

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 24, 2019

CAPSTAR FINANCIAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

<u>Tennessee</u> (State or other jurisdiction of incorporation)	<u>001-37886</u> (Commission File Number)	<u>81-1527911</u> (IRS Employer Identification No.)
<u>1201 Demonbreun Street, Suite 700 Nashville, Tennessee</u> (Address of principal executive offices)		<u>37203</u> (Zip Code)

Registrant's telephone number, including area code (615) 732-6400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Exchange Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1.00 par value per share	CSTR	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

## Section 2 – Financial Information

### Item 2.02. Results of Operations and Financial Condition.

On October 24, 2019, CapStar Financial Holdings, Inc. (the “Company”) issued an earnings release announcing its financial results for the third quarter ended September 30, 2019. A copy of the earnings release is furnished as Exhibit 99.1 to this Current Report on Form 8-K (this “Report”) and is incorporated herein by reference.

The Company will conduct a conference call at 8:30 a.m. (Central Time) on October 25, 2019 to discuss its financial results for the third quarter ended September 30, 2019. A copy of the presentation to be used for the conference call is furnished as Exhibit 99.2 to this Report and is incorporated herein by reference.

## Section 7 – Regulation FD

### Item 7.01. Regulation FD Disclosure.

The information disclosed under Item 2.02 of this Report is incorporated by reference into this Item 7.01.

## Section 9 – Financial Statements and Exhibits

### Item 9.01. Financial Statements and Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	<a href="#">Earnings release issued on October 24, 2019 by CapStar Financial Holdings, Inc.</a>
99.2	<a href="#">Presentation for conference call to be conducted by CapStar Financial Holdings, Inc. on October 25, 2019.</a>

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**CAPSTAR FINANCIAL HOLDINGS, INC.**

By: /s/ Robert B. Anderson  
Robert B. Anderson  
Chief Financial Officer and Chief Administrative Officer

Date: October 24, 2019

## EARNINGS RELEASE

## CONTACT

**Rob Anderson**  
**Chief Financial Officer and Chief Administrative Officer**  
**(615) 732-6470**



**CapStar Reports Fully Diluted EPS of \$0.35 and Fully Diluted Operating EPS of \$0.36 for 3Q 2019**

**NASHVILLE, TN, October 24, 2019/GlobeNewswire/** -- **CapStar Financial Holdings, Inc. ("CapStar") (NASDAQ:CSTR)** reported net income of \$6.47 million, or \$0.35 per share on a fully diluted basis, for the three months ended September 30, 2019, compared to net income of \$3.66 million, or \$0.28 per share on a fully diluted basis, for the three months ended September 30, 2018. Operating<sup>(1)</sup> net income was \$6.60 million, or \$0.36 per share on a fully diluted basis, for the three months ended September 30, 2019, compared to \$4.06 million, or \$0.31 per share on a fully diluted basis, for the three months ended September 30, 2018.

"I am pleased with our third quarter results," said Timothy K. Schools, President and Chief Executive Officer. "We continue to experience strong credit metrics, our mortgage and Tri-Net businesses performed very well, and we are approaching the first anniversary of our acquisition of Athens Federal. Additionally, our former largest shareholder was able to successfully exit their position, as the life of the fund this investment was held in came to an end, creating increased liquidity for our remaining shareholders. As we look ahead, we will be working to improve upon our loan production and deposit gathering capabilities as we navigate through a period of increased loan prepayments and net interest margin pressure."

**Soundness**

- Non-performing assets as a percentage of total assets were 0.13% at September 30, 2019 compared to 0.40% at September 30, 2018.
- Annualized net charge-offs to average loans were -0.01% for the three months ended September 30, 2019 compared to -0.01% for the same period in 2018.
- The total risk based capital ratio was 13.46% at September 30, 2019 compared to 12.62% at September 30, 2018.

**Profitability**

Operating measures exclude non-recurring merger-related expenses unrelated to CapStar's normal operations.

- Operating annualized return on average assets for the three months ended September 30, 2019 was 1.31% compared to 1.13% for the same period in 2018.
- Operating annualized return on average tangible equity for the three months ended September 30, 2019 was 11.83% compared to 10.72% for the same period in 2018.
- Net interest margin for the three months ended September 30, 2019 was 3.66% compared to 3.35% for the same period in 2018.
- The operating efficiency ratio for the three months ended September 30, 2019 was 64.08% compared to 64.56% for the same period in 2018.

(1) For a discussion and reconciliation of the Non-GAAP operating measures that exclude merger-related costs unrelated to CapStar's normal operations, see the section titled "Non-GAAP Disclaimer" and the Non-GAAP financial measures section of the financial statements.

“With the FOMC cutting rates for the first time since 2008, we experienced 2 basis points of net interest margin compression compared to the second quarter,” said Rob Anderson Chief Financial Officer and Chief Administrative Officer of CapStar. “Elevated loan fees helped offset the decline in variable rate loan yields, but yields on newly originated loans remain above our portfolio average. Further, our deposit costs are down slightly due to rate adjustments made late in the quarter and our associates continue to meet with customers to reset rates lower,” continued Mr. Anderson. “On another positive note, our salesforce was able to grow non-interest bearing deposit accounts by 25.1% on an annualized basis from the second quarter.”

### **Growth**

- Operating EPS on a fully diluted basis increased 16.1% to \$0.36 for the quarter ended September 30, 2019, compared to \$0.31 on a fully diluted basis for the same period in 2018.
- Average gross loans for the quarter ended September 30, 2019 increased 35.1% to \$1.45 billion, compared to \$1.07 billion for the same period in 2018.
  - Excluding Day 1 loans from Athens, organic average loan growth was 2.9% year-over-year.
- Average deposits for the quarter ended September 30, 2019 increased 48.6% to \$1.70 billion, compared to \$1.15 billion for the same period in 2018.
  - Excluding Day 1 deposits from Athens, organic average deposit growth was 17.9% year-over-year.

### **Dividend**

On October 24, 2019, the board of directors of CapStar approved a quarterly dividend of \$0.05 per common share that will be paid on November 22, 2019 to shareholders of record of CapStar’s capital stock as of the close of business on November 8, 2019.

### **Conference Call and Webcast Information**

CapStar will host a conference call and webcast at 8:30 a.m. Central Time on Friday October 25, 2019. During the call, management will review the third quarter results and operational highlights. Interested parties may listen to the call by dialing (844) 412-1002. The conference ID number is 5171609. A simultaneous webcast may be accessed on CapStar’s website at [ir.capstarbank.com](http://ir.capstarbank.com) by clicking on “News & Events”. An archived version of the webcast will be available in the same location shortly after the live call has ended.

### **About CapStar Financial Holdings, Inc.**

CapStar Financial Holdings, Inc. is a bank holding company headquartered in Nashville, Tennessee and operates primarily through its wholly owned subsidiary, CapStar Bank, a Tennessee-chartered state bank. CapStar Bank is a commercial bank that seeks to establish and maintain comprehensive relationships with its clients by delivering customized and creative banking solutions and superior client service. As of September 30, 2019, on a consolidated basis, CapStar had total assets of \$2.03 billion, gross loans of \$1.41 billion, total deposits of \$1.73 billion, and shareholders’ equity of \$268.08 million. Visit [www.capstarbank.com](http://www.capstarbank.com) for more information.

### **Forward-Looking Statements**

Certain statements in this earnings release are forward-looking statements that reflect CapStar’s current views with respect to, among other things, CapStar’s assets, business, cash flows, condition (financial or otherwise), credit quality, financial performance, liquidity, short and long-term performance goals, prospects, results of operations, strategic initiatives and the timing, benefits, costs and synergies of recently completed and future acquisition, disposition and other growth opportunities, including, without limitation, those relating to a projected increase in liquidity for our shareholders, improvements in our loan production and deposit gathering capabilities, the acceptance by customers of Athens of CapStar’s products and services, the ability of CapStar to meet expectations regarding the benefits, costs, synergies, and financial and operational impact of the Athens merger, the possibility that any of the anticipated benefits, costs, synergies and financial and operational improvements of the Athens merger will not be realized or will not be realized as expected and the opportunities to enhance market share in certain markets and market acceptance of CapStar are generally in new

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markets. These statements are often, but not always, made through the use of words or phrases such as “may,” “should,” “could,” “predict,” “potential,” “believe,” “will likely result,” “expect,” “continue,” “will,” “anticipate,” “seek,” “aspire,” “achieve,” “estimate,” “intend,” “plan,” “project,” “projection,” “forecast,” “roadmap,” “goal,” “guidance,” “target,” “would,” and “outlook,” or the negative version of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about CapStar’s industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond CapStar’s control. The inclusion of these forward-looking statements should not be regarded as a representation by CapStar or any other person that such expectations, estimates and projections will be achieved. Accordingly, CapStar cautions you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although CapStar believes that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. There are or will be important factors that could cause CapStar’s actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, any factors identified in this earnings release as well as those factors that are detailed from time to time in CapStar’s periodic and current reports filed with the Securities and Exchange Commission, including those factors included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 under the headings “Item 1A. Risk Factors” and “Cautionary Note Regarding Forward Looking Statements” and in the Company’s Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. If one or more events related to these or other risks or uncertainties materialize, or if CapStar’s underlying assumptions prove to be incorrect, actual results may differ materially from its forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date of this earnings release, and CapStar does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. New risks and uncertainties may emerge from time to time, and it is not possible for CapStar to predict their occurrence or how they will affect CapStar.

#### **Non-GAAP Disclaimer**

This earnings release includes the following financial measures that were prepared other than in accordance with generally accepted accounting principles in the United States (“non-GAAP financial measure”): operating net income, operating diluted net income per share, operating return on average assets, operating return on average tangible equity, tangible book value per share and operating efficiency ratio. These non-GAAP financial measures (i) provide useful information to management and investors that is supplementary to CapStar’s financial condition, results of operations and cash flows computed in accordance with GAAP, (ii) enable a more complete understanding of factors and trends affecting CapStar’s business, and (iii) allow investors to evaluate CapStar’s performance in a manner similar to management, the financial services industry, bank stock analysts and bank regulators; however, CapStar acknowledges that these non-GAAP financial measures have a number of limitations. As such, you should not view these non-GAAP financial measures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. See below for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure.

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## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

## Consolidated Statements of Income (unaudited) (dollars in thousands, except share data)

## Third Quarter 2019 Earnings Release

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest income:				
Loans, including fees	\$ 21,005	\$ 14,167	\$ 62,596	\$ 40,197
Securities:				
Taxable	1,028	951	3,540	2,775
Tax-exempt	354	248	1,093	784
Federal funds sold	1	17	26	56
Restricted equity securities	183	132	584	389
Interest-bearing deposits in financial institutions	645	267	1,502	679
Total interest income	23,216	15,782	69,341	44,880
Interest expense:				
Interest-bearing deposits	2,102	1,146	5,523	2,793
Savings and money market accounts	1,944	1,409	5,445	3,827
Time deposits	1,887	985	5,917	2,468
Federal funds purchased	—	1	4	3
Securities sold under agreements to repurchase	—	—	5	—
Federal Home Loan Bank advances	127	698	1,281	1,813
Total interest expense	6,060	4,239	18,175	10,904
Net interest income	17,156	11,543	51,166	33,976
Provision for loan losses	(125)	481	761	1,328
Net interest income after provision for loan losses	17,281	11,062	50,405	32,648
Noninterest income:				
Treasury management and other deposit service charges	788	528	2,399	1,357
Net gain (loss) on sale of securities	—	(1)	(108)	2
Tri-Net fees	847	373	2,511	1,227
Mortgage banking income	2,679	1,634	7,151	4,329
Other noninterest income	2,474	684	6,602	2,157
Total noninterest income	6,788	3,218	18,555	9,072
Noninterest expense:				
Salaries and employee benefits	9,229	6,514	26,224	19,111
Data processing and software	1,790	803	5,126	2,411
Professional fees	528	255	1,571	1,074
Occupancy	858	544	2,550	1,600
Equipment	1,012	520	2,890	1,661
Regulatory fees	18	228	564	664
Merger related expenses	187	540	2,491	875
Amortization of intangibles	408	3	1,258	23
Other operating	1,501	663	4,054	2,236
Total noninterest expense	15,531	10,070	46,728	29,655
Income before income taxes	8,538	4,210	22,232	12,065
Income tax expense	2,072	554	5,231	1,702
Net income	\$ 6,466	\$ 3,656	\$ 17,001	\$ 10,363
Per share information:				
Basic net income per share of common stock	\$ 0.36	\$ 0.30	\$ 0.96	\$ 0.87
Diluted net income per share of common stock	\$ 0.35	\$ 0.28	\$ 0.91	\$ 0.79
Weighted average shares outstanding:				
Basic	17,741,778	12,040,229	17,729,518	11,851,476
Diluted	18,532,479	13,113,775	18,670,280	13,052,758

This information is preliminary and based on company data available at the time of the release.

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

## Selected Quarterly Financial Data (unaudited) (dollars in thousands, except share data)

## Third Quarter 2019 Earnings Release

	Five Quarter Comparison				
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18
<b>Income Statement Data:</b>					
Net interest income	\$ 17,156	\$ 17,008	\$ 17,002	\$ 17,716	\$ 11,543
Provision for loan losses	(125)	—	886	1,514	481
Net interest income after provision for loan losses	17,281	17,008	16,116	16,202	11,062
Treasury management and other deposit service charges	788	813	798	793	528
Net gain (loss) on sale of securities	—	(121)	12	1	(1)
Tri-Net fees	847	1,024	641	276	373
Mortgage banking income	2,679	3,087	1,385	1,324	1,634
Other noninterest income	2,474	2,229	1,899	3,993	684
Total noninterest income	6,788	7,032	4,735	6,387	3,218
Salaries and employee benefits	9,229	8,563	8,432	9,475	6,514
Data processing and software	1,790	1,862	1,474	1,424	803
Professional fees	528	501	543	534	255
Occupancy	858	809	883	736	544
Equipment	1,012	1,026	852	810	520
Regulatory fees	18	272	274	364	228
Merger related expenses	187	1,711	594	8,929	540
Amortization of intangibles	408	419	430	442	3
Other operating	1,501	1,307	1,243	1,118	663
Total noninterest expense	15,531	16,470	14,725	23,832	10,070
Net income (loss) before income tax expense	8,538	7,570	6,126	(1,243)	4,210
Income tax (benefit) expense	2,072	1,814	1,346	(535)	554
Net income (loss)	\$ 6,466	\$ 5,756	\$ 4,780	\$ (708)	\$ 3,656
Weighted average shares - basic	17,741,778	17,663,992	17,783,239	17,509,525	12,040,229
Weighted average shares - diluted	18,532,479	18,650,706	18,830,933	18,716,562	13,113,775
Net income (loss) per share, basic	\$ 0.36	\$ 0.33	\$ 0.27	\$ (0.04)	\$ 0.30
Net income (loss) per share, diluted	0.35	0.31	0.25	(0.04)	0.28
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents	\$ 154,021	\$ 156,085	\$ 120,321	\$ 105,443	\$ 52,589
Securities available-for-sale	203,500	194,957	233,691	243,808	187,469
Securities held-to-maturity	3,319	3,721	3,727	3,734	3,740
Loans held for sale	129,613	89,629	72,870	57,618	50,499
Total loans	1,411,768	1,440,617	1,467,786	1,429,794	1,073,870
Allowance for loan losses	(12,828)	(12,903)	(12,959)	(12,113)	(15,218)
Total assets	2,033,911	2,018,421	2,035,811	1,963,883	1,416,907
Non-interest-bearing deposits	352,266	326,550	312,597	289,552	239,792
Interest-bearing deposits	1,379,497	1,396,220	1,366,205	1,280,456	886,611
Federal Home Loan Bank advances	10,000	10,000	75,000	125,000	125,000
Total liabilities	1,765,829	1,755,757	1,776,060	1,709,504	1,259,397
Shareholders' equity	\$ 268,082	\$ 262,664	\$ 259,751	\$ 254,379	\$ 157,510
Total shares of common stock outstanding	18,343,403	17,561,476	17,765,124	17,724,721	12,125,122
Total shares of preferred stock outstanding	—	878,048	878,048	878,048	878,048
Book value per share of common stock	\$ 14.61	\$ 14.44	\$ 14.11	\$ 13.84	\$ 12.25
Tangible book value per share of common stock*	12.17	11.87	11.55	11.25	11.74
Market value per share of common stock	\$ 16.58	\$ 15.15	\$ 14.44	\$ 14.73	\$ 16.72
<b>Capital ratios:</b>					
Total risk based capital	13.46%	13.29%	12.64%	12.84%	12.62%
Tier 1 risk based capital	12.71%	12.53%	11.90%	12.13%	11.49%
Common equity tier 1 capital	12.71%	12.01%	11.40%	11.61%	10.83%
Leverage	11.24%	11.01%	10.97%	11.06%	11.02%

\*This metric is a non-GAAP financial measure. See below for discussion and reconciliation to the most directly comparable GAAP financial measure.

This information is preliminary and based on company data available at the time of the release.



## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

## Selected Quarterly Financial Data (unaudited) (dollars in thousands, except share data)

## Third Quarter 2019 Earnings Release

	Five Quarter Comparison				
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18
<b>Average Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 129,114	\$ 93,523	\$ 83,689	\$ 83,560	\$ 62,787
Investment securities	211,460	228,283	251,631	256,595	196,031
Loans held for sale	101,835	91,585	66,880	52,131	54,701
Loans	1,445,755	1,469,210	1,461,696	1,439,652	1,070,060
Assets	2,005,950	2,004,207	1,988,478	1,940,991	1,421,873
Interest bearing deposits	1,370,988	1,364,211	1,299,205	1,271,602	913,534
Deposits	1,704,873	1,678,240	1,588,317	1,579,250	1,147,274
Federal Home Loan Bank advances	12,174	42,088	117,278	102,304	109,728
Liabilities	1,739,509	1,743,010	1,731,373	1,695,181	1,265,610
Shareholders' equity	266,441	261,197	257,105	245,811	156,264
<b>Performance Ratios:</b>					
Annualized return on average assets	1.28%	1.15%	0.97%	(0.14)%	1.02%
Annualized return on average equity	9.63%	8.84%	7.54%	(1.14)%	9.28%
Net interest margin (1)	3.66%	3.68%	3.75%	3.89%	3.35%
Annualized Noninterest income to average assets	1.34%	1.41%	0.97%	1.31%	0.90%
Efficiency ratio	64.87%	68.51%	67.74%	98.88%	68.22%
<b>Loans by Type (at period end):</b>					
Commercial and industrial	\$ 382,816	\$ 404,745	\$ 419,941	\$ 404,600	\$ 398,626
Commercial real estate - owner occupied	169,370	173,316	170,558	141,931	117,904
Commercial real estate - non-owner occupied	407,378	421,496	403,443	408,515	286,848
Construction and development	132,222	123,901	162,237	174,670	129,799
Consumer real estate	254,736	255,043	248,943	253,562	112,957
Consumer	29,059	26,704	26,241	25,615	8,274
Other	36,187	35,412	36,423	20,901	19,462
<b>Asset Quality Data:</b>					
Allowance for loan losses to total loans	0.91%	0.90%	0.88%	0.85%	1.42%
Allowance for loan losses to non-performing loans	754%	894%	757%	583%	271%
Nonaccrual loans	\$ 1,701	\$ 1,443	\$ 1,712	\$ 2,078	\$ 5,610
Troubled debt restructurings	2,725	1,238	1,255	1,391	1,146
Loans - over 90 days past due and accruing	551	302	-	214	215
Total non-performing loans	1,701	1,443	1,712	2,078	5,610
OREO and repossessed assets	914	914	1,038	988	-
Total non-performing assets	2,615	2,357	2,750	3,066	5,610
Non-performing loans to total loans	0.12%	0.10%	0.12%	0.15%	0.52%
Non-performing assets to total assets	0.13%	0.12%	0.14%	0.16%	0.40%
Non-performing assets to total loans and OREO	0.19%	0.16%	0.19%	0.21%	0.52%
Annualized net charge-offs (recoveries) to average loans	(0.01)%	0.02%	0.01%	1.27%	(0.01)%
Net charge-offs (recoveries)	\$ (50)	\$ 56	\$ 40	\$ 4,620	\$ (32)
<b>Interest Rates and Yields:</b>					
Loans	5.48%	5.44%	5.49%	5.49%	5.00%
Securities (1)	3.14%	3.22%	3.20%	3.30%	2.85%
Total interest-earning assets (1)	4.95%	5.00%	5.06%	5.02%	4.58%
Deposits	1.38%	1.39%	1.31%	1.12%	1.22%
Borrowings and repurchase agreements	4.12%	3.09%	2.85%	2.76%	2.53%
Total interest-bearing liabilities	1.74%	1.75%	1.71%	1.50%	1.64%
<b>Other Information:</b>					
Full-time equivalent employees	290	290	289	286	185

This information is preliminary and based on company data available at the time of the release.

(1) Net Interest Margin, Securities yields, and Total interest-earning asset yields are calculated on a tax-equivalent basis

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

## Analysis of Interest Income and Expense, Rates and Yields (unaudited) (dollars in thousands)

## Third Quarter 2019 Earnings Release

	For the Three Months Ended September 30,					
	2019			2018		
	Average Outstanding Balance	Interest Income/Expense	Average Yield/Rate	Average Outstanding Balance	Interest Income/Expense	Average Yield/Rate
<b>Interest-Earning Assets</b>						
Loans (1)	\$ 1,445,755	\$ 19,955	5.48%	\$ 1,070,060	\$ 13,484	5.00%
Loans held for sale	101,835	1,050	4.09%	54,701	683	4.96%
Securities:						
Taxable investment securities (2)	160,528	1,211	3.02%	154,570	1,083	2.80%
Investment securities exempt from federal income tax (3)	50,932	354	3.52%	41,461	248	3.03%
Total securities	211,460	1,565	3.14%	196,031	1,331	2.85%
Cash balances in other banks	110,690	645	2.31%	50,844	267	2.08%
Funds sold	144	1	3.46%	2,475	17	2.73%
Total interest-earning assets	1,869,884	23,216	4.95%	1,374,111	15,782	4.58%
Noninterest-earning assets	136,066			47,762		
Total assets	<u>\$ 2,005,950</u>			<u>\$ 1,421,873</u>		
<b>Interest-Bearing Liabilities</b>						
Interest-bearing deposits:						
Interest-bearing transaction accounts	\$ 527,759	2,102	1.58%	\$ 318,586	1,146	1.43%
Savings and money market deposits	494,183	1,944	1.56%	391,107	1,409	1.43%
Time deposits	349,046	1,887	2.14%	203,841	985	1.92%
Total interest-bearing deposits	1,370,988	5,933	1.72%	913,534	3,540	1.54%
Borrowings and repurchase agreements	12,174	127	4.12%	109,891	699	2.53%
Total interest-bearing liabilities	1,383,162	6,060	1.74%	1,023,425	4,239	1.64%
Noninterest-bearing deposits	333,885			233,739		
Total funding sources	1,717,047			1,257,164		
Noninterest-bearing liabilities	22,462			8,445		
Shareholders' equity	266,441			156,264		
Total liabilities and shareholders' equity	<u>\$ 2,005,950</u>			<u>\$ 1,421,873</u>		
Net interest spread (4)			3.21%			2.93%
Net interest income/margin (5)		<u>\$ 17,156</u>	3.66%		<u>\$ 11,543</u>	3.35%

- (1) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of deferred loan fees, net of deferred loan costs.
- (2) Taxable investment securities include restricted equity securities.
- (3) Yields on tax exempt securities, total securities, and total interest-earning assets are shown on a tax equivalent basis.
- (4) Net interest spread is the average yield on total average interest-earning assets minus the average rate on total average interest-bearing liabilities.
- (5) Net interest margin is annualized net interest income calculated on a tax equivalent basis divided by total average interest-earning assets for the period.

This information is preliminary and based on company data available at the time of the release.

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

## Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)

## Third Quarter 2019 Earnings Release

	Three Months Ended				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
<b>Operating net income:</b>					
Net income (loss)	\$ 6,466	\$ 5,756	\$ 4,780	\$ (708)	\$ 3,656
Add: merger related expenses	187	1,711	594	8,929	540
Less: income tax impact of merger related expenses	(49)	(447)	(155)	(1,985)	(141)
Operating net income	<u>\$ 6,604</u>	<u>\$ 7,020</u>	<u>\$ 5,219</u>	<u>\$ 6,236</u>	<u>\$ 4,055</u>
<b>Operating diluted net income per share of common stock:</b>					
Operating net income	\$ 6,604	\$ 7,020	\$ 5,219	\$ 6,236	\$ 4,055
Weighted average shares - diluted	18,532,479	18,650,706	18,830,933	18,716,562	13,113,775
Operating diluted net income per share of common stock	<u>\$ 0.36</u>	<u>\$ 0.38</u>	<u>\$ 0.28</u>	<u>\$ 0.33</u>	<u>\$ 0.31</u>
<b>Operating annualized return on average assets:</b>					
Operating net income	\$ 6,604	\$ 7,020	\$ 5,219	\$ 6,236	\$ 4,055
Average assets	\$ 2,005,950	\$ 2,004,207	\$ 1,988,478	\$ 1,940,991	\$ 1,421,873
Operating annualized return on average assets	<u>1.31%</u>	<u>1.40%</u>	<u>1.06%</u>	<u>1.27%</u>	<u>1.13%</u>
<b>Operating annualized return on average tangible equity:</b>					
Average total shareholders' equity	\$ 266,441	\$ 261,197	\$ 257,105	\$ 245,811	\$ 156,264
Less: average intangible assets	(45,050)	(45,456)	(45,890)	(45,687)	(6,220)
Average tangible equity	221,391	215,741	211,215	200,124	150,044
Operating net income	\$ 6,604	\$ 7,020	\$ 5,219	\$ 6,236	\$ 4,055
Operating annualized return on average tangible equity	<u>11.83%</u>	<u>13.05%</u>	<u>10.02%</u>	<u>12.36%</u>	<u>10.72%</u>
<b>Operating efficiency ratio:</b>					
Total noninterest expense	\$ 15,531	\$ 16,470	\$ 14,725	\$ 23,832	\$ 10,070
Less: merger related expenses	(187)	(1,711)	(594)	(8,929)	(540)
Total operating noninterest expense	15,344	14,759	14,131	14,903	9,530
Net interest income	17,156	17,008	17,002	17,716	11,543
Total noninterest income	6,788	7,032	4,735	6,387	3,218
Total revenues	\$ 23,944	\$ 24,040	\$ 21,737	\$ 24,103	\$ 14,761
Operating efficiency ratio:	<u>64.08%</u>	<u>61.39%</u>	<u>65.01%</u>	<u>61.83%</u>	<u>64.56%</u>
<b>Tangible Equity:</b>					
Total shareholders' equity	\$ 268,082	\$ 262,664	\$ 259,751	\$ 254,379	\$ 157,510
Less: intangible assets	(44,790)	(45,199)	(45,618)	(46,048)	(6,219)
Tangible equity	<u>\$ 223,292</u>	<u>\$ 217,465</u>	<u>\$ 214,133</u>	<u>\$ 208,331</u>	<u>\$ 151,291</u>
<b>Tangible Common Equity:</b>					
Tangible equity	\$ 223,292	\$ 217,465	\$ 214,133	\$ 208,331	\$ 151,291
Less: preferred equity	—	(9,000)	(9,000)	(9,000)	(9,000)
Tangible common equity	<u>\$ 223,292</u>	<u>\$ 208,465</u>	<u>\$ 205,133</u>	<u>\$ 199,331</u>	<u>\$ 142,291</u>
<b>Tangible Book Value per Share of Common Stock:</b>					
Tangible common equity	\$ 223,292	\$ 208,465	\$ 205,133	\$ 199,331	\$ 142,291
Total shares of common stock outstanding	18,343,403	17,561,476	17,765,124	17,724,721	12,125,122
Tangible book value per share of common stock	<u>\$ 12.17</u>	<u>\$ 11.87</u>	<u>\$ 11.55</u>	<u>\$ 11.25</u>	<u>\$ 11.74</u>

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

## Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)

## Third Quarter 2019 Earnings Release

	Nine Months Ended	
	September 30, 2019	September 30, 2018
Operating net income:		
Net income	\$ 17,001	\$ 10,363
Add: merger related expenses	2,491	875
Less: income tax impact of merger related expenses	(651)	(229)
Operating net income	<u>\$ 18,841</u>	<u>\$ 11,009</u>
Operating diluted net income per share of common stock:		
Operating net income	\$ 18,841	\$ 11,009
Weighted average shares - diluted	18,670,280	13,052,758
Operating diluted net income per share of common stock	<u>\$ 1.01</u>	<u>\$ 0.84</u>
Operating annualized return on average assets:		
Operating net income	\$ 18,841	\$ 11,009
Average assets	\$ 1,999,609	\$ 1,390,046
Operating annualized return on average assets	<u>1.26%</u>	<u>1.06%</u>
Operating annualized return on average tangible equity:		
Average total shareholders' equity	\$ 261,615	\$ 152,054
Less: average intangible assets	(45,462)	(6,229)
Average tangible equity	216,153	145,825
Operating net income	\$ 18,841	\$ 11,009
Operating annualized return on average tangible equity	<u>11.65%</u>	<u>10.09%</u>
Operating efficiency ratio:		
Total noninterest expense	\$ 46,728	\$ 29,655
Less: merger related expenses	(2,491)	(875)
Total operating noninterest expense	44,237	28,780
Net interest income	51,166	33,976
Total noninterest income	18,555	9,072
Total revenues	\$ 69,721	\$ 43,048
Operating efficiency ratio:	<u>63.45%</u>	<u>66.86%</u>



**CAPSTAR**<sup>TM</sup>

**FINANCIAL HOLDINGS, INC.**

**Third Quarter 2019  
Earnings Call  
October 25, 2019**

# Disclaimers

## Terminology

The terms “we,” “our,” “us,” “the Company,” “CSTR” and “CapStar” that appear in this presentation refer to CapStar Financial Holdings, Inc. and its wholly owned subsidiary, CapStar Bank. The terms “CapStar Bank,” “the Bank” and “our Bank” that appear in this presentation refer to CapStar Bank.

## Contents of Presentation

Except as is otherwise expressly stated in this presentation, the contents of this presentation are presented as of the date on the front cover of this presentation.

## Market Data

Market data used in this presentation has been obtained from government and independent industry sources and publications available to the public, sometimes with a subscription fee, as well as from research reports prepared for other purposes. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. CSTR did not commission the preparation of any of the sources or publications referred to in this presentation. CSTR has not independently verified the data obtained from these sources, and, although CSTR believes such data to be reliable as of the dates presented, it could prove to be inaccurate. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this presentation.

## Non-GAAP Disclaimer

This presentation includes the following financial measures that have been prepared other than in accordance with generally accepted accounting principles in the United States (“non-GAAP financial measures”): pre-tax, pre-provision net income, pre-tax, pre-provision return on average assets, tangible equity, tangible common equity, tangible assets, return on average tangible equity, return on average tangible common equity, book value per share (as adjusted), tangible book value per share (as reported and as adjusted), tangible equity to tangible assets, tangible common equity to tangible assets and adjusted shares outstanding at the end of the period. CSTR non-GAAP financial measures (i) provide useful information to management and investors that is supplementary to its financial condition, results of operations and cash flows computed in accordance with GAAP, (ii) enable a more complete understanding of factors and trends affecting CSTR’s business, and (iii) allow investors to evaluate CSTR’s performance in a manner similar to management, the financial services industry, bank stock analysts and bank regulators; however, CSTR acknowledges that its non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. See the Appendix to this presentation for a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures.

# Safe Harbor Statements

Certain statements in this presentation are forward-looking statements that reflect our current views with respect to, among other things, future events and our financial and operational performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "aspire," "estimate," "intend," "plan," "project," "projection," "forecast," "roadmap," "goal," "target," "guidance," "would," and "outlook," or the negative version of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. The inclusion of these forward-looking statements should not be regarded as a representation by us or any other person that such expectations, estimates and projections will be achieved. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

The acceptance by customers of Athens of the Company's products and services; the ability of the Company to meet expectations regarding the benefits, costs, synergies, and financial and operational impact of the Athens merger; the possibility that any of the anticipated benefits, costs, synergies and financial and operational improvements of the Athens merger will not be realized or will not be realized as expected; the possibility that the Athens merger integration may be more expensive or take more time to complete than anticipated; the opportunities to enhance market share in certain markets and acceptance of the Company generally in new markets; economic conditions (including interest rate environment, government economic and monetary policies, the strength of global financial markets and inflation and deflation) that impact the financial services industry as a whole and/or our business; the concentration of our business in the Nashville metropolitan statistical area ("MSA") and in Tennessee, and the effect of changes in the economic, political and environmental conditions on this market; increased competition in the financial services industry, locally, regionally or nationally, which may adversely affect pricing and the other terms offered to our clients; an increase in the cost of deposits, loss of deposits or a change in the deposit mix, which could increase our cost of funding; an increase in the costs of capital, which could negatively affect our ability to borrow funds, successfully raise additional capital or participate in strategic acquisition opportunities; our dependence on our management team and board of directors and changes in our management and board composition; our reputation in the community; our ability to execute our strategy and to achieve our loan ROAA and efficiency ratio goals, hire seasoned bankers, loan and deposit growth through organic growth and strategic acquisitions; credit risks related to the size of our borrowers and our ability to adequately identify, assess and limit our credit risk; our concentration of large loans to a small number of borrowers; the significant portion of our loan portfolio that originated during the past two years and therefore may less reliably predict future collectability than older loans; the adequacy of reserves (including our allowance for loan losses) and the appropriateness of our methodology for calculating such reserves; non-performing loans and leases; non-performing assets; charge-offs, non-accruals, troubled debt restructurings, impairments and other credit-related issues; adverse trends in the healthcare service industry, which is an integral component of our market's economy; our management of risks inherent in our commercial real estate loan portfolio, and the risk of a prolonged downturn in the real estate market, which could impair the value of our collateral and our ability to sell collateral upon any foreclosure; governmental legislation and regulation, including changes in the nature and timing of the adoption and effectiveness of new requirements under the Dodd-Frank Act of 2010, as amended, Basel guidelines, capital requirements, accounting regulation or standards and other applicable laws and regulations; the impact of the Tax Cuts and Job Act of 2017, as amended, on the Company and its financial performance and results of operations; the loss of large depositor relationships, which could force us to fund our business through more expensive and less stable sources; operational and liquidity risks associated with our business, including liquidity risks inherent in correspondent banking; volatility in interest rates and our overall management of interest rate risk, including managing the sensitivity of our interest-earning assets and interest-bearing liabilities to interest rates, and the impact to our earnings from a change in interest rates; the potential for our bank's regulatory lending limits and other factors related to our size to restrict our growth and prevent us from effectively implementing our business strategy; strategic acquisitions we may undertake to achieve our goals; the sufficiency of our capital, including sources of capital and the extent to which we may be required to raise additional capital to meet our goals; fluctuations in the fair value of our investment securities that are beyond our control; deterioration in the fiscal position of the U.S. government and downgrades in Treasury and federal agency securities; potential exposure to fraud, negligence, computer theft and cyber-crime; the adequacy of our risk management framework; our dependence on our information technology and telecommunications systems and the potential for any systems failures or interruptions; threats to and breaches of our information technology systems and data security, including cyber-attacks; our dependence upon outside third parties for the processing and handling of our records and data; our ability to adapt to technological change; the financial soundness of other financial institutions; our exposure to environmental liability risk associated with our lending activities; our engagement in derivative transactions; our involvement from time to time in legal proceedings and examinations and remedial actions by regulators; the susceptibility of our market to natural disasters and acts of God; and the effectiveness of our internal controls over financial reporting and our ability to remediate any future material weakness in our internal controls over financial reporting.

The foregoing factors should not be construed as exhaustive and should be read in conjunction with those factors that are detailed from time to time in the Company's periodic and current reports filed with the Securities and Exchange Commission, including those factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 under the headings "Item 1A. Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" and in the Company's Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date of this presentation, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. New risks and uncertainties may emerge from time to time, and it is not possible for us to predict their occurrence or how they will affect us.

# Third Quarter 2019 Highlights

- Operating EPS<sup>(1)</sup> of \$0.36 up \$0.05 or 16.1% year-over year.
- Operating Return on Average Assets<sup>(1)</sup> of 1.31%; ROATE of 11.83%.
- Tangible Book Value per share increased 10.1% annualized from \$11.87 to \$12.17 on a linked quarter basis.
- Annualized Average Deposit growth of 6.3% over 2Q19.
- Noninterest Income to Average Assets of 1.34% driven predominately by Mortgage and TriNet Fees.
- Current Criticized and Classified loans continue to be at a low level.
- One year anniversary of our acquisition of Athens Federal (October 1, 2018).

(1) Operating results are non-GAAP financial measures that adjust GAAP reported net income and other metrics for certain income and expense items as outlined in the non-GAAP reconciliation calculations included in the Appendix at the end of this presentation using a blended statutory income tax rate of 26.14% excluding non-deductible one-time merger related items.



## Third Quarter 2019 Highlights, continued

### **Successful exit of founding shareholder and largest investor, Corsair Capital**

- CSTR purchased \$2.0MM (130K shares).
- Certain board members and management purchased \$3.5MM (227K shares).
- Several institutional investors purchased remaining shares (1.2MM shares) improving diversification of shareholder base and trading volume has increased post transaction.

# Sound, Profitable, Growth Financial Metrics - 3Q19

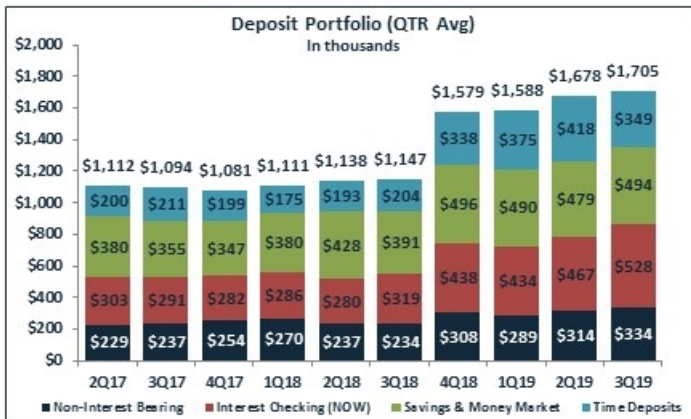
	Operating Metrics <sup>1</sup>	3Q19	2Q19	3Q18
<b>Soundness</b>	Allowance for Loan Losses to Total Loans	0.91%	0.90%	1.42%
	Net Charge-Offs to Average Loans (Periods Annualized)	-0.01%	0.02%	-0.01%
	Non-Performing Assets/Assets	0.13%	0.12%	0.40%
	Total Risk Based Capital Ratio	13.46%	13.29%	12.62%
	Tangible Common Equity / Tangible Assets	11.23%	10.56%	10.09%
<b>Profitability</b>	Return on Average Assets (ROAA)	1.31%	1.40%	1.13%
	Return on Average Equity (ROAE)	9.83%	10.78%	10.29%
	Return on Average Tangible Equity (ROATE)	11.83%	13.05%	10.72%
	Efficiency Ratio <sup>2</sup>	64.08%	61.39%	64.56%
	Net Interest Margin <sup>3</sup> (tax equivalent basis)	3.66%	3.68%	3.35%
<b>Growth</b>	Operating Net Income	\$6.60	\$7.02	\$4.06
	Diluted EPS	\$0.36	\$0.38	\$0.31
	Tangible Book Value per Share	\$12.17	\$11.87	\$11.74
	Total Loans (Avg)	\$1,446	\$1,469	\$1,070
	Total Deposits (Avg)	\$1,705	\$1,678	\$1,147
	Total Assets (Avg)	\$2,006	\$2,004	\$1,422

(1) Operating results are non-GAAP financial measures that adjust GAAP reported net income and other metrics for certain income and expense items as outlined in the non-GAAP reconciliation calculations included in the Appendix at the end of this presentation using a blended statutory income tax rate of 26.14% excluding non-deductible one-time merger related items.

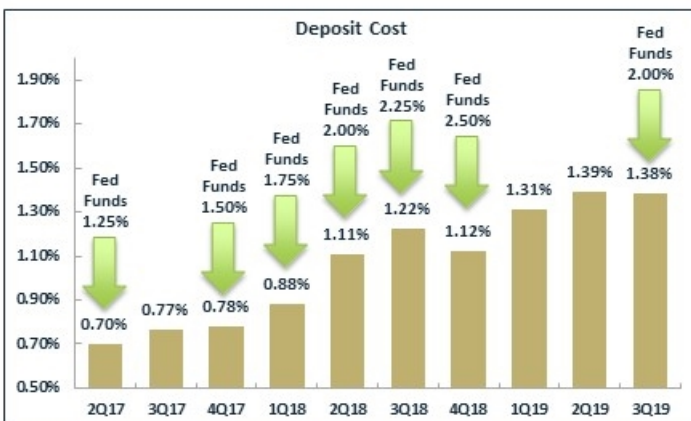
(2) Efficiency ratio is Noninterest expense divided by the sum of net interest income and noninterest income

(3) Calculated on a tax equivalent basis.

# Deposit Growth and Costs



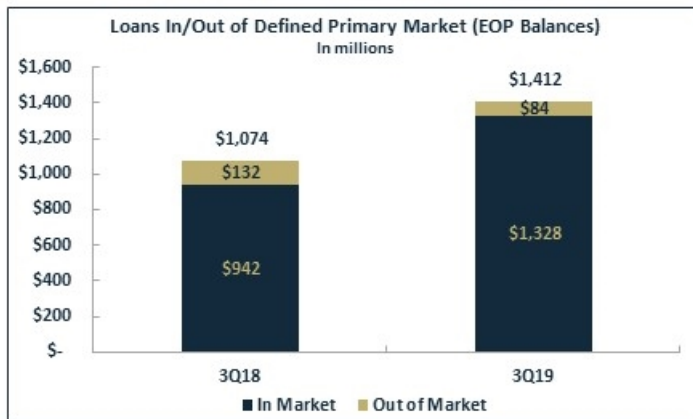
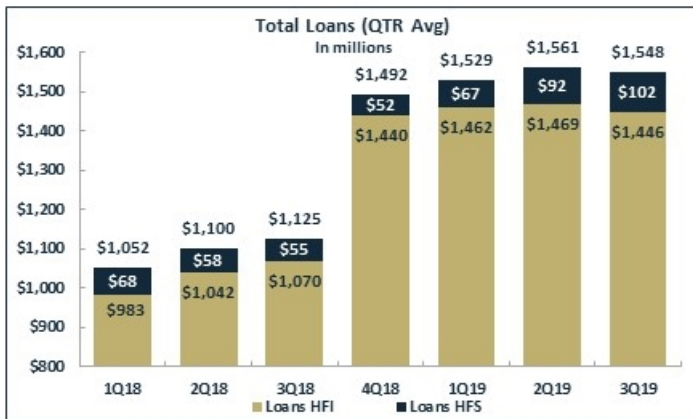
- Avg Deposit balances grew 6.3% on an annualized basis from 2Q19.
  - Avg DDA balances grew of 25.1% on an annualized basis from 2Q19.
  - Avg NOW balances grew of 51.3% on an annualized basis from 2Q19.
- Excluding Day 1 deposits from Athens, organic average deposit growth was 17.9% vs. 3Q18.
- Deposit costs down slightly due to rate adjustments late in the quarter.



	3Q19		Change Vs. 2Q19*		Change Vs. 3Q18	
	\$	%	\$	%	\$	%
<b>Balance Sheet (EOP Balances)</b>						
Non-Interest Bearing	\$ 352	26	31.2%	\$ 112	46.9%	
Interest Checking (NOW)	563	71	57.7%	255	83.1%	
Savings & Money Market	510	1	1.0%	133	35.2%	
Time Deposit's under \$100K	74	(32)	-119.3%	35	91.5%	
Time Deposit's over \$100K	233	(57)	-78.7%	70	42.5%	
<b>Deposits</b>	<b>\$ 1,732</b>	<b>\$ 9</b>	<b>2.1%</b>	<b>\$ 605</b>	<b>53.7%</b>	

\*Annualized % change from 2Q19 to 3Q19

# Loan Growth

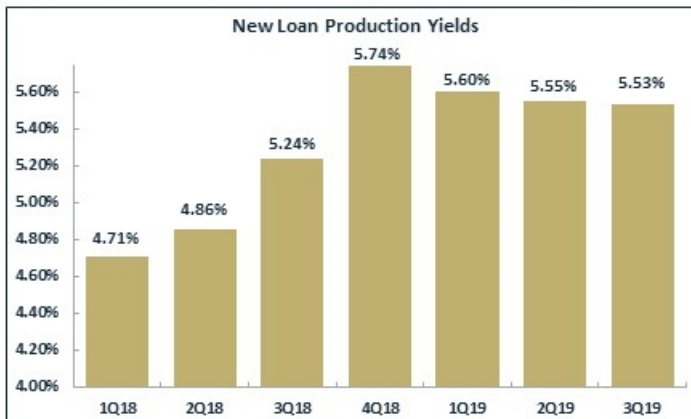
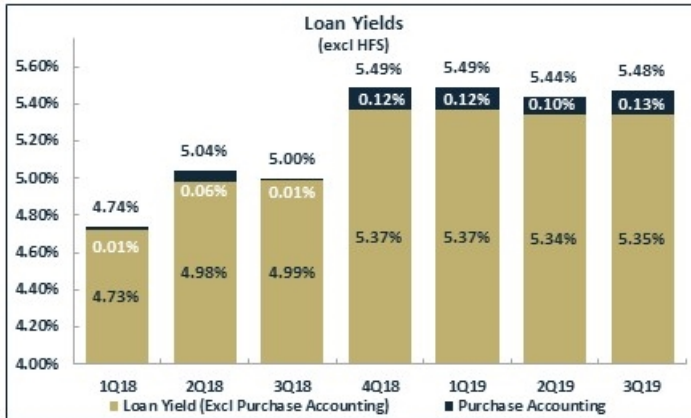


- Avg Loans HFI decreased 6.3% on an annualized basis from 2Q19. Payoffs and paydowns remained elevated for the quarter.
- Excluding Day 1 loans from Athens, organic average loan growth was 2.9% over 3Q18.
- Total “in market” growth was 4.5% excluding Athens vs. 3Q18 while our “out of market” loans declined \$49MM from \$132MM in 3Q18 to \$84MM over the same period.

	3Q19	Change Vs. 2Q19*		Change Vs. 3Q18	
	\$	\$	%	\$	%
<b>Balance Sheet (EOP Balances)</b>					
Commercial and Industrial	\$383	\$(22)	-21.5%	\$(16)	-4.0%
Commercial Real Estate (Non-Owner Occupied)	407	(14)	-13.3%	121	42.0%
Commercial Real Estate (Owner Occupied)	169	(4)	-9.0%	51	43.7%
Consumer Real Estate	255	(0)	-0.5%	142	125.5%
Construction & Land Development	132	8	26.6%	2	1.9%
Consumer	29	2	35.0%	21	251.2%
Other	37	1	8.7%	17	85.9%
<b>Total Loans</b>	<b>\$1,412</b>	<b>\$(29)</b>	<b>-7.9%</b>	<b>\$338</b>	<b>31.5%</b>

\*Annualized % change from 2Q19 to 3Q19

# Loan Yields



- Overall loan yield was 5.48%, up 4 bps from the prior quarter.
- The yield on new loan production was 5.53% and above the portfolio average for the last 4 quarters.
- The average 1 month Libor rate was 2.19% and down 26 bps from the second quarter, which negatively impacted our variable rate loan book by 9 bps.
- Loan fees increased 12 bps from the prior quarter predominately due to the immediate recognition of amortized loan fees with early loan payoffs.

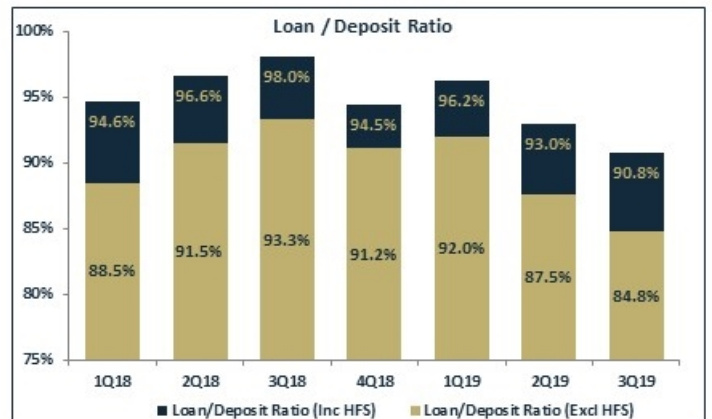
2Q19 (Avg)	5.44%
Increase in Loan Fees	0.12%
Increase in Purchase Accounting	0.03%
Loan Volume/Mix	(0.02%)
Repricing of Variable Rate Loans	(0.09%)
3Q19 (Avg)	5.48%

# Net Interest Margin<sup>(1)</sup>



- Our NIM was 3.66% and decreased 2 bps.
- The mix of our balance sheet impacted our NIM. A combination of lower loans and investments coupled with an increase in deposits resulted in higher cash balances.
- EOP loan to deposit ratio decreased to 90.8% with loan payoffs late in the quarter.

Net Interest Margin	
2Q19 (Avg)	3.68%
Decrease in Loan Balances	(0.07%)
Decrease in Investment Balances & Yields	(0.04%)
Increase in Interest Bearing Cash Balances	0.05%
Increase in Loan Yields	0.03%
Change in Deposit Mix & Lower Rates	0.01%
3Q19 (Avg)	3.66%

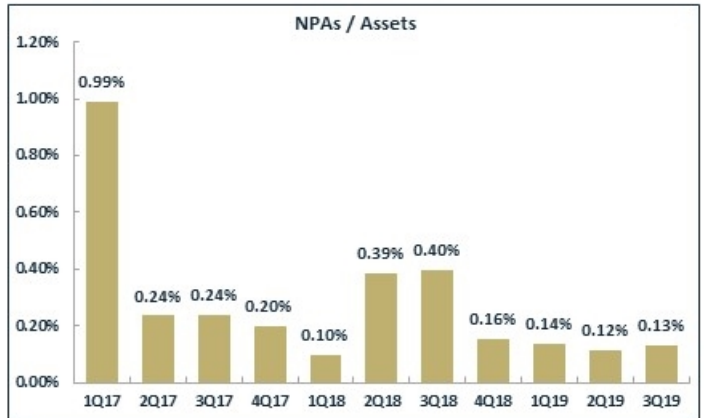
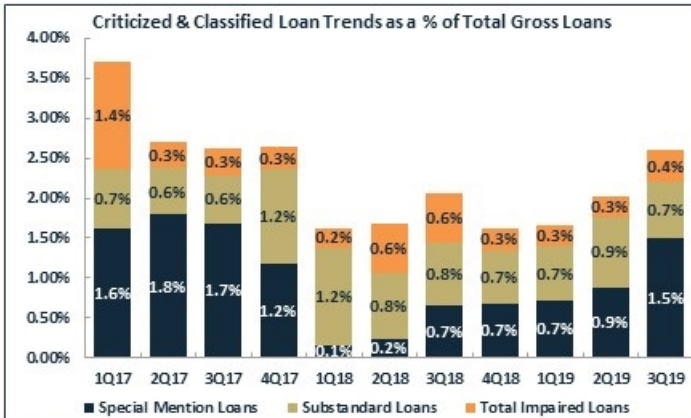


(1) Calculated on a tax equivalent basis

# Credit Quality



- The current reserve of \$12.8MM plus the \$4.0MM fair value mark on acquired loans equates to a 1.19% reserve/loans.
- Adjusting for small ticket consumer credits, the average Criticized Loan Balance remains less than \$300K.
- The increase in Special Mention is centered in a real estate secured credit with no loss expectation.
- Current NPAs/Assets remain at a low level.



# Noninterest Income

## Noninterest Income was 1.34% of Average Assets.

(Dollars in thousands)	Three Months Ended				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
<b>Noninterest Income</b>					
Treasury Management and Other Deposit Service Charges	\$ 788	\$ 813	\$ 798	\$ 793	\$ 528
Net Gain (Loss) on Sale of Securities	0	(121)	12	1	(1)
Tri-Net Fees	847	1,024	641	276	373
Mortgage Banking Income	2,679	3,087 <sup>(1)</sup>	1,385	1,324	1,634
Other	2,474	2,229	1,899	3,993	684
<b>Total Noninterest Income</b>	<b>\$ 6,788</b>	<b>\$ 7,032</b>	<b>\$ 4,735</b>	<b>\$ 6,387</b>	<b>\$ 3,218</b>
<b>Average Assets</b>	<b>2,005,950</b>	<b>2,004,207</b>	<b>1,988,478</b>	<b>1,940,991</b>	<b>1,421,873</b>
<b>Noninterest Income / Average Assets</b>	<b>1.34%</b>	<b>1.41%</b>	<b>0.97%</b>	<b>1.31%</b>	<b>0.90%</b>

- Treasury Management and other Deposit Service Charges down due to clients paying TM fees with deposit balances.
- Tri-Net fees of \$847K in line with previous guidance.
- Mortgage income predominantly due to higher volumes and spreads.
- Other fee businesses (Debit card Interchange, Wealth, SBA fees, BOLI, Title and Finance company) continue to demonstrate growth.

(1) Accounting change with the implementation of forward rate locks and mandatory delivery vs. selling at best efforts. (\$912K)



# Noninterest Expense

Operating Efficiency slightly elevated due to one-time costs and bubble IT expenses.

(Dollars in thousands)	Three Months Ended				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
<b>Noninterest Expense</b>					
Salaries and Employee Benefits	\$ 9,229	\$ 8,563	\$ 8,432	\$ 9,475	\$ 6,514
Data Processing & Software	1,790	1,862	1,474	1,424	803
Professional Fees	528	501	543	534	255
Occupancy	858	809	883	736	544
Equipment	1,012	1,026	852	810	520
Regulatory Fees	18	272	274	364	228
Merger Related Expenses	187	1,711	594	8,929	540
Amortization of Intangibles	408	419	430	442	3
Other Operating	1,501	1,307	1,243	1,118	663
<b>Total Noninterest Expense</b>	<b>\$ 15,531</b>	<b>\$ 16,470</b>	<b>\$ 14,725</b>	<b>\$ 23,832</b>	<b>\$ 10,070</b>
<i>Efficiency Ratio</i>	<i>64.87%</i>	<i>68.51%</i>	<i>67.74%</i>	<i>98.88%</i>	<i>68.22%</i>
<i>Average Assets</i>	<i>\$ 2,005,950</i>	<i>\$ 2,004,207</i>	<i>\$ 1,988,478</i>	<i>\$ 1,940,991</i>	<i>\$ 1,421,873</i>
<i>Noninterest Expense / Average Assets</i>	<i>3.07%</i>	<i>3.30%</i>	<i>3.00%</i>	<i>4.87%</i>	<i>2.81%</i>
<i>FTE</i>	<i>290</i>	<i>290</i>	<i>289</i>	<i>286</i>	<i>185</i>
<b>Operating Noninterest Expense<sup>(1)</sup></b>	<b>\$ 15,344</b>	<b>\$ 14,759</b>	<b>\$ 14,131</b>	<b>\$ 14,903</b>	<b>\$ 9,530</b>
<b>Operating Efficiency Ratio<sup>(1)</sup></b>	<b>64.08%</b>	<b>61.39%</b>	<b>65.01%</b>	<b>61.83%</b>	<b>64.56%</b>
<b>Operating Noninterest Expense / Average Assets<sup>(1)</sup></b>	<b>3.04%</b>	<b>2.95%</b>	<b>2.88%</b>	<b>3.05%</b>	<b>2.66%</b>

- Salaries and Employee Benefits elevated due to increased incentive accrual and one-time severance expense of \$176K.
- Regulatory Fees lower due to a FDIC credit of \$200K.
- \$100K of double expenses for two managed IT providers; one vendor goes away in 4Q19.

(1) Operating results are non-GAAP financial measures that adjust GAAP reported net income and other metrics for certain income and expense items as outlined in the non-GAAP reconciliation calculations included in the Appendix at the end of this presentation using a blended statutory income tax rate of 26.14% excluding non-deductible one-time merger related items.

# Capital

- All capital ratios increased from the prior quarter and are above regulatory guidelines.

<u>Capital Ratios</u>	<b>9/30/19</b>	<b>6/30/19</b>	<b>3/31/19</b>	<b>12/31/18</b>	<b>"Well Capitalized" Guidelines</b>
<b>Tangible Common Equity / Tangible Assets*</b>	<b>11.23%</b>	<b>10.56%</b>	<b>10.31%</b>	<b>10.39%</b>	<b>NA</b>
<b>Leverage</b>	<b>11.24%</b>	<b>11.01%</b>	<b>10.97%</b>	<b>11.06%</b>	<b>≥ 5.00%</b>
<b>Tier 1 Risk Based Capital</b>	<b>12.71%</b>	<b>12.53%</b>	<b>11.90%</b>	<b>12.13%</b>	<b>≥ 8.00%</b>
<b>Total Risk Based Capital</b>	<b>13.46%</b>	<b>13.29%</b>	<b>12.64%</b>	<b>12.84%</b>	<b>≥ 10.00%</b>

- Shares repurchases:
  - 3Q19: 129,786 CSTR shares in 3Q19 at an average price of \$15.41 per share.
  - YTD 2019: 504,786 CSTR shares at an average price of \$15.52 per share.
- \$9 million remaining under current share repurchase authorization announced on September 6, 2019.
- Paid quarterly cash dividend of \$0.05 per share to common shareholders on August 26, 2019.
- With the exit of Corsair Capital, all shares of preferred and non-voting common stock have been converted into shares of voting common stock.

\*Reconciliation provided in non-GAAP tables in the Appendix at the end of this presentation.

## Points of Emphasis

- **CapStar's strategy remains one of sound, profitable growth:**
  - Continuing to build out a client-centric model committed to serving local consumers, small and medium sized businesses and their owners and employees in our target markets.
  - Expanding market share in Middle and East Tennessee.
  - Building a consistent and stable earnings franchise.
  - Improving our ability to grow stable, low cost deposits.
  - Maintaining a sound credit profile.
  - Exploring strategic and opportunistic M&A.



# Appendix: Non-GAAP Reconciliations

# Non-GAAP Financial Measures

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
(Dollars in thousands, except per share information)					
<b>TANGIBLE EQUITY</b>					
Total Shareholders' Equity	\$ 268,082	\$ 262,664	\$ 259,751	\$ 254,379	\$ 157,510
Less: Intangible Assets	44,790	45,199	45,618	46,048	6,219
Tangible Equity	223,292	217,465	214,133	208,331	151,291
<b>TANGIBLE COMMON EQUITY</b>					
Tangible Equity	\$ 223,292	\$ 217,465	\$ 214,133	\$ 208,331	\$ 151,291
Less: Preferred Equity	-	9,000	9,000	9,000	9,000
Tangible Common Equity	223,292	208,465	205,133	199,331	142,291
<b>TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS</b>					
Tangible Common Equity	\$ 223,292	\$ 208,465	\$ 205,133	\$ 199,331	\$ 142,291
Total Assets	2,033,911	2,018,421	2,035,811	1,963,883	1,416,907
Less: Intangible Assets	44,790	45,199	45,618	46,048	6,219
Tangible Assets	1,989,121	1,973,223	1,990,193	1,917,835	1,410,689
Tangible Common Equity to Tangible Assets	11.23%	10.56%	10.31%	10.39%	10.09%

# Non-GAAP Financial Measures

	Three Months Ended				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
(Dollars in thousands, except per share information)					
<b>RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Total Average Shareholders' Equity	\$ 266,441	\$ 261,197	\$ 257,105	\$ 245,811	\$ 156,264
Less: Average Intangible Assets	45,050	45,456	45,890	45,687	6,220
Average Tangible Equity	221,391	215,741	211,215	200,124	150,044
Net Income	6,466	5,756	4,780	(708)	3,656
Return on Average Tangible Equity (ROATE)	11.59%	10.70%	9.18%	-1.40%	9.67%
<b>RETURN ON AVERAGE TANGIBLE COMMON EQUITY (ROATCE)</b>					
Average Tangible Equity	\$ 221,391	\$ 215,741	\$ 211,215	\$ 200,124	\$ 150,044
Less: Preferred Equity	7,043	9,000	9,000	9,000	9,000
Average Tangible Common Equity	214,347	206,741	202,215	191,124	141,044
Net Income	6,466	5,756	4,780	(708)	3,656
Return on Average Tangible Common Equity (ROATCE)	11.97%	11.17%	9.59%	-1.47%	10.28%

# Non-GAAP Financial Measures

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
(Dollars in thousands, except per share information)					
<b>TANGIBLE BOOK VALUE PER SHARE, REPORTED</b>					
Tangible Common Equity	\$ 223,292	\$ 208,465	\$ 205,133	\$ 199,331	\$ 142,291
Shares of Common Stock Outstanding	18,343,403	17,561,476	17,765,124	17,724,721	12,125,122
Tangible Book Value Per Share, Reported	\$ 12.17	\$11.87	\$11.55	\$11.25	\$11.74
<b>SHARES OUTSTANDING AT END OF PERIOD</b>					
Shares of Common Stock Outstanding	18,343,403	17,561,476	17,765,124	17,724,721	12,125,122
Shares of Preferred Stock Outstanding	-	878,048	878,048	878,048	878,048
Total Shares Outstanding at End of Period	18,343,403	18,439,524	18,643,172	18,602,769	13,003,170
<b>TANGIBLE BOOK VALUE PER SHARE, ADJUSTED</b>					
Tangible Equity	\$ 223,292	\$ 217,465	\$ 214,133	\$ 208,331	\$ 151,291
Total Shares Outstanding at End of Period	18,343,403	18,439,524	18,643,172	18,602,769	13,003,170
Tangible Book Value Per Share, Adjusted	\$ 12.17	\$11.79	\$11.49	\$11.20	\$11.63

# Non-GAAP Financial Measures

(Dollars in thousands, except per share information)	Three Months Ended				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
<b>OPERATING NET INCOME</b>					
Net Income (Loss)	\$ 6,466	\$ 5,756	\$ 4,780	\$ (708)	\$ 3,656
Add: Merger Related Expense	187	1,711	594	8,929	540
Less: Income Tax Impact	(49)	(447)	(155)	(1,985)	(141)
Operating Net Income	6,604	7,020	5,219	6,236	4,055
<b>OPERATING DILUTED NET INCOME PER SHARE</b>					
Operating Net Income	\$ 6,604	\$ 7,020	\$ 5,219	\$ 6,236	\$ 4,055
Average Diluted Shares Outstanding	18,532,479	18,650,706	18,830,933	18,716,562	13,113,775
Operating Diluted Net Income per Share	\$ 0.36	\$0.38	\$0.28	\$0.33	\$0.31
<b>OPERATING RETURN ON AVERAGE ASSETS (ROAA)</b>					
Operating Net Income	\$ 6,604	\$ 7,020	\$ 5,219	\$ 6,236	\$ 4,055
Total Average Assets	2,005,950	2,004,207	1,988,478	1,940,991	1,421,873
Operating Return on Average Assets (ROAA)	1.31%	1.40%	1.06%	1.27%	1.13%
<b>OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Average Tangible Equity	\$ 221,391	\$ 215,741	\$ 211,215	\$ 200,124	\$ 150,044
Operating Net Income	6,604	7,020	5,219	6,236	4,055
Operating Return on Average Tangible Equity (ROATE)	11.83%	13.05%	10.02%	12.36%	10.72%

Operating results are non-GAAP financial measures that adjust GAAP reported net income and other metrics for certain income and expense items as outlined in the non-GAAP reconciliation calculations above using a blended statutory income tax rate of 26.14% excluding non-deductible one-time merger related items.



# Non-GAAP Financial Measures

(Dollars in thousands, except per share information)	Three Months Ended				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
<b>OPERATING NONINTEREST EXPENSE</b>					
Noninterest Expense	\$ 15,531	\$ 16,470	\$ 14,725	\$ 23,832	\$ 10,070
Less: Merger Related Expense	(187)	(1,711)	(594)	(8,929)	(540)
Operating Noninterest Expense	15,344	14,759	14,131	14,903	9,530
<b>OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS</b>					
Operating Noninterest Expense	\$ 15,344	\$ 14,759	\$ 14,131	\$ 14,903	\$ 9,530
Total Average Assets	2,005,950	2,004,207	1,988,478	1,940,991	1,421,873
Operating Noninterest Income / Average Assets	3.04%	2.95%	2.88%	3.05%	2.66%
<b>OPERATING EFFICIENCY RATIO</b>					
Operating Noninterest Expense	\$ 15,344	\$ 14,759	\$ 14,131	\$ 14,903	\$ 9,530
Net Interest Income	17,156	17,008	17,002	17,716	11,543
Noninterest Income	6,788	7,032	4,735	6,387	3,218
Total Revenues	23,944	24,040	21,737	24,103	14,761
Operating Efficiency Ratio	64.08%	61.39%	65.01%	61.83%	64.56%

Operating results are non-GAAP financial measures that adjust GAAP reported net income and other metrics for certain income and expense items as outlined in the non-GAAP reconciliation calculations above using a blended statutory income tax rate of 26.14% excluding non-deductible one-time merger related items.

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