

Capital Bancorp: sequencing integration within a disclosed conversion baseline

Internal ID: S&F-STR-118

Topic: Mergers & Acquisitions, Platform Strategy, Customer Strategy

Industry: Regional Banks

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

A strategy case for MBA students and working professionals

Information cutoff: September 30, 2026, 4:00 p.m. Eastern Time

The decision

Capital Bancorp had agreed to be acquired by Peoples Bancorp in an all-stock transaction. Both boards had approved the agreement, but shareholder and regulatory approvals and other closing conditions remained. Management expected the combination to close in the first half of 2027. The employee email said conversion to Peoples systems was planned for “September”; in the context of the executives’ call description of a mid/late Q3 to early Q4 2027 window, this indicates September 2027. This is a management baseline, not a contractual or guaranteed milestone. [P02, P05, P07]

The integration question is narrower than whether to merge or when to convert. **How should the combined organization order and govern its integration workstreams within the disclosed September 2027 conversion baseline?** As a constructed teaching decision, recommend one of the following:

1. **Front-load the shared workstreams.** Prioritize corporate functions, technology and data processing, and key vendors, then bring specialty-business dependencies through readiness gates.
2. **Stage around readiness.** Sequence shared services first, then gate the specialty platforms and customer-facing processes against operational, control and service evidence before conversion.
3. **Preserve selected line-level processes.** Keep business-specific workflows and controls where needed while moving the underlying systems on the common September schedule.

These alternatives are constructed for this case; they are not plans disclosed by either company. Your recommendation should name owners, decision rights, lawful pre-close planning steps, post-close gates, measures to monitor, and evidence that would cause you to change course. Do not propose moving the announced conversion date. As an inference from the CEO’s statement that there was no significant branch infrastructure overlap, do not assume material branch-closure savings. [P05]

Two banks, several operating models

Capital Bancorp, Inc. (Nasdaq: CBNK) operated four reportable segments: Commercial Banking, OpenSky, Windsor Advantage and Capital Bank Home Loans (CBHL). The presentation sometimes called the first business “Commercial Bank.” These segments did not share one operating model. Commercial Banking combined relationship banking, nationwide lending and specialized deposit verticals. OpenSky was a nationwide digital credit-card platform serving customers building or rebuilding credit. Windsor Advantage serviced and processed SBA 7(a) and USDA loans for institutional clients. CBHL originated residential mortgages. [P01, P03]

At June 30, 2026, CBNK reported \$3.89 billion of assets, \$3.37 billion in deposits and \$3.09 billion in portfolio loans before allowance. Q2 segment pretax income varied: Commercial Banking (labeled “Commercial Bank” in the segment table) reported \$16.1 million; OpenSky \$1.0 million; Windsor Advantage \$2.3 million; and CBHL a loss of \$0.9 million. The filing describes different segment revenue and cost drivers, including card interest, interchange and data processing; loan-servicing fees and personnel; and mortgage loan-sale revenue and personnel. Segment results are accounting allocations, not stand-alone values or estimates of potential synergies. [P01]

Peoples presented the combined company at approximately \$14.3 billion in assets, \$10.8 billion in gross loans and \$11.8 billion in deposits. Those pro forma figures included Peoples’ still-pending Citizens National acquisition. The merger presentation showed more than 150 locations across eight states and the District of Columbia, while noting that CBNK’s Florida and Illinois locations were excluded from its footprint map. [P02, P03]

The financial thesis and the integration question

Peoples’ presentation estimated cost savings equal to 30% of CBNK’s noninterest expense, with 70% phased in during 2027 and 100% in 2028. It identified possible revenue synergies but did not include them in its model. The presentation estimated \$56.5 million of pretax one-time transaction expenses; it did not disclose a complete initiative-level cost-to-achieve schedule. Management also projected about 19% fully phased 2027 EPS accretion and a tangible-book-value earnback of less than three years. These are management projections, not realized results. [P03]

During the public call, Peoples’ CEO described expected cost overlap in corporate functions, technology/data processing and key vendors. He said there was no significant branch infrastructure overlap. He also said CBNK’s business lines would remain a focus, Peoples planned to continue investments in Windsor, OpenSky and other specialty verticals, and key business-unit heads were expected to remain. The remarks were management’s statements, not contractual guarantees or quantified savings by function. [P05]

The September 30 employee email supplied additional execution context. Capital CEO Edward Barry said the combination was expected to close in Q2 2027, system conversion to Peoples was planned for “September” (in context, September 2027), and the Capital Bank brand would remain until conversion. Employees joining Peoples would transition to its employment and benefits at closing. The email said no individual employment decisions were being announced. It did not promise a role for every employee or specify a detailed integration calendar. [P07]

A separate, signed North Riverside branch sale also affected the transition perimeter. The approval-pending agreement covered the branch, selected loans and other assets, and associated deposits and liabilities; June 30 deposits were about \$123.9 million. The \$3.3 million premium was an as-if-completed estimate, not proceeds received, and the loan set remained to be finalized. Capital’s employee email said it would speak directly with North Riverside

colleagues about their separate transition; no workforce outcome was disclosed. This transaction is context for integration planning, not an open alternative in this case. [P04, P07]

That leaves an execution problem. Front-loading shared work could put the management-identified overlap areas first, but the companies had not disclosed a systems-by-system plan, vendor exit costs, staffing overlap, service baselines or customer attrition estimates. A readiness-gated approach could expose dependencies before customer-facing changes, but can leave duplicate work in place longer. Retaining selected business processes may protect specialty capabilities, but complicates common controls and can limit savings. The projected 30% target alone does not say which sequence creates the most value.

Planning before close

The merger agreement allows transition planning and information sharing subject to ordinary-course operations, privacy, data-protection and antitrust requirements, third-party contracts and expense limits. It prohibits actual data conversion or operational integration before the Effective Time. Each party retains control and supervision of its operations until then. Any pre-close recommendation must stay within those boundaries and be reviewed by counsel. Customer, system and operating changes belong after legal close and required approvals. [P02, merger agreement §§6.11 and 6.23]

Exhibit 1. CBNK's operating scale at June 30, 2026

Measure	Reported amount
Total assets	\$3,889.9 million
Total cash and cash equivalents	\$418.3 million
Portfolio loans before allowance	\$3,086.0 million
Deposits	\$3,371.1 million
Stockholders' equity	\$422.2 million

Source: CBNK Q2 2026 Form 10-Q, balance sheet. Amounts are quarter-end reported figures; the report is unaudited. [P01]

Exhibit 2. Distinct segment results and activities

Reportable segment	Q2 2026 pretax income (loss)	Disclosed operating model
Commercial Banking	\$16.061 million	Relationship banking, nationwide lending and specialized deposit verticals
OpenSky	\$1.013 million	Nationwide digital credit-card platform
Windsor Advantage	\$2.277 million	SBA 7(a) and USDA loan servicing/processing
CBHL	\$(0.897) million	Residential mortgage origination

Source: CBNK Q2 2026 Form 10-Q and September merger presentation. The segment schedule labels the Commercial Banking column “Commercial Bank.” Segment pretax results are not stand-alone economics and should not be treated as synergy allocations. [P01, P03]

Exhibit 3. Announced integration and value parameters

Item	Public information at cutoff
Merger status	Agreement signed Sept. 29; approvals and other conditions remained
Expected closing	First half 2027 in the merger materials; Q2 2027 in the employee email
System conversion	Employee email: planned for “September”; call: mid/late Q3 to early Q4 2027, placing the September plan in 2027 context
Savings estimate	30% of CBNK noninterest expense; 70% phased in during 2027, 100% in 2028
One-time expenses	\$56.5 million pretax estimate; not a disclosed total of all initiative-level costs-to-achieve
Revenue synergies	Identified by management, excluded from its model
Stated overlap areas	Corporate, technology/data processing and key vendors; management said no significant branch infrastructure overlap

Sources: Merger release and investor presentation, live-call transcript and Rule 425 employee email. Timelines and savings are management estimates or statements, not guaranteed outcomes. The live-call transcript is third-party text; MarketScreener’s full text is gated, and earningscalls.dev is a corroborating third-party transcript. [P02, P03, P05, P07]

Your assignment

Prepare an integration recommendation for the combined company’s planning team. Address:

- Which of the three constructed approaches should guide workstream order and governance within the September 2027 conversion baseline?
- Which activities can be planned before close, and which must wait until legal close and approvals?
- What should be measured for the shared corporate, technology/data-processing and vendor workstreams, and for each specialty business?

- What readiness gates should govern customer, system, control and employee-related changes?
- How will management distinguish achieved recurring savings from implementation expense, service disruption and unmodeled revenue effects?
- What evidence would cause you to accelerate, pause a workstream, or preserve a business-specific process?

Use only information available by the cutoff. Separate reported facts, management projections and your own assumptions. Do not invent system dates, employee decisions, branch closures, attrition, migration costs or segment savings. Cite exhibits and source IDs in your recommendation.

Source note: This case uses the cutoff-eligible filings, presentation, release and communications listed in the CBNK source register. The private teaching note is not part of the student case.