

## Capital Bank N.A. is Poised for Continued Growth –Expanded Commercial Lending Territories, a New Deposits Business and an About-Face in Mortgage from Refi to Purchase They are Still Running Hot



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**CEOCFO:** *Mr. Barry, it has been a year since we spoke, would you give us the highlights of the last year for the bank and what has changed?*

**Mr. Barry:** The bank has gone through a period of rapid growth over the past twelve to eighteen months. We continue to add teams within our commercial lending territories as we expand in to adjacent markets. We built out a new deposits business line called Fiduciary Banking, hiring experienced executives to lead that expansion, serving verticals such as title companies, bankruptcy trustees, and 1031 exchanges. Unlike our commercial banking teams which are regionally focused, this expansion business is able to serve clients nationwide. We have also made a big commitment for continued expansion in our credit card division inking a big contract to re-platform the business to a new provider, First Data. They offer the capabilities that we needed to scale the business and enhance our delivery. Our mortgage business was repositioned to capitalize on the purchase market and we promoted one of our star employees to run the sales division. He has really proven himself a top-shelf leader even recruiting some new talent focused on broadening our capabilities to better serve existing markets we were already in as well as new markets as we pushed hard to make an about-face in to the purchase marketplace.

**CEOCFO:** *Why is now the right time for the accelerated growth?*

**Mr. Barry:** Several years back we laid out a deliberate strategy and culture for the organization. As we continue to execute on that strategy, our story continues to get more compelling. Our model depends on greater talent – I will always make room for people that lift the organization. Recently, there has been a fair bit of market disruption and a lot of community banks merging away, leaving exposed some very high-quality talent (and customers) that we have been able to scoop up. They've not only been a strong cultural fit but their expertise has been integral in building out the blueprint of our success.

**CEOCFO:** *How do you continue that un-community bank approach, while being a community bank?*

**Mr. Barry:** When I think about the things that make our organization strong I think about our employees and our culture, two key things that set Capital Bank apart from the crowd. We are focused on adding value to make our clients more valuable. This is embedded in an entrepreneurial culture designed to find the right solutions for our clients. Our staff has a lot of latitude to design outcomes for our customers as opposed to adhere to a rigid set of autocratic policies; this really makes Capital Bank that “un-community, community bank”. Nurturing this culture requires a modern set of leadership skills. Leaving nothing to chance, we built a leadership development program that reinforces our way of doing business. If you harken back decades ago, many of the banks all had credit development programs which were geared towards giving

employees technical skills around credit. As I stepped back, I was less concerned over technical skills and more focused on how to build an employee base that can adapt to change and capitalize on entrepreneurial opportunities. We custom developed our own leadership program putting about thirty to forty top employees through it, which is a sizeable investment for us, and coincidentally a sizable part of the organization. Our goal was to equip them with the skills to collaborate and innovate and to lead diverse teams across the organization.

**CEOFCO: What do you see as important to success as a leader and how do you teach someone?**

**Mr. Barry:** I see a big difference between leading and managing. We have a lot of talented people that are experienced and excel at what they do. Leadership, however, is different. With our strategy we need to develop leaders who are comfortable with ambiguity and white space. Teaching someone this is hard but not impossible and we create a lot of stretch responsibilities and initiatives for associates so they can get comfortable being uncomfortable. For example, if someone does not like speaking in front of large audiences, I ask them to deliver presentations on their work to a broad audience. We plan and manage development roadmaps for key associates and I personally inspect progress several times per year.

Capital Bank spends a lot of time in our recruiting process to identify people that are “teachable”. We like to find people that are comfortable with change, and folks that want to be heard and that have a point of view where they can own their seat at the table. Many of those things are difficult to teach people so when we find it we try to help people tap into these skills through coaching and mentorship.

**“Over the past several years we started to chart a different course than many of the other community banks. I hope that as we go down that path and have the chance to look back several years hence that it will become evident that Capital Bank has a unique approach to community banking...[with] an entrepreneurial, forward leaning culture that embraces technology.” - Ed Barry**

**CEOFCO: Who is turning to Capital Bank N.A. for banking services that might not have a year or so ago?**

**Mr. Barry:** Our new deposits business was established to address the growth we were seeing in verticals such as title companies. We built out a new team, operations and technology to support this growth, not only finding the missing puzzle piece but putting it in to complete the puzzle. I think the success we have had lies in developing technology enabled solutions that address real customer pain points. I think it is a big win for Capital Bank because when we talk to those target customers, our bankers bring industry expertise and a knowledge of our customer’s struggles. Our solutions make a difference and are not just cheaper.

We have also had a lot of success in the not-for-profit world and for those customers, we bridge the banking, mission, and development. Our partnerships with not-for-profits extend well beyond traditional banking services and this has enabled us to serve some impressive clients.

**CEOFCO: Are customers skeptical that you have their best interest at heart?**

**Mr. Barry:** The financial services industry, particularly banking has had a lot of black eyes over the past several decades dating back before the financial crisis. I think it is OK for customers to have a healthy degree of skepticism when they are dealing with their bank as history suggests that banks had typically been focused on themselves instead of truly delivering for the customer. The good news is that much has changed since the Great Recession. Many financial institutions have reevaluated whether they are delivering value and putting the customer bank at the front. For us at Capital Bank, it starts with how we deliver our solutions and how we engage with our customers. It’s our ability to listen and roll up our sleeves often even working directly with our customers’ vendors to create connecting points that provide ease in the day-to-day management of their businesses. People may doubt it, but I think the more you engage and show versus just telling, the more they start to believe and share their story. We find our existing customers are our best source of new business because they refer in a lot of our new customers.

**CEOFCO: Would interest rates being what they have been, how do you help people through different financial times.**

**Mr. Barry:** Rates have historically been very low over the past several years so for people that rely on bank savings as their primary vehicle to help them provide for tomorrow, it has been a tough slog. Competitively, we see the large national banks offer extraordinarily low rates, taking advantage of inertia, mainly we assume because they are flush with deposits. Some of the banks have high rates/offers for affluent customers however the average middle class person is being encouraged to go elsewhere.

At Capital Bank we are helping consumers in our mortgage division and our credit card division by providing affordable products that are simple and easy to understand. We are priced very competitively and provide excellent value. As a matter of fact, we have from time-to-time referred a home loan to some of our competitors if we do not have the best product/ rate combination for our customers. This has earned us a goodwill because our customers know we are going to do what is best for them even if it is not what is best for us.

In our commercial banking business, we find that their primary vehicle for gaining wealth comes from making their business more successful and thus that is where we put our focus for our customers. Getting a few extra basis points on deposits rates pales in comparison to helping customers grow the value of their business.

**CEOCFO: *How do you evaluate technology?***

**Mr. Barry:** There are so many technology providers springing up with point product solutions. We are always very open-minded to meeting with and listening to tech companies that are trying to serve the financial services industry. There is a ton of innovation occurring but we over invest in technologies that simplify banking – for customers and/or associates. When being introduced to a new technology we always try to adopt the mindset of evaluating what it will do for our customers, or our ability to serve our customers. Our business cases can sometimes get vague because we are so focused on the experience over direct revenue.

**CEOCFO: *You mentioned in the beginning several new initiatives this year, what did you learn as you started to roll them out?***

**Mr. Barry:** The hardest thing within any business is how you deal with change. You cannot underestimate the breadth of challenges involved in integrating something new to the everyday. Getting inside the head of why people operate helps us accelerate through changes but I do not think we ever invest enough in providing context to associates – why are we making changes to a process or system or policy. Since we have been successful, the natural inclination is to hold steady but I am a big believer in constant reinvention, so I am constantly tweaking and looking for what is next.

**CEOCFO: *Would you tell us about your being considered for the Ernst & Young Entrepreneur of the Year® Award?***

**Mr. Barry:** It is a great honor for me and for Capital Bank. The event has already passed and I actually won in my category for the region. It is very nice to be recognized by others outside of our industry for building this un-community community bank. I look at the award as a team effort as there have been many people involved in getting us to where we are today. The award demonstrates that entrepreneurial efforts can be successful anywhere, even in mundane settings like community banks.

**CEOCFO: *How do you help your customers with security?***

**Mr. Barry:** Cybersecurity remains a growing threat to banks. Years ago, robbers showed up at a branch with a gun but now it is oftentimes a professional hacking ring somewhere in Eastern Europe. Our security and information protection efforts are non-stop and we are constantly investing in technology and process upgrades to protect our customers' money and information. We help customers with security in three ways. First, is education – we over communicate with customers on the importance of security and how they can take steps to better protect themselves. Whenever we make changes to our security eco-system, Capital Bank spends a lot of effort communicating with customers to set expectations and context.

Second, Capital Bank invests in security technologies like Guardian Analytics and PhishLabs to better monitor our customers' accounts and test our defenses. Lastly, Capital Bank invests in process and people – e.g. we have sharply increased our IT and Fraud department staffing, and we train all our associates to spot suspicious activity and react swiftly. There was an incident when one of our customers got a phone call from a Capital Bank relationship banker notifying him that there was a suspicious check against the account because the signature looked odd. The customer explained they had changed their signature and thanked us for our diligence and attention to detail. This illustrates the power of a community bank – Capital Bank bankers know our customers. Our customers appreciate this level of diligence and the peace of mind it can provide.

**CEOCFO: *Why pay attention to Capital Bank?***

**Mr. Barry:** Over the past several years we started to chart a different course than many of the other community banks that are out there. I hope that as we go down that path and have the chance to look back several years hence that it will become evident that Capital Bank has a unique approach to community banking. We offer most of the products and capabilities of a large bank but retain the customer and market knowledge of a community bank. All sits on an

entrepreneurial, forward leaning culture that embraces technology. To date, we have had a lot of success in terms of growth, profitability and customer wins. I think by charting this different approach to banking, we are going to continue to succeed in the future.

