

NEWS

Capital Bank keeping W-S operations center open

BY MATT EVANS

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WINSTON-SALEM — Capital Bank officials say they plan to keep using both of their Triad operations centers in the wake of what they say has been a smooth and successful integration of Southern Community Bank and Trust.

The fate of the Winston-Salem back office was one of the lingering questions left from the \$52 million merger between those banks that was completed last October, since Capital Bank has had a similar operations center in Burlington since 2006. Otherwise, there was little overlap in the footprints of the two banks, which Capital officials said when they announced the purchase would minimize layoffs.

Christopher Marshall, the chief financial officer for Capital Bank, said with the integration complete there is still a role for the Winston-Salem operations center as well as the one in Burlington and other back offices in Florida and Tennessee. Capital Bank Financial Corp. is formally headquartered in the Miami area, though it has senior executives based in Raleigh and Charlotte.

"Burlington is the nerve center for our technology, but we do have several backup centers and a number of operations functions for the company that are being run out of Winston-Salem," Marshall said.

Those include loan operations and facilities management for the bank's 165 branches across the Southeast.

"Winston-Salem is a key market for us, and we felt their operations were very good," he said.

There are currently about 73 employees in the Winston-Salem operations center on Shepherd Street. Once various functions and people are shifted within the organization, that number should increase by between 20 and 30 people. He said other fallout from the merger caused the loss of about 40 jobs, out of about 277 full-time equivalents reported by Southern Community ahead of the deal close.

Measurable results

In an investor presentation earlier this month, Capital Bank said the conversion of Southern Community to the Capital brand was completed "on time and under budget, with minimal customer impact." The integration involved new signage at the branches and training for employees, along with technology upgrades such as new, more high-tech ATMs.

Capital has not yet named a market president, but it intends to, Marshall said. Southern Community veterans Jeff McDowell and Robert Rogers are overseeing consumer and commercial operations respectively.

One way to know how smoothly a merger integration has gone is to measure how many calls come in from customers having problems or seeking help, Marshall said. Call center volumes spiked from just over 1,000 contacts per day before the two operations were combined to 3,500 a few days afterward, but they were back down to normal levels in less than a month.

Another measure is customer runoff, when clients of the acquired bank take the opportunity to shop their business around to competitors. Marshall declined to share any detailed numbers, but he said what runoff has taken place has been very minimal.

"There's been no runoff, or I'd say if we lost any customers, it's not been a noticeable number," he said. "The folks from Southern Community that are now part of

our team have done a remarkable job."

Growth potential

The Southern Community deal quickly made Winston-Salem the single biggest target market for Capital in terms of customer accounts, accounting for \$705 million in deposits, according to the investor presentation. The bank's second-biggest deposit market is Nashville, Tenn., where it has \$606 million in deposits.

Marshall said he's expecting solid growth in the future, including in lending activity. Capital doesn't break out its loans by region, but it had a record \$253 million in new loan originations systemwide in the fourth quarter, when it posted a \$5.3 million profit.

Capital Bank is sitting on about \$385 million in excess capital above its target ratios, which translates into much better lending capacity than Southern Community had. The fallout from the recession and financial crisis had put Southern Community under close scrutiny by regulators, giving it little room to maneuver in a very competitive Triad lending market.

"They weren't able to participate as actively as they wanted to in lending and servicing customers" because of those capital constraints, Marshall said. "We're the opposite. We fully expect to participate in every way, and we're at a size where we can meet just about any need a customer may have."

How that will impact business borrowers in the market for loans will become clearer over time, but the signs look good,

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according to Tim Moore, who co-chairs the community banking group for the Winston-Salem office of law firm Spilman Thomas & Battle. Moore has represented Southern Community and Capital Bank on various matters over time.

Moore said the loss of a hometown bank into a much bigger regional bank is a hit to Winston-Salem, though how big a hit depends on how supportive Capital Bank proves to be in terms of support for nonprofits and other forms of community activism.

But in terms of competitiveness for customers, Capital's big financial cushion should open more doors. Moore said there does appear to have been some turnover in the commercial lending area at the bank as is normal in a merger, and that may slow down Capital's aggressive push into the market for a time. But the bank has kept many Southern Community executives in key roles and they're going to have more tools to work with under the new owners.

"BB&T is still the 900-pound-gorilla," Moore said of the regional powerhouse bank that has long dominated its Winston-Salem home base. "But if you're a good borrower and you're trying to get a loan, you should be able to pit all these people against each other. PNC is getting aggressive, High Point Bank is moving in — with all the activity you can really find some good deals."

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