

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): July 25, 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</u> <u>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 July 25, 2019, CapStar Financial Holdings, Inc. (the “Company”) issued an earnings release announcing its financial results for the second quarter ended June 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 9:00 a.m. (Central Time) on July 26, 2019 to discuss its financial results for the second quarter ended June 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 July 25, 2019 by CapStar Financial Holdings, Inc.</a>
99.2	<a href="#">Presentation for conference call to be conducted by CapStar Financial Holdings, Inc. on July 26, 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: July 25, 2019

## EARNINGS RELEASE

## CONTACT

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



**CapStar Reports Fully Diluted EPS of \$0.31 and Fully Diluted Operating EPS of \$0.38 for 2Q2019**

**NASHVILLE, TN, July 25, 2019/GlobeNewswire/ -- CapStar Financial Holdings, Inc. (“CapStar”) (NASDAQ:CSTR)** reported net income of \$5.76 million, or \$0.31 per share on a fully diluted basis, for the three months ended June 30, 2019, compared to net income of \$3.51 million, or \$0.27 per share on a fully diluted basis, for the three months ended June 30, 2018. Operating<sup>(1)</sup> net income was \$7.02 million, or \$0.38 per share on a fully diluted basis, for the three months ended June 30, 2019, compared to \$3.76 million, or \$0.29 per share on a fully diluted basis, for the three months ended June 30, 2018.

“Our strong second quarter results show that CapStar’s talented group of bankers continues to deliver a highly-personalized banking experience, providing creative solutions for our clients and creating long-term sustainable value for our shareholders,” said Claire W. Tucker, CapStar’s chief executive officer.

“Since joining the company in May, I have met with associates and customers across the organization and I am excited about the opportunities in front of us,” added Timothy K. Schools, CapStar’s recently appointed president. “CapStar is well positioned to expand within our dynamic markets and our strong second quarter results demonstrate the importance of our diverse revenue streams,” continued Mr. Schools.

**Soundness**

- Non-performing assets as a percentage of total assets were 0.12% at June 30, 2019 compared to 0.39% at June 30, 2018.
- Annualized net charge-offs to average loans were 0.02% for the three months ended June 30, 2019 compared to 0.01% for the same period in 2018.
- The total risk based capital ratio was 13.29% at June 30, 2019 compared to 12.53% at June 30, 2018.

**Profitability**

Operating measures exclude merger-related expenses unrelated to CapStar’s normal operations. CapStar believes these measures are useful to investors as they exclude certain non-recurring costs resulting from acquisition activity and allow investors to more clearly see the financial results of CapStar’s operations.

- Operating annualized return on average assets for the three months ended June 30, 2019 was 1.40% compared to 1.08% for the same period in 2018.
- Operating annualized return on average tangible equity for the three months ended June 30, 2019 was 13.05% compared to 10.38% for the same period in 2018.
- The operating efficiency ratio for the three months ended June 30, 2019 was 61.39% compared to 67.38% for the same period in 2018.
- Net interest margin for the three months ended June 30, 2019 was 3.68% compared to 3.46% 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.

“Despite a challenging macro-economic environment with a flat to inverted yield curve, we grew our operating earnings per share by 31.0% from the same period last year and our operating return on average tangible equity grew to 13.05%,” said Rob Anderson, chief financial officer and chief administrative officer of CapStar. “A tremendous quarter by our Mortgage Banking and TriNet teams boosted profitability measures and helped mitigate the decline in our margin,” continued Mr. Anderson.

### **Growth**

- Operating EPS on a fully diluted basis increased 31.0% to \$0.38 for the quarter ended June 30, 2019, compared to \$0.29 on a fully diluted basis for the same period in 2018.
- Average gross loans for the quarter ended June 30, 2019 increased 41.0% to \$1.47 billion, compared to \$1.04 billion for the same period in 2018.
  - Excluding Day 1 loans from Athens, organic average loan growth was 7.9% year-over-year.
- Average deposits for the quarter ended June 30, 2019 increased 47.4% to \$1.68 billion, compared to \$1.14 billion for the same period in 2018.
  - Excluding Day 1 deposits from Athens, organic average deposit growth was 11.9% year-over-year.

“Excluding Day 1 loans from Athens, organic average loan growth was 7.9% year-over-year and “in market” loan growth was 10.3% year-over-year, while our “out of market” loans declined \$49 million from \$124 million in the second quarter of 2018 to \$75 million at June 30, 2019,” said Mr. Anderson. “In addition, our organic deposit growth was 11.9% year-over-year, excluding the Day 1 deposits acquired from Athens.”

### **Dividend**

On July 25, 2019, the board of directors of CapStar approved a quarterly dividend of \$0.05 per share that will be paid on or about August 26, 2019 to all shareholders of record of CapStar’s capital stock as of the close of business on August 12, 2019.

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

CapStar will host a conference call and webcast at 9:00 a.m. Central Time on Friday July 26, 2019. During the call, management will review the second quarter results and operational highlights. Interested parties may listen to the call by dialing (844) 412-1002. The conference ID number is 7628709. 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 June 30, 2019, on a consolidated basis, CapStar had total assets of \$2.02 billion, gross loans of \$1.44 billion, total deposits of \$1.72 billion, and shareholders’ equity of \$262.66 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

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opportunities, including, without limitation, those relating to 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 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)

## Second Quarter 2019 Earnings Release

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest income:				
Loans, including fees	\$ 20,999	\$ 13,796	\$ 41,591	\$ 26,030
Securities:				
Taxable	1,165	943	2,512	1,823
Tax-exempt	363	257	739	538
Federal funds sold	6	19	25	39
Restricted equity securities	214	128	401	257
Interest-bearing deposits in financial institutions	411	211	857	411
Total interest income	23,158	15,354	46,125	29,098
Interest expense:				
Interest-bearing deposits	1,827	892	3,420	1,646
Savings and money market accounts	1,782	1,413	3,500	2,418
Time deposits	2,217	834	4,030	1,483
Federal funds purchased	—	1	4	1
Securities sold under agreements to repurchase	—	—	5	—
Federal Home Loan Bank advances	324	627	1,156	1,117
Total interest expense	6,150	3,767	12,115	6,665
Net interest income	17,008	11,587	34,010	22,433
Provision for loan losses	—	169	886	846
Net interest income after provision for loan losses	17,008	11,418	33,124	21,587
Noninterest income:				
Treasury management and other deposit service charges	813	427	1,611	829
Net gain (loss) on sale of securities	(121)	3	(108)	3
Tri-Net fees	1,024	325	1,664	853
Mortgage banking income	3,087	1,383	4,472	2,695
Other noninterest income	2,229	627	4,128	1,474
Total noninterest income	7,032	2,765	11,767	5,854
Noninterest expense:				
Salaries and employee benefits	8,563	6,340	16,995	12,598
Data processing and software	1,862	810	3,336	1,608
Professional fees	501	344	1,043	819
Occupancy	809	535	1,692	1,056
Equipment	1,026	602	1,878	1,141
Regulatory fees	272	233	546	436
Merger related expenses	1,711	335	2,305	335
Amortization of intangibles	419	10	850	20
Other operating	1,307	796	2,551	1,573
Total noninterest expense	16,470	10,005	31,196	19,586
Income before income taxes	7,570	4,178	13,695	7,855
Income tax expense	1,814	665	3,160	1,148
Net income	\$ 5,756	\$ 3,513	\$ 10,535	\$ 6,707
Per share information:				
Basic net income per share of common stock	\$ 0.33	\$ 0.30	\$ 0.59	\$ 0.57
Diluted net income per share of common stock	\$ 0.31	\$ 0.27	\$ 0.56	\$ 0.52
Weighted average shares outstanding:				
Basic	17,663,992	11,845,822	17,723,286	11,755,535
Diluted	18,650,706	13,067,223	18,740,322	13,021,744

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

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

## Second Quarter 2019 Earnings Release

	Five Quarter Comparison				
	6/30/19	3/31/19	12/31/18	9/30/18	6/30/18
<b>Income Statement Data:</b>					
Net interest income	\$ 17,008	\$ 17,002	\$ 17,716	\$ 11,543	\$ 11,587
Provision for loan losses	—	886	1,514	481	169
Net interest income after provision for loan losses	17,008	16,116	16,202	11,062	11,418
Treasury management and other deposit service charges	813	798	793	528	427
Net gain (loss) on sale of securities	(121)	12	1	(1)	3
Tri-Net fees	1,024	641	276	374	325
Mortgage banking income	3,087	1,385	1,324	1,634	1,383
Other noninterest income	2,229	1,899	3,993	683	627
Total noninterest income	7,032	4,735	6,387	3,218	2,765
Salaries and employee benefits	8,563	8,432	9,475	6,514	6,340
Data processing and software	1,862	1,474	1,424	803	810
Professional fees	501	543	534	255	344
Occupancy	809	883	736	544	535
Equipment	1,026	852	810	520	602
Regulatory fees	272	274	364	228	233
Merger related expenses	1,711	594	8,929	540	335
Amortization of intangibles	419	430	442	3	10
Other operating	1,307	1,243	1,118	663	796
Total noninterest expense	16,470	14,725	23,832	10,070	10,005
Net income (loss) before income tax expense	7,570	6,126	(1,243)	4,210	4,178
Income tax (benefit) expense	1,814	1,346	(535)	554	665
Net income (loss)	\$ 5,756	\$ 4,780	\$ (708)	\$ 3,656	\$ 3,513
Weighted average shares - basic	17,663,992	17,783,239	17,509,525	12,040,229	11,845,822
Weighted average shares - diluted	18,650,706	18,830,933	18,716,562	13,113,775	13,067,223
Net income (loss) per share, basic	\$ 0.33	\$ 0.27	\$ (0.04)	\$ 0.30	\$ 0.30
Net income (loss) per share, diluted	0.31	0.25	(0.04)	0.28	0.27
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents	\$ 156,085	\$ 120,321	\$ 105,443	\$ 52,589	\$ 58,222
Securities available-for-sale	194,957	233,691	243,808	187,469	183,364
Securities held-to-maturity	3,721	3,727	3,734	3,740	3,746
Loans held for sale	89,629	72,870	57,618	50,499	65,320
Total loans	1,440,617	1,467,786	1,429,794	1,073,870	1,046,525
Allowance for loan losses	(12,903)	(12,959)	(12,113)	(15,218)	(14,705)
Total assets	2,018,421	2,035,811	1,963,883	1,416,907	1,401,181
Non-interest-bearing deposits	326,550	312,597	289,552	239,792	223,579
Interest-bearing deposits	1,396,220	1,366,205	1,280,456	886,611	921,435
Federal Home Loan Bank advances	10,000	75,000	125,000	125,000	95,000
Total liabilities	1,755,757	1,776,060	1,709,504	1,259,397	1,248,035
Shareholders' equity	\$ 262,664	\$ 259,751	\$ 254,379	\$ 157,510	\$ 153,146
Total shares of common stock outstanding	17,561,476	17,765,124	17,724,721	12,125,122	11,931,131
Total shares of preferred stock outstanding	878,048	878,048	878,048	878,048	878,048
Book value per share of common stock	\$ 14.44	\$ 14.11	\$ 13.84	\$ 12.25	\$ 12.08
Tangible book value per share of common stock*	11.87	11.55	11.25	11.74	11.56
Market value per share of common stock	\$ 15.15	\$ 14.44	\$ 14.73	\$ 16.72	\$ 18.53
<b>Capital ratios:</b>					
Total risk based capital	13.29%	12.64%	12.84%	12.62%	12.53%
Tier 1 risk based capital	12.53%	11.90%	12.13%	11.49%	11.41%
Common equity tier 1 capital	12.01%	11.40%	11.61%	10.83%	10.73%
Leverage	11.01%	10.97%	11.06%	11.02%	10.87%

\*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 presentation.



## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

## Second Quarter 2019 Earnings Release

	Five Quarter Comparison				
	6/30/19	3/31/19	12/31/18	9/30/18	6/30/18
<b>Average Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 93,523	\$ 83,689	\$ 83,560	\$ 62,787	\$ 63,064
Investment securities	228,283	251,631	256,595	196,031	197,933
Loans held for sale	91,585	66,880	52,131	54,701	58,297
Loans	1,469,210	1,461,696	1,439,652	1,070,060	1,041,835
Assets	2,004,207	1,988,478	1,940,991	1,421,873	1,396,359
Interest bearing deposits	1,364,211	1,299,205	1,271,602	913,534	901,076
Deposits	1,678,240	1,588,317	1,579,250	1,147,274	1,138,400
Federal Home Loan Bank advances	42,088	117,278	102,304	109,728	99,121
Liabilities	1,743,010	1,731,373	1,695,181	1,265,610	1,244,824
Shareholders' equity	261,197	257,105	245,811	156,264	151,535
<b>Performance Ratios:</b>					
Annualized return on average assets	1.15%	0.97%	(0.14)%	1.02%	1.01%
Annualized return on average equity	8.84%	7.54%	(1.14)%	9.28%	9.30%
Net interest margin (1)	3.68%	3.75%	3.89%	3.35%	3.46%
Annualized Noninterest income to average assets	1.41%	0.97%	1.31%	0.90%	0.79%
Efficiency ratio	68.51%	67.74%	98.88%	68.22%	69.71%
<b>Loans by Type (at period end):</b>					
Commercial and industrial	\$ 404,745	\$ 419,941	\$ 404,600	\$ 398,626	\$ 386,065
Commercial real estate - owner occupied	173,316	170,558	141,931	117,904	121,475
Commercial real estate - non-owner occupied	421,496	403,443	408,515	286,848	286,769
Construction and development	123,901	162,237	174,670	129,799	96,580
Consumer real estate	255,043	248,943	253,562	112,957	109,915
Consumer	26,704	26,241	25,615	8,274	9,671
Other	35,412	36,423	20,901	19,462	36,050
<b>Asset Quality Data:</b>					
Allowance for loan losses to total loans	0.90%	0.88%	0.85%	1.42%	1.41%
Allowance for loan losses to non-performing loans	894%	757%	583%	271%	271%
Nonaccrual loans	\$ 1,443	\$ 1,712	\$ 2,078	\$ 5,610	\$ 5,419
Troubled debt restructurings	1,238	1,255	1,391	1,146	1,173
Loans - over 90 days past due and accruing	302	-	214	215	216
Total non-performing loans	1,443	1,712	2,078	5,610	5,419
OREO and repossessed assets	914	1,038	988	-	-
Total non-performing assets	2,357	2,750	3,066	5,610	5,419
Non-performing loans to total loans	0.10%	0.12%	0.15%	0.52%	0.52%
Non-performing assets to total assets	0.12%	0.14%	0.16%	0.40%	0.39%
Non-performing assets to total loans and OREO	0.16%	0.19%	0.21%	0.52%	0.52%
Annualized net charge-offs (recoveries) to average loans	0.02%	0.01%	1.27%	(0.01)%	0.01%
Net charge-offs (recoveries)	\$ 56	\$ 40	\$ 4,620	\$ (32)	\$ 27
<b>Interest Rates and Yields:</b>					
Loans	5.44%	5.49%	5.49%	5.00%	5.04%
Securities (1)	3.22%	3.20%	3.30%	2.85%	2.82%
Total interest-earning assets (1)	5.00%	5.06%	5.02%	4.58%	4.58%
Deposits	1.39%	1.31%	1.12%	1.22%	1.11%
Borrowings and repurchase agreements	3.09%	2.85%	2.76%	2.53%	2.53%
Total interest-bearing liabilities	1.75%	1.71%	1.50%	1.64%	1.51%
<b>Other Information:</b>					
Full-time equivalent employees	290	289	286	185	183

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

(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)

## Second Quarter 2019 Earnings Release

	For the Three Months Ended June 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)	\$ 1,469,210	\$ 19,931	5.44%	\$ 1,041,835	\$ 13,090	5.04%
Loans held for sale	91,585	1,068	4.68%	58,297	706	4.86%
Securities:						
Taxable investment securities (2)	175,742	1,379	3.14%	155,552	1,071	2.76%
Investment securities exempt from federal income tax (3)	52,541	363	3.50%	42,381	257	3.07%
Total securities	228,283	1,742	3.22%	197,933	1,328	2.82%
Cash balances in other banks	75,485	411	2.18%	50,335	211	1.68%
Funds sold	767	6	2.96%	2,898	19	2.57%
Total interest-earning assets	1,865,330	23,158	5.00%	1,351,298	15,354	4.58%
Noninterest-earning assets	138,877			45,061		
Total assets	<u>\$ 2,004,207</u>			<u>\$ 1,396,359</u>		
<b>Interest-Bearing Liabilities</b>						
Interest-bearing deposits:						
Interest-bearing transaction accounts	\$ 467,326	1,827	1.57%	\$ 279,705	892	1.28%
Savings and money market deposits	479,012	1,782	1.49%	428,330	1,413	1.32%
Time deposits	417,873	2,217	2.13%	193,041	834	1.73%
Total interest-bearing deposits	1,364,211	5,826	1.71%	901,076	3,139	1.40%
Borrowings and repurchase agreements	42,117	324	3.09%	99,286	628	2.53%
Total interest-bearing liabilities	1,406,328	6,150	1.75%	1,000,362	3,767	1.51%
Noninterest-bearing deposits	314,029			237,324		
Total funding sources	1,720,357			1,237,686		
Noninterest-bearing liabilities	22,653			7,138		
Shareholders' equity	261,197			151,535		
Total liabilities and shareholders' equity	<u>\$ 2,004,207</u>			<u>\$ 1,396,359</u>		
Net interest spread (4)			3.25%			3.07%
Net interest income/margin (5)		<u>\$ 17,008</u>	3.68%		<u>\$ 11,587</u>	3.46%

- (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 presentation.

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

## Second Quarter 2019 Earnings Release

	Three Months Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
<b>Operating net income:</b>					
Net income (loss)	\$ 5,756	\$ 4,780	\$ (708)	\$ 3,656	\$ 3,513
Add: merger related expenses	1,711	594	8,929	540	335
Less: income tax impact of merger related expenses	(447)	(155)	(1,985)	(141)	(88)
Operating net income	<u>\$ 7,020</u>	<u>\$ 5,219</u>	<u>\$ 6,236</u>	<u>\$ 4,055</u>	<u>\$ 3,760</u>
<b>Operating diluted net income per share of common stock:</b>					
Operating net income	\$ 7,020	\$ 5,219	\$ 6,236	\$ 4,055	\$ 3,760
Weighted average shares - diluted	18,650,706	18,830,933	18,716,562	13,113,775	13,067,223
Operating diluted net income per share of common stock	<u>\$ 0.38</u>	<u>\$ 0.28</u>	<u>\$ 0.33</u>	<u>\$ 0.31</u>	<u>\$ 0.29</u>
<b>Operating annualized return on average assets:</b>					
Operating net income	\$ 7,020	\$ 5,219	\$ 6,236	\$ 4,055	\$ 3,760
Average assets	\$ 2,004,207	\$ 1,988,478	\$ 1,940,991	\$ 1,421,873	\$ 1,396,359
Operating annualized return on average assets	<u>1.40%</u>	<u>1.06%</u>	<u>1.27%</u>	<u>1.13%</u>	<u>1.08%</u>
<b>Operating annualized return on average tangible equity:</b>					
Average total shareholders' equity	\$ 261,197	\$ 257,105	\$ 245,811	\$ 156,264	\$ 151,535
Less: average intangible assets	(45,456)	(45,890)	(45,687)	(6,220)	(6,228)
Average tangible equity	215,741	211,215	200,124	150,044	145,307
Operating net income	\$ 7,020	\$ 5,219	\$ 6,236	\$ 4,055	\$ 3,760
Operating annualized return on average tangible equity	<u>13.05%</u>	<u>10.02%</u>	<u>12.36%</u>	<u>10.72%</u>	<u>10.38%</u>
<b>Operating efficiency ratio:</b>					
Total noninterest expense	\$ 16,470	\$ 14,725	\$ 23,832	\$ 10,070	\$ 10,005
Less: merger related expenses	(1,711)	(594)	(8,929)	(540)	(335)
Total operating noninterest expense	14,759	14,131	14,903	9,530	9,670
Net interest income	17,008	17,002	17,716	11,543	11,587
Total noninterest income	7,032	4,735	6,387	3,218	2,765
Total revenues	\$ 24,040	\$ 21,737	\$ 24,103	\$ 14,761	\$ 14,352
Operating efficiency ratio:	<u>61.39%</u>	<u>65.01%</u>	<u>61.83%</u>	<u>64.56%</u>	<u>67.38%</u>
<b>Tangible Equity:</b>					
Total shareholders' equity	\$ 262,664	\$ 259,751	\$ 254,379	\$ 157,510	\$ 153,146
Less: intangible assets	(45,199)	(45,618)	(46,048)	(6,219)	(6,222)
Tangible equity	<u>\$ 217,465</u>	<u>\$ 214,133</u>	<u>\$ 208,331</u>	<u>\$ 151,291</u>	<u>\$ 146,924</u>
<b>Tangible Common Equity:</b>					
Tangible equity	\$ 217,465	\$ 214,133	\$ 208,331	\$ 151,291	\$ 146,924
Less: preferred equity	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Tangible common equity	<u>\$ 208,465</u>	<u>\$ 205,133</u>	<u>\$ 199,331</u>	<u>\$ 142,291</u>	<u>\$ 137,924</u>
<b>Tangible Book Value per Share of Common Stock:</b>					
Tangible common equity	\$ 208,465	\$ 205,133	\$ 199,331	\$ 142,291	\$ 137,924
Total shares of common stock outstanding	17,561,476	17,765,124	17,724,721	12,125,122	11,931,131
Tangible book value per share of common stock	<u>\$ 11.87</u>	<u>\$ 11.55</u>	<u>\$ 11.25</u>	<u>\$ 11.74</u>	<u>\$ 11.56</u>

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

## Second Quarter 2019 Earnings Release

	Six Months Ended	
	June 30, 2019	June 30, 2018
Operating net income:		
Net income	\$ 10,535	\$ 6,707
Add: merger related expenses	2,305	335
Less: income tax impact of merger related expenses	(603)	(88)
Operating net income	<u>\$ 12,237</u>	<u>\$ 6,954</u>
Operating diluted net income per share of common stock:		
Operating net income	\$ 12,237	\$ 6,954
Weighted average shares - diluted	18,740,322	13,021,744
Operating diluted net income per share of common stock	<u>\$ 0.65</u>	<u>\$ 0.53</u>
Operating annualized return on average assets:		
Operating net income	\$ 12,237	\$ 6,954
Average assets	\$ 1,996,386	\$ 1,373,869
Operating annualized return on average assets	<u>1.24%</u>	<u>1.02%</u>
Operating annualized return on average tangible equity:		
Average total shareholders' equity	\$ 259,162	\$ 149,914
Less: average intangible assets	(45,672)	(6,233)
Average tangible equity	213,490	143,681
Operating net income	\$ 12,237	\$ 6,954
Operating annualized return on average tangible equity	<u>11.56%</u>	<u>9.76%</u>
Operating efficiency ratio:		
Total noninterest expense	\$ 31,196	\$ 19,586
Less: merger related expenses	(2,305)	(335)
Total operating noninterest expense	28,891	19,251
Net interest income	34,010	22,433
Total noninterest income	11,767	5,854
Total revenues	\$ 45,777	\$ 28,287
Operating efficiency ratio:	<u>63.11%</u>	<u>68.06%</u>



**CAPSTAR**™

**FINANCIAL HOLDINGS, INC.**

**Second Quarter 2019  
Earnings Call  
July 26, 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.

## Second Quarter 2019 Highlights

- Operating EPS<sup>(1)</sup> of \$0.38 which includes \$0.04 for the implementation of a hedging program for residential mortgage loans originated with the intent to sell. Excluding this, we have 17.2% year-over year EPS growth.
- Operating Return on Average Assets<sup>(1)</sup> of 1.40%; ROATE of 13.05%.
- Annualized AVG Deposit growth of 22.7% over 1Q19.
- Noninterest Income to Average Assets of 1.41% driven predominately by Mortgage and TriNet Fees.
- Current Criticized and Classified loans continue to be at a low level.

(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.



# CapStar Recognition in the Marketplace

- CapStar was named to the list of the Tennessean's **Top Workplaces 2019**.
- CapStar East Tennessee was recognized by The Daily Post-Athenian as the "**Best of the Best**" TOP Workplaces 2019.
- CapStar was awarded **Preferred Lending Program** status from the Office of Credit Risk Management, a division of the Small Business Administration.
- CapStar earned a **Bauer Five-Star rating** from BauerFinancial based on capital adequacy, asset quality, profitability and liquidity.
- CapStar is a **Greenwich CX Leader** in U.S. Commercial Small Business Banking recognizing leadership in the increasingly important field of customer experience.



# Sound, Profitable, Growth Financial Metrics - 2Q19

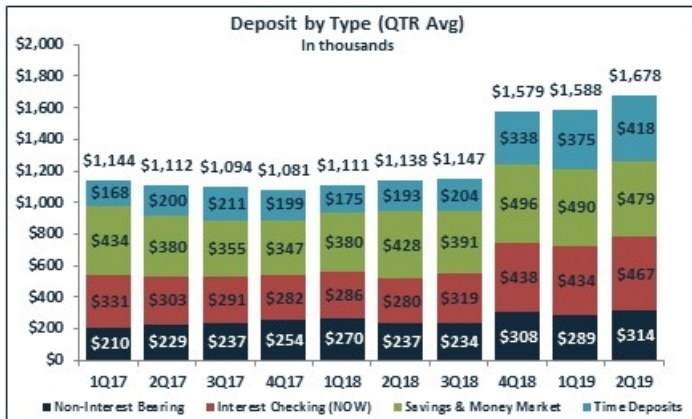
	Operating Metrics <sup>1</sup>	2Q19	1Q19	2Q18
<b>Soundness</b>	Allowance for Loan Losses to Total Loans	0.90%	0.88%	1.41%
	Net Charge-Offs to Average Loans (Periods Annualized)	0.02%	0.01%	0.01%
	Non-Performing Assets/Assets	0.12%	0.14%	0.39%
	Total Risk Based Capital Ratio	13.29%	12.64%	12.53%
	Tangible Equity / Tangible Assets	11.02%	10.76%	10.53%
<b>Profitability</b>	Return on Average Assets (ROAA)	1.40%	1.06%	1.08%
	Return on Average Equity (ROAE)	10.78%	8.23%	9.95%
	Return on Average Tangible Equity (ROATE)	13.05%	10.02%	10.38%
	Efficiency Ratio <sup>2</sup>	61.39%	65.01%	67.38%
	Net Interest Margin <sup>3</sup> (tax equivalent basis)	3.68%	3.75%	3.46%
<b>Growth</b>	Operating Net Income	\$7.02	\$5.22	\$3.76
	Diluted EPS	\$0.38	\$0.28	\$0.29
	Tangible Book Value per Share	\$11.87	\$11.55	\$11.56
	Total Loans (Avg)	\$1,469	\$1,462	\$1,042
	Total Deposits (Avg)	\$1,678	\$1,588	\$1,138
	Total Assets (Avg)	\$2,004	\$1,988	\$1,396

(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.

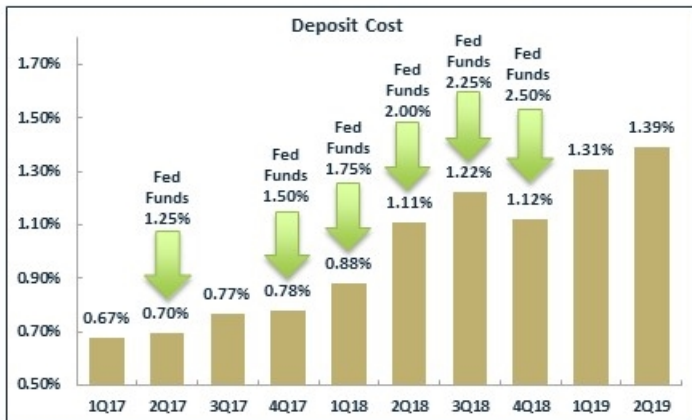
(2) Efficiency ratio is Noninterest expense divided by the sum of net interest income and noninterest income

(3) Calculated on a tax equivalent basis.

# Deposit Growth and Costs



- Avg Deposit balances grew 22.7% on an annualized basis from 1Q19.
- EOP Deposits grew 10.5% on an annualized basis from 1Q19.
- Excluding Day 1 deposits from Athens, organic average deposit growth was 11.9% vs. 2Q18.

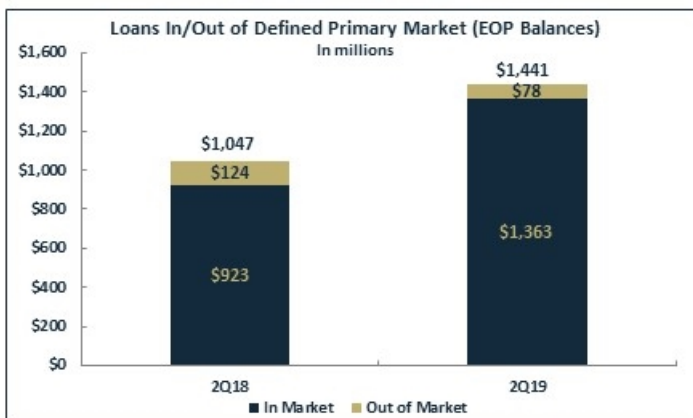
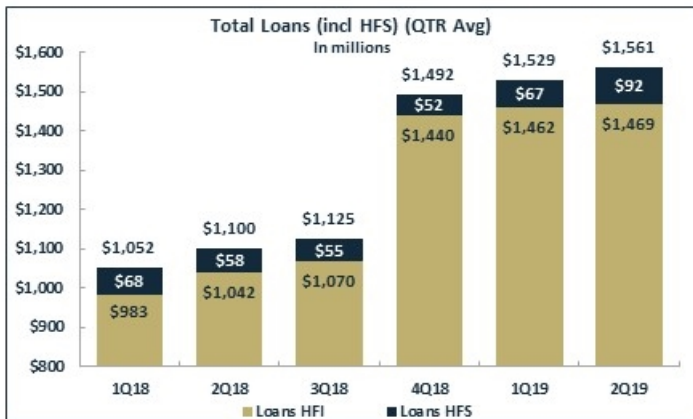


*\$ in millions*

	2Q19	Change Vs. 1Q19*		Change Vs. 2Q18	
	\$	\$	%	\$	%
<b>Balance Sheet (EOP Balances)</b>					
Non-Interest Bearing	\$ 327	\$ 14	17.9%	\$ 103	46.1%
Interest Checking (NOW)	491	41	36.2%	199	68.3%
Savings & Money Market	508	16	12.9%	86	20.4%
Time Deposit's under \$100K	105	(15)	-49.2%	63	151.9%
Time Deposit's over \$100K	292	(12)	-15.6%	127	76.1%
<b>Deposits</b>	<b>\$ 1,723</b>	<b>\$ 44</b>	<b>10.5%</b>	<b>\$ 578</b>	<b>50.5%</b>

\*Annualized % change from 1Q19 to 2Q19

# Loan Growth

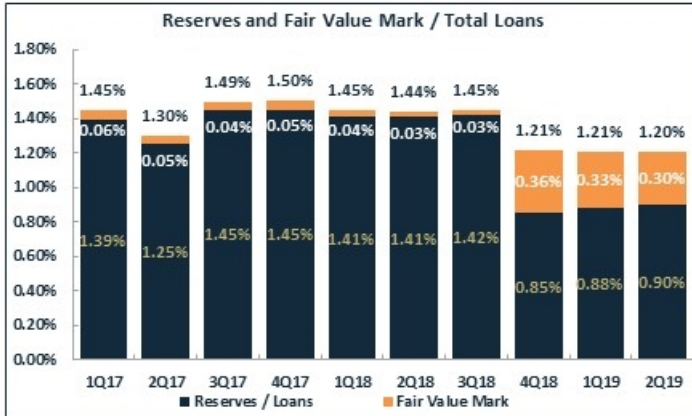


- Avg Loans increased 2.1% on an annualized basis from 1Q19.
- Excluding Day 1 loans from Athens, organic average loan growth is 7.9% over 2Q18.
- Total “in market” growth was 10.3% excluding Athens vs. 2Q18 while our “out of market” loans declined \$46MM from \$124MM in 2Q18 to \$78MM over the same period.

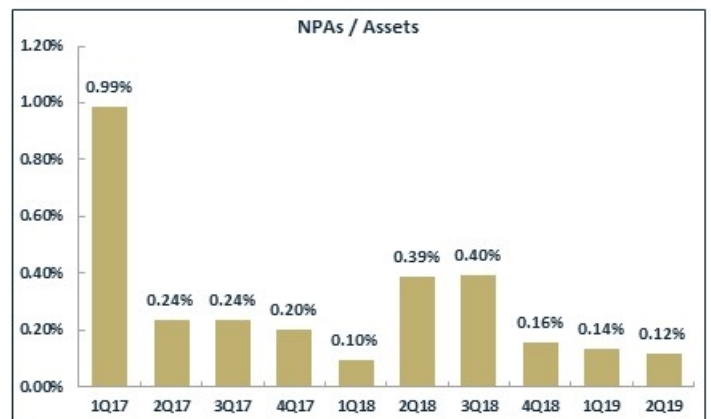
	2Q19		Change Vs. 1Q19*		Change Vs. 2Q18	
	\$	\$	%	\$	%	
<b>Balance Sheet (EOP Balances)</b>						
Commercial and Industrial	\$ 405	\$ (15)	-14.5%	\$ 19	4.8%	
Commercial Real Estate (Non Owner Occupied)	422	18	17.9%	135	47.0%	
Commercial Real Estate (Owner Occupied)	173	3	6.7%	52	42.7%	
Consumer Real Estate	255	6	9.8%	145	132.0%	
Construction & Land Development	124	(38)	-94.8%	27	28.3%	
Consumer	27	0	7.1%	17	176.1%	
Other	35	(1)	-11.1%	(1)	-1.8%	
<b>Total Loans</b>	<b>\$ 1,441</b>	<b>\$ (27)</b>	<b>-7.4%</b>	<b>\$ 394</b>	<b>37.7%</b>	

\*Annualized % change from 1Q19 to 2Q19

# Credit Quality

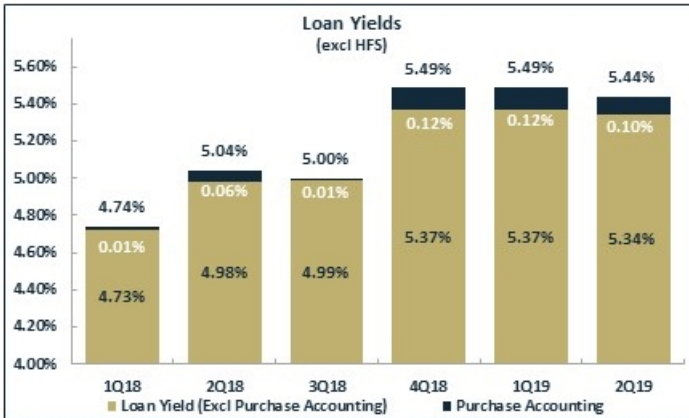


- The current reserve of \$12.9MM plus the \$4.4MM fair value mark on acquired loans equates to a 1.20% reserve/loans.
- Criticized and Classified Loans remain at low levels. Average criticized and classified borrower credit balance is \$300K.
- Current NPAs/Assets remain at a low level.

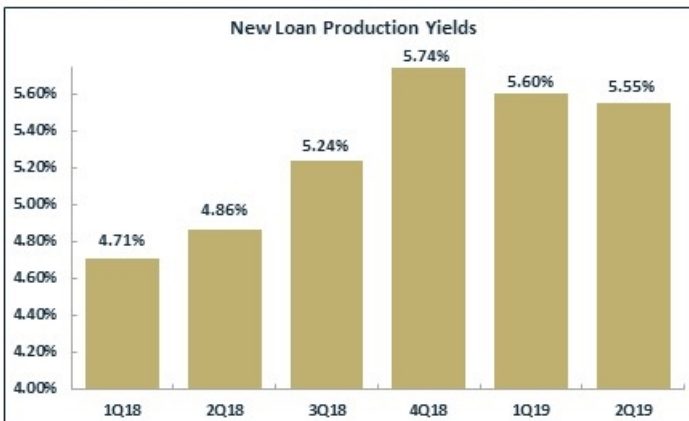




# Loan Yields

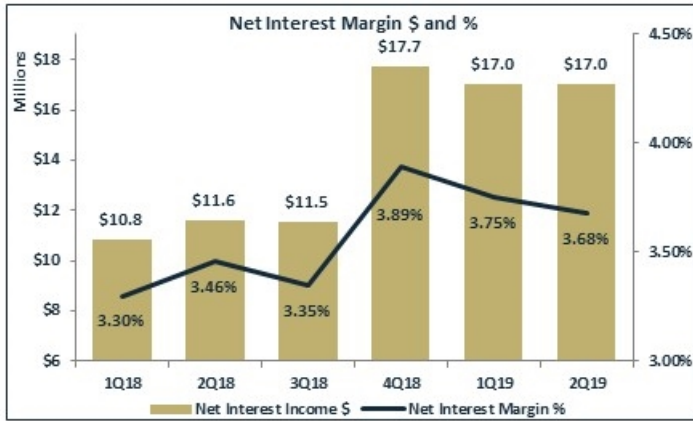


- The yield on new loan production in 2Q19 was 5.55%.
- The last 3 quarters of new loan production yields are above our portfolio average.
- The average 1 month Libor rate was 2.45% and down 5 bps from the first quarter.



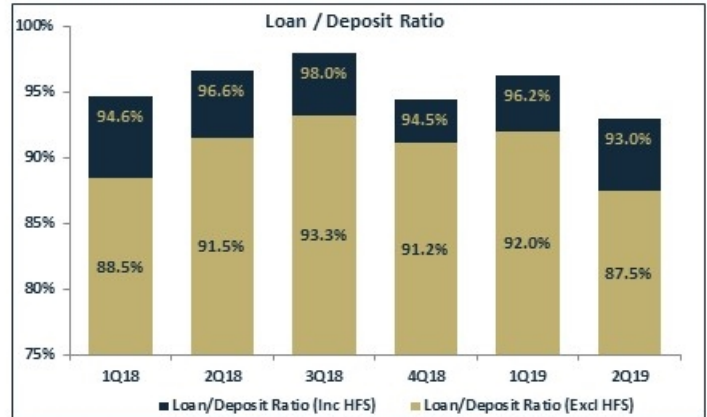
1Q19 (Avg)	5.49%
Decrease in Purchase Accounting	(0.02%)
Loan Volume/Mix	(0.02%)
Decrease in Loan Fees	(0.01%)
2Q19 (Avg)	5.44%

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



- Our NIM was 3.68% and decreased 7 bps.
- We have taken a number of actions to better position the balance sheet in a rates down scenario.
- EOP loan to deposit ratio decreased to 93.0% with loan payoffs late in the quarter.

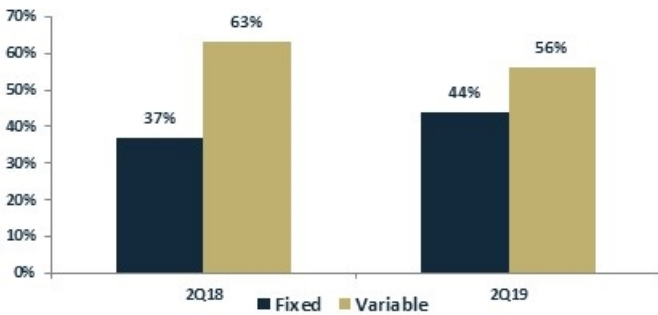
Net Interest Margin	
1Q19 (Avg)	3.75%
Increase in Deposit Balances and Costs	(0.14%)
Decrease in Investment Balances	(0.05%)
Decrease in Loan Yields	(0.04%)
Increase in Loan HFI/HFS Balances	0.07%
Decrease in Borrowing Balances	0.09%
2Q19 (Avg)	3.68%



(1) Calculated on a tax equivalent basis

# IRR Summary

Our loan portfolio profile has changed with the acquisition of Athens:



Like most of the industry, we have interest rate risk; we are in the range of peers:

Name	Ticker	3/31/2019	
		DN 100	UP 100
Atlantic Capital	ACBI	-6.91%	6.83%
Pinnacle	PNFP	-5.30%	4.10%
First Bank	FBK	-4.90%	0.80%
Crescom	CARO	-3.90%	0.70%
Southern First	SFST	-3.53%	-0.46%
CapStar	CSTR	-3.50%	1.60%
First TN*	FHN	-2.70%	5.20%
Renasant	RNST	-2.69%	1.96%
Cadence	CADE	-0.98%	3.98%
Franklin Synergy	FSB	0.84%	-1.40%
Reliant	RBNC	1.70%	-1.00%

Source: S&P Global  
\*Percentage change is for a DN 50bps shock

We have taken the following actions to mitigate risk in a rates down scenario:

- Emphasized fixed rate lending with relationship managers.
- Restructured \$45MM of securities during the quarter, lowered floating rate allocation of securities portfolio to 6% and extended duration slightly to 3.5 years.
- Unwound \$20MM notional of fixed to floating interest rate swaps.
- Lowered rates on time deposits and shortened duration of wholesale liabilities to under 3 months.
- Relationship managers are proactively meeting with clients regarding opportunities to optimize deposit costs with potential rate cuts.



# Noninterest Income

## Noninterest Income was 1.41% of Average Assets.

(Dollars in thousands)	Three Months Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
<b>Noninterest Income</b>					
Treasury Management and Other Deposit Service Charges	\$ 813	\$ 798	\$ 793	\$ 528	\$ 427
Net Gain (Loss) on Sale of Securities	(121)	12	1	(1)	3
Tri-Net Fees	1,024	641	276	374	325
Mortgage Banking Income	3,087	1,385	1,324	1,634	1,383
Other	2,229	1,899	3,993	683	627
<b>Total Noninterest Income</b>	<b>\$ 7,032</b>	<b>\$ 4,735</b>	<b>\$ 6,387</b>	<b>\$ 3,218</b>	<b>\$ 2,765</b>
<b>Average Assets</b>	<b>2,004,207</b>	<b>1,988,478</b>	<b>1,940,991</b>	<b>1,421,873</b>	<b>1,396,359</b>
<b>Noninterest Income / Average Assets</b>	<b>1.41%</b>	<b>0.97%</b>	<b>1.31%</b>	<b>0.90%</b>	<b>0.79%</b>

- Treasury Management and other Deposit Service Charges continue to grow.
- Net loss on sale of securities due to repositioning of Investment Portfolio with anticipated rate cuts.
- Tri-Net fees of \$1MM.
- Mortgage income predominantly due to higher volumes and the implementation of forward rate locks and mandatory delivery vs. selling at best efforts (\$912K).
- Other fee businesses (Debit card Interchange, Wealth, BOLI, Title and Finance company) continue to demonstrate growth.

# Noninterest Expense

Operating Efficiency Ratio of 61.39% was in line with previously provided guidance.

(Dollars in thousands)	Three Months Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
<b>Noninterest Expense</b>					
Salaries and Employee Benefits	\$ 8,563	\$ 8,432	\$ 9,475	\$ 6,514	\$ 6,340
Data Processing & Software	1,862	1,474	1,424	803	810
Professional Fees	501	543	534	255	344
Occupancy	809	883	736	544	535
Equipment	1,026	852	810	520	602
Regulatory Fees	272	274	364	228	233
Merger Related Expenses	1,711	594	8,929	540	335
Amortization of Intangibles	419	430	442	3	10
Other Operating	1,307	1,243	1,118	663	796
<b>Total Noninterest Expense</b>	<b>\$ 16,470</b>	<b>\$ 14,725</b>	<b>\$ 23,832</b>	<b>\$ 10,070</b>	<b>\$ 10,005</b>
<i>Efficiency Ratio</i>	<i>68.51%</i>	<i>67.74%</i>	<i>98.88%</i>	<i>68.22%</i>	<i>69.71%</i>
<i>Average Assets</i>	<i>\$ 2,004,207</i>	<i>\$ 1,988,478</i>	<i>\$ 1,940,991</i>	<i>\$ 1,421,873</i>	<i>\$ 1,396,359</i>
<i>Noninterest Expense / Average Assets</i>	<i>3.30%</i>	<i>3.00%</i>	<i>4.87%</i>	<i>2.81%</i>	<i>2.87%</i>
<i>FTE</i>	<i>290</i>	<i>289</i>	<i>286</i>	<i>185</i>	<i>183</i>
<b>Operating Noninterest Expense<sup>(1)</sup></b>	<b>\$ 14,759</b>	<b>\$ 14,131</b>	<b>\$ 14,903</b>	<b>\$ 9,530</b>	<b>\$ 9,670</b>
<b>Operating Efficiency Ratio<sup>(1)</sup></b>	<b>61.39%</b>	<b>65.01%</b>	<b>61.83%</b>	<b>64.56%</b>	<b>67.38%</b>
<b>Operating Noninterest Expense / Average Assets<sup>(1)</sup></b>	<b>2.95%</b>	<b>2.88%</b>	<b>3.05%</b>	<b>2.66%</b>	<b>2.78%</b>

- Data Processing, Software and Equipment were elevated over the prior quarter due to the following:
  - \$50K of one-time expenses.
  - \$100K of “bubble” expenses for two managed IT providers; one vendor goes away in 4Q19.
  - \$200K of Equipment upgrades in East TN.
  - Implemented new modules for enhanced customer experience.
- Majority of Merger expenses are complete.

(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 of our capital ratios increased from the prior quarter and are above regulatory guidelines.

<u>Capital Ratios</u>	<b>6/30/19</b>	<b>3/31/19</b>	<b>12/31/18</b>	<b>9/30/18</b>	<b>"Well Capitalized" Guidelines</b>
<b>Tangible Equity / Tangible Assets*</b>	<b>11.02%</b>	<b>10.76%</b>	<b>10.86%</b>	<b>10.72%</b>	<b>NA</b>
<b>Tangible Common Equity / Tangible Assets*</b>	<b>10.56%</b>	<b>10.31%</b>	<b>10.39%</b>	<b>10.09%</b>	<b>NA</b>
<b>Leverage</b>	<b>11.01%</b>	<b>10.97%</b>	<b>11.06%</b>	<b>11.02%</b>	<b>≥ 5.00%</b>
<b>Tier 1 Risk Based Capital</b>	<b>12.53%</b>	<b>11.90%</b>	<b>12.13%</b>	<b>11.49%</b>	<b>≥ 8.00%</b>
<b>Total Risk Based Capital</b>	<b>13.29%</b>	<b>12.64%</b>	<b>12.84%</b>	<b>12.62%</b>	<b>≥ 10.00%</b>

- Shares repurchases:
  - 2Q19: 219,600 CSTR shares in 2Q19 at an average price of \$15.47 per share.
  - YTD 2019: 375,000 CSTR shares at an average price of \$15.53 per share.
- Paid quarterly cash dividend of \$0.05/share to all shareholders on May 24, 2019.

\*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 with an overall objective of becoming a high performing financial institution:**
  - 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

(Dollars in thousands, except per share information)	Three Months Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
<b>TANGIBLE EQUITY</b>					
Total Shareholders' Equity	\$ 262,664	\$ 259,751	\$ 254,379	\$ 157,510	\$ 153,146
Less: Intangible Assets	45,199	45,618	46,048	6,219	6,222
Tangible Equity	217,465	214,133	208,331	151,291	146,924
<b>TANGIBLE COMMON EQUITY</b>					
Tangible Equity	\$ 217,465	\$ 214,133	\$ 208,331	\$ 151,291	\$ 146,924
Less: Preferred Equity	9,000	9,000	9,000	9,000	9,000
Tangible Common Equity	208,465	205,133	199,331	142,291	137,924
<b>TANGIBLE EQUITY TO TANGIBLE ASSETS</b>					
Tangible Equity	\$ 217,465	\$ 214,133	\$ 208,331	\$ 151,291	\$ 146,924
Total Assets	2,018,421	2,035,811	1,963,883	1,416,907	1,401,181
Less: Intangible Assets	45,199	45,618	46,048	6,219	6,222
Tangible Assets	1,973,223	1,990,193	1,917,835	1,410,689	1,394,959
Tangible Equity to Tangible Assets	11.02%	10.76%	10.86%	10.72%	10.53%
<b>TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS</b>					
Tangible Common Equity	\$ 208,465	\$ 205,133	\$ 199,331	\$ 142,291	\$ 137,924
Tangible Assets	1,973,223	1,990,193	1,917,835	1,410,689	1,394,959
Tangible Common Equity to Tangible Assets	10.56%	10.31%	10.39%	10.09%	9.89%

# Non-GAAP Financial Measures

	Three Months Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
(Dollars in thousands, except per share information)					
<b>RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Total Average Shareholders' Equity	\$ 261,197	\$ 257,105	\$ 245,811	\$ 156,264	\$ 151,535
Less: Average Intangible Assets	45,456	45,890	45,687	6,220	6,228
Average Tangible Equity	215,741	211,215	200,124	150,044	145,307
Net Income	5,756	4,780	(708)	3,656	3,513
Return on Average Tangible Equity (ROATE)	10.70%	9.18%	-1.40%	9.67%	9.70%
<b>RETURN ON AVERAGE TANGIBLE COMMON EQUITY (ROATCE)</b>					
Average Tangible Equity	\$ 215,741	\$ 211,215	\$ 200,124	\$ 150,044	\$ 145,307
Less: Preferred Equity	9,000	9,000	9,000	9,000	9,000
Average Tangible Common Equity	206,741	202,215	191,124	141,044	136,307
Net Income	5,756	4,780	(708)	3,656	3,513
Return on Average Tangible Common Equity (ROATCE)	11.17%	9.59%	-1.47%	10.28%	10.34%

# Non-GAAP Financial Measures

	Three Months Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
(Dollars in thousands, except per share information)					
<b>TANGIBLE BOOK VALUE PER SHARE, REPORTED</b>					
Tangible Common Equity	\$ 208,465	\$ 205,133	\$ 199,331	\$ 142,291	\$ 137,924
Shares of Common Stock Outstanding	17,561,476	17,765,124	17,724,721	12,125,122	11,931,131
Tangible Book Value Per Share, Reported	\$11.87	\$11.55	\$11.25	\$11.74	\$11.56
<b>SHARES OUTSTANDING AT END OF PERIOD</b>					
Shares of Common Stock Outstanding	17,561,476	17,765,124	17,724,721	12,125,122	11,931,131
Shares of Preferred Stock Outstanding	878,048	878,048	878,048	878,048	878,049
Total Shares Outstanding at End of Period	18,439,524	18,643,172	18,602,769	13,003,170	12,809,180
<b>TANGIBLE BOOK VALUE PER SHARE, ADJUSTED</b>					
Tangible Equity	\$ 217,465	\$ 214,133	\$ 208,331	\$ 151,291	\$ 146,924
Total Shares Outstanding at End of Period	18,439,524	18,643,172	18,602,769	13,003,170	12,809,180
Tangible Book Value Per Share, Adjusted	\$11.79	\$11.49	\$11.20	\$11.63	\$11.47



# Non-GAAP Financial Measures

	Three Months Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
(Dollars in thousands, except per share information)					
<b>OPERATING NET INCOME</b>					
Net Income	\$ 5,756	\$ 4,780	\$ (708)	\$ 3,656	\$ 3,513
Add: Merger Related Expense	1,711	594	8,929	540	335
Less: Income Tax Impact	(447)	(155)	(1,985)	(141)	(88)
Operating Net Income	7,020	5,219	6,236	4,055	3,760
<b>OPERATING DILUTED NET INCOME PER SHARE</b>					
Operating Net Income	\$ 7,020	\$ 5,219	\$ 6,236	\$ 4,055	\$ 3,760
Average Diluted Shares Outstanding	18,650,706	18,830,933	18,716,562	13,113,775	13,067,223
Operating Diluted Net Income per Share	\$0.38	\$0.28	\$0.33	\$0.31	\$0.29
<b>OPERATING RETURN ON AVERAGE ASSETS (ROAA)</b>					
Operating Net Income	\$ 7,020	\$ 5,219	\$ 6,236	\$ 4,055	\$ 3,760
Total Average Assets	2,004,207	1,988,478	1,940,991	1,421,873	1,396,359
Operating Return on Average Assets (ROAA)	1.40%	1.06%	1.27%	1.13%	1.08%
<b>OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Average Tangible Equity	\$ 215,741	\$ 211,215	\$ 200,124	\$ 150,044	\$ 145,307
Operating Net Income	7,020	5,219	6,236	4,055	3,760
Operating Return on Average Tangible Equity (ROATE)	13.05%	10.02%	12.36%	10.72%	10.38%

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

	Three Months Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
(Dollars in thousands, except per share information)					
<b>OPERATING NONINTEREST EXPENSE</b>					
Noninterest Expense	\$ 16,470	\$ 14,725	\$ 23,832	\$ 10,070	\$ 10,005
Less: Merger Related Expense	(1,711)	(594)	(8,929)	(540)	(335)
Operating Noninterest Expense	14,759	14,131	14,903	9,530	9,670
<b>OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS</b>					
Operating Noninterest Expense	\$ 14,759	\$ 14,131	\$ 14,903	\$ 9,530	\$ 9,670
Total Average Assets	2,004,207	1,988,478	1,940,991	1,421,873	1,396,359
Operating Noninterest Income / Average Assets	2.95%	2.88%	3.05%	2.66%	2.78%
<b>OPERATING EFFICIENCY RATIO</b>					
Operating Noninterest Expense	\$ 14,759	\$ 14,131	\$ 14,903	\$ 9,530	\$ 9,670
Net Interest Income	17,008	17,002	17,716	11,543	11,587
Non Interest Income	7,032	4,735	6,387	3,218	2,765
Total Revenues	24,040	21,737	24,103	14,761	14,352
Operating Efficiency Ratio	61.39%	65.01%	61.83%	64.56%	67.38%

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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