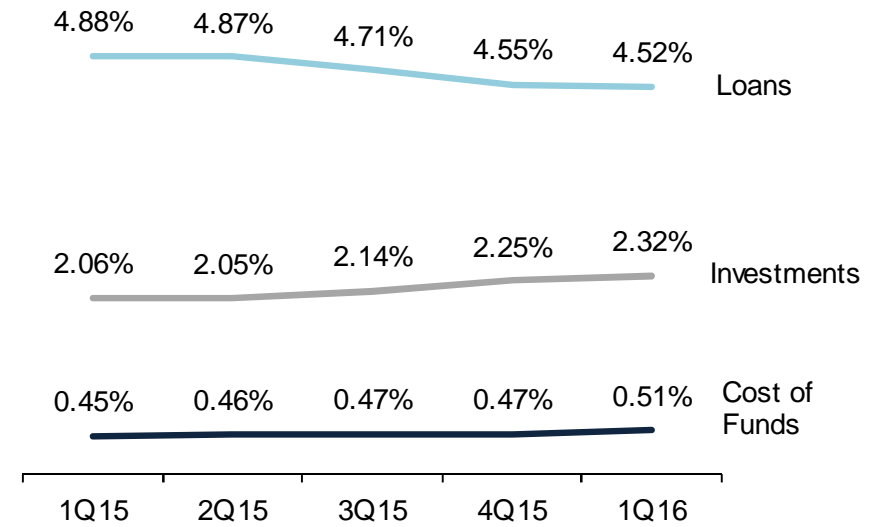


# NIM Compresses 6 bps to 3.64%

## Net Interest Margin (NIM)



## Yields and Cost of Funds





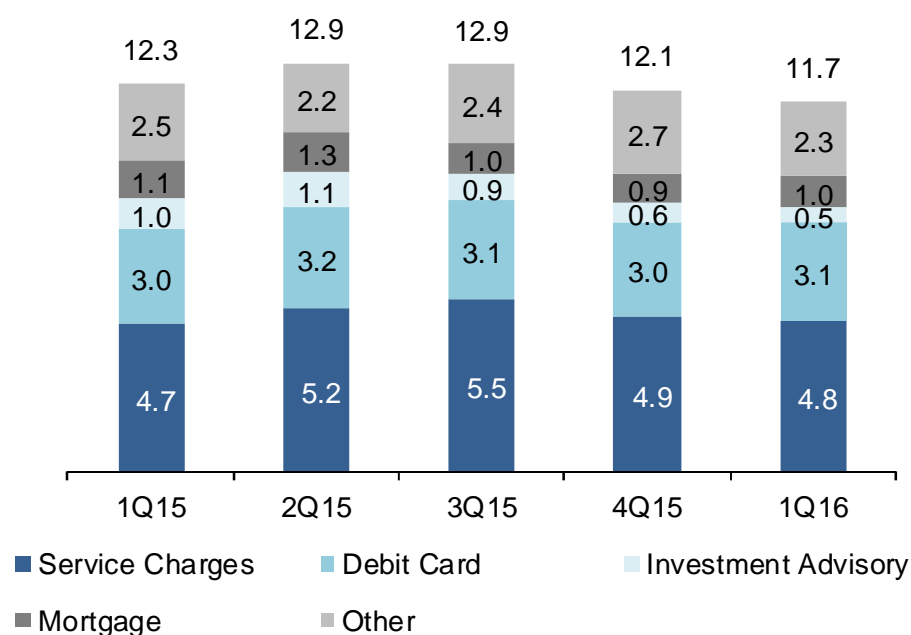
# Non-interest Income Largely Stable

## Core Non-interest Income, excluding FDIC Expense

## Core Non-interest Income Detail

\$ mm's

\$ mm's



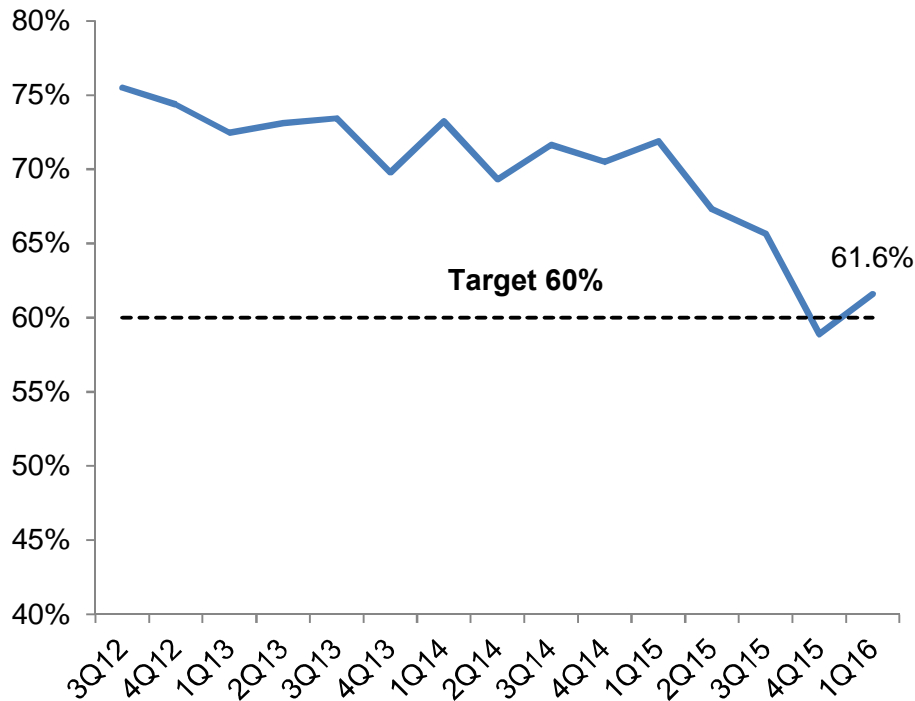
	1Q15	4Q15	1Q16
Services charges on deposits	4.7	4.9	4.8
Debit card income	3.0	3.0	3.1
Fees on mortgage loans sold	1.1	0.9	1.0
Investment advisory and trust fees	1.0	0.6	0.5
Other	2.5	2.7	2.3
<b>Core Non-interest Income ex FDIC expense</b>	<b>12.3</b>	<b>12.1</b>	<b>11.7</b>

See reconciliation of non-GAAP measures in appendix.



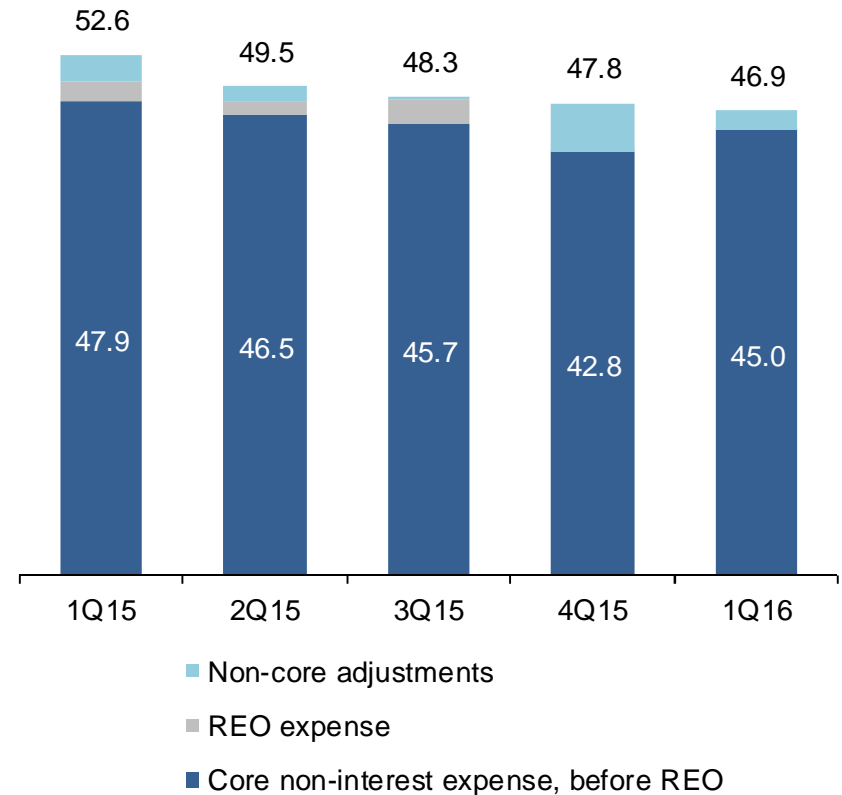
# Core noninterest Expense Down 10% Y/Y

## Core Efficiency Ratio



## Non-interest Expense

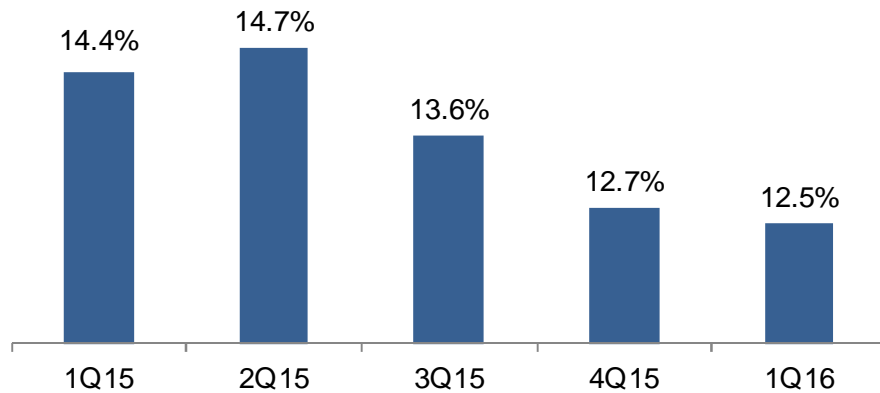
\$ mm's





# Liquidity and Capital Ratios Remain Strong

## Tier 1 Leverage Ratio<sup>1</sup>

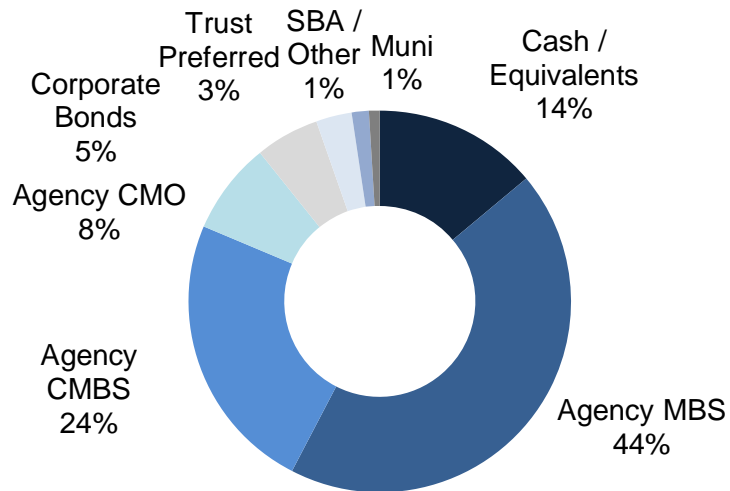


The company repurchased 148k shares of stock during 1Q

Cumulative 23% of shares retired since going public

Modified duration of investments was 4.7 years at March 31, 2016, up from 4.6 years at December 31, 2015

## Liquidity

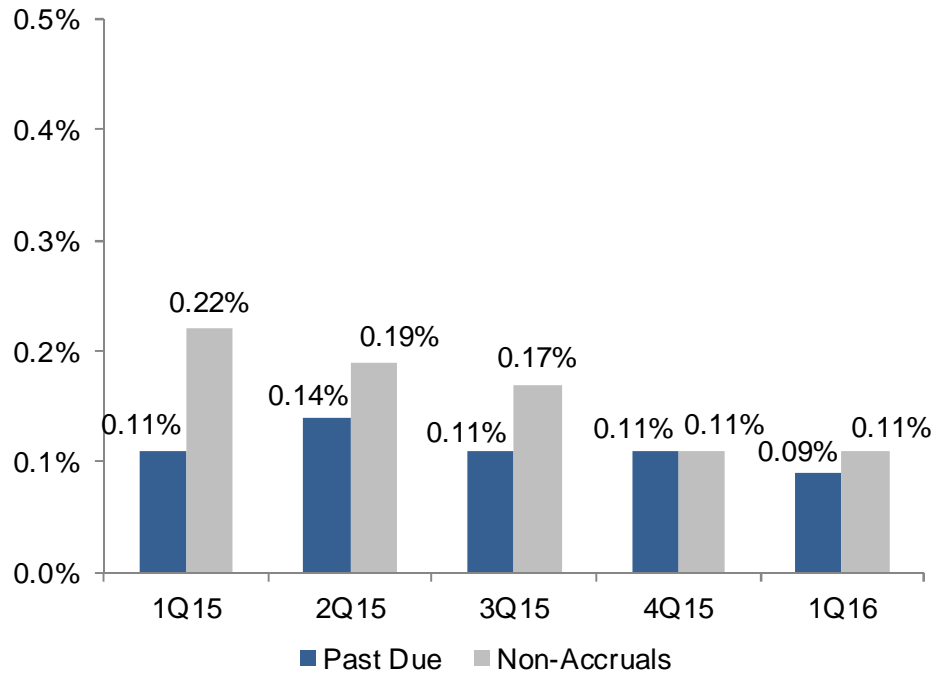


(1) 1Q16 capital ratio is preliminary.



# New Loan Portfolio Performing Strongly

## Past Dues & Nonaccruals



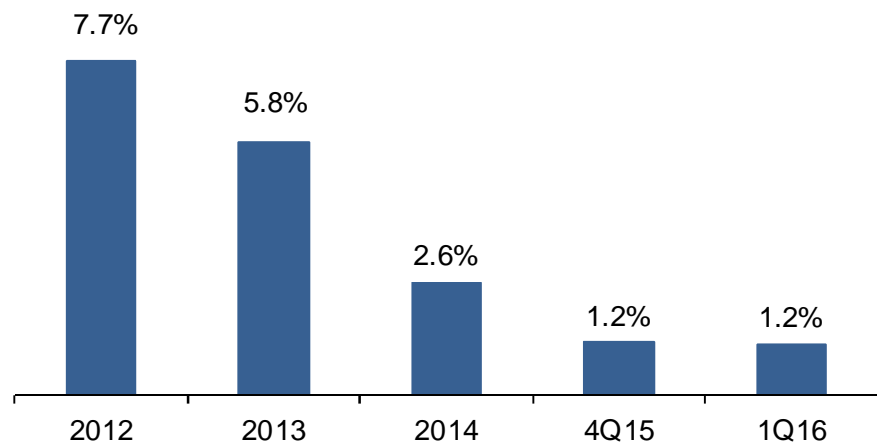
## New Loan Portfolio Credit Metrics

	1Q15	4Q15	1Q16
Criticized	0.37%	0.51%	0.25%
Classified Performing	0.28%	0.31%	0.55%
Classified Nonperforming	0.22%	0.11%	0.11%
<b>Total Criticized/Classified</b>	<b>0.87%</b>	<b>0.93%</b>	<b>0.91%</b>
NCOs, Annualized	0.13%	0.22%	0.17%



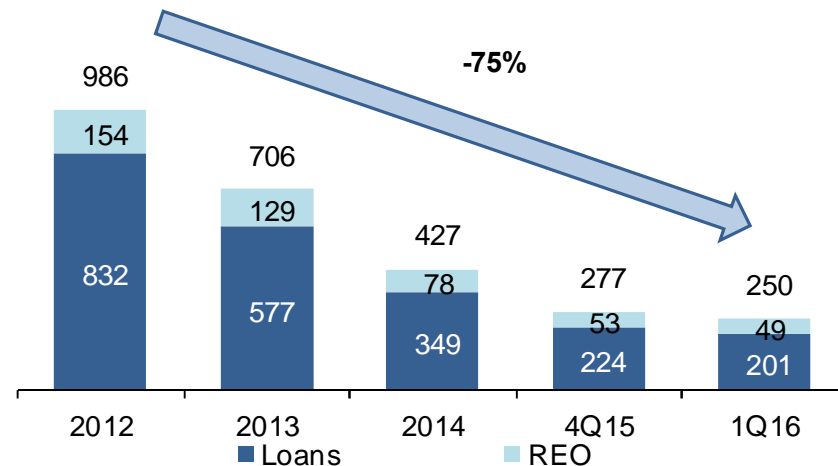
# Special Assets Down 75% Since 2012

## Nonperforming Loans / Total Loans



## Special Assets

\$ mm's



## Legacy Credit Expenses

\$ mm's

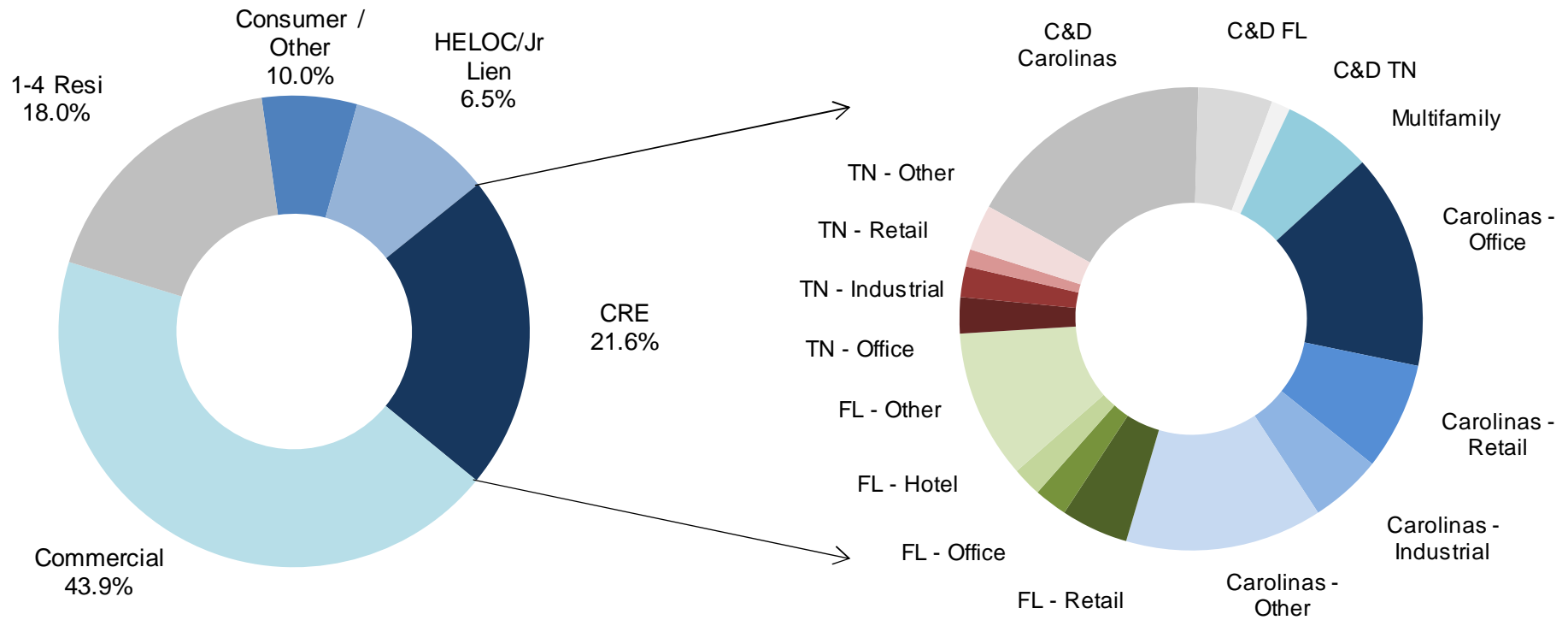
	1Q15	4Q15	1Q16
Provision (reversal) on legacy loans	(1.9)	(1.2)	-
FDIC indemnification asset expense	2.4	1.5	-
OREO valuation expense	1.4	0.3	0.5
(Gains) losses on sales of OREO	-	(0.8)	(0.7)
Foreclosed asset related expense	0.7	0.4	0.3
Loan workout expense	0.6	0.7	0.2
Salaries and employee benefits	0.8	0.6	0.5
<b>Total legacy credit expense</b>	<b>4.0</b>	<b>1.5</b>	<b>0.8</b>



# Prudent CRE Exposure in Loan Portfolio

## Total Loan Portfolio

## CRE Portfolio



CRE Loan Types as % of Total Loan Portfolio

	C&D	Non-owner Occupied				Multifamily	Total
		Office	Retail	Industrial	Other		
Carolinas	3.8%	3.3%	1.6%	1.1%	3.0%	0.9%	13.6%
FL	1.1%	0.5%	1.0%	0.0%	2.6%	0.2%	5.6%
TN	<u>0.3%</u>	<u>0.5%</u>	<u>0.3%</u>	<u>0.5%</u>	<u>0.7%</u>	<u>0.2%</u>	<u>2.4%</u>
<b>Total</b>	<b>5.2%</b>	<b>4.3%</b>	<b>2.9%</b>	<b>1.6%</b>	<b>6.3%</b>	<b>1.3%</b>	<b>21.6%</b>



# Capital Bank Investment Highlights

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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





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# Appendix



# Reconciliation of Core Noninterest Income / Expense

\$ 000's

	1Q16	4Q15	3Q15	2Q15	1Q15
Net interest income	\$61,367	\$62,078	\$61,637	\$60,685	\$59,729
Reported non-interest income	2,566	10,597	11,418	10,363	9,920
Less: Securities gains (losses), net	40	54	(43)	(57)	90
Less: Termination of loss share	(9,178)	.	.	.	.
<b>Core non-interest income</b>	<b>\$11,704</b>	<b>\$10,543</b>	<b>\$11,461</b>	<b>\$10,420</b>	<b>\$9,830</b>
Reported non-interest expense	\$46,938	\$47,756	\$48,346	\$49,502	\$52,647
Less: Stock-based compensation expense	.	.	.	.	95
Contingent value right expense	.	.	.	4	116
Severance expense	75	.	63	14	111
Loss on extinguishment of debt	.	.	.	1,438	.
Conversion costs and merger	1,107	33	.	.	.
Legal merger non deductible	580	.	.	.	.
Restructuring expense	142	.	23	178	2,341
Contract termination	.	4,215	.	.	.
Conversion and severance expenses (conversion and merger expenses and salaries and employee benefits)	.	704	.	.	.
<b>Core non-interest expense</b>	<b>\$45,034</b>	<b>\$42,804</b>	<b>\$48,260</b>	<b>\$47,868</b>	<b>\$49,984</b>
<b>Core Fee Ratio*</b>	<b>16.1%</b>	<b>14.5%</b>	<b>15.7%</b>	<b>14.7%</b>	<b>14.1%</b>
<b>Efficiency Ratio**</b>	<b>73.4%</b>	<b>65.7%</b>	<b>66.2%</b>	<b>69.7%</b>	<b>75.6%</b>
<b>Core Efficiency Ratio***</b>	<b>61.6%</b>	<b>58.9%</b>	<b>66.0%</b>	<b>67.3%</b>	<b>71.9%</b>

\* 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 1Q16	Quarter Ended 1Q16	Quarter Ended 4Q15	Quarter Ended 4Q15	Quarter Ended 1Q15	Quarter Ended 1Q15
<b>Net income</b>	<b>\$9,840</b>	<b>\$9,840</b>	<b>\$15,021</b>	<b>\$15,021</b>	<b>\$11,389</b>	<b>\$11,389</b>
<b>Adjustments</b>	<b>Pre-Tax</b>	<b>After-tax</b>	<b>Pre-Tax</b>	<b>After-tax</b>	<b>Pre-Tax</b>	<b>After-tax</b>
<b>Non-Interest Income</b>						
Termination of loss share agreement	9,178	5,670	-	-	-	-
Security losses / (gains)*	(40)	(25)	(54)	(33)	(90)	(55)
<b>Non-Interest Expense</b>						
Stock-based compensation expense*	-	-	-	-	95	58
Contingent Value Right expense	-	-	-	-	116	72
Severance expense *	75	46	-	-	111	68
Restructuring expense*	142	88	32	20	2,341	1,444
Conversion costs and merger tax deductible*	1,107	684	33	20	-	-
Legal merger non deductible	580	580	673	673	-	-
Contract termination	-	-	4,215	2,594	-	-
Tax effect of adjustments*	(3,999)	NA	(1,625)	NA	(986)	NA
<b>Core Net Income</b>	<b>16,883</b>	<b>16,883</b>	<b>18,295</b>	<b>18,295</b>	<b>12,976</b>	<b>12,976</b>
Average Assets	\$7,450,422		\$7,332,516		\$6,854,322	
Tangible Common Equity	\$848,305		\$836,643		\$901,884	
** ROA	0.53%		0.82%		0.66%	
*** Core ROA	0.91%		1.00%		0.76%	
**** Core ROTCE	8.0%		8.7%		5.8%	

\* Tax effected at an income tax rate of 38.0%

\*\* 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)*

**March 31, 2016**

Total common shareholders' equity	\$996,993
Intangibles, net of taxes	143,304
Tangible book value*	<u>\$853,689</u>
Common shares outstanding	43,189
Tangible book value per share	\$19.77

\* 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
<b>March 31, 2016</b>			
Reported	6,832,335	69,891	3.64%
Purchase accounting impact	(44,537)	8,171	0.48%
<b>Contractual Net Interest Margin (1)</b>			<b>3.16%</b>
<b>December 31, 2015</b>			
Reported	6,698,719	62,544	3.70%
Purchase accounting impact	(50,768)	8,460	0.49%
<b>Contractual Net Interest Margin (1)</b>			<b>3.21%</b>
<b>September 30, 2015</b>			
Reported	6,442,167	69,167	3.82%
Purchase accounting impact	(55,281)	10,381	0.63%
<b>Contractual Net Interest Margin (1)</b>			<b>3.19%</b>
<b>June 30, 2015</b>			
Reported	6,221,394	67,696	3.94%
Purchase accounting impact	(63,174)	10,711	0.69%
<b>Contractual Net Interest Margin (1)</b>			<b>3.25%</b>
<b>March 31, 2015</b>			
Reported	6,168,668	66,572	3.96%
Purchase accounting impact	(73,831)	10,790	0.70%
<b>Contractual Net Interest Margin (1)</b>			<b>3.26%</b>

(1) Excludes purchase accounting adjustments