

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 23, 2020

CAPSTAR FINANCIAL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 23, 2020, CapStar Financial Holdings, Inc. (the “Company”) issued an earnings release announcing its financial results for the second quarter ended June 30, 2020. 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 24, 2020 to discuss its financial results for the second quarter ended June 30, 2020.

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	Earnings release issued on July 23, 2020 by CapStar Financial Holdings, Inc.
99.2	Presentation for conference call to be conducted by CapStar Financial Holdings, Inc. on July 24, 2020.

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/ Michael J. Fowler
Michael J. Fowler
Chief Financial Officer

Date: July 23, 2020

EARNINGS RELEASE

CONTACT

Mike Fowler
Chief Financial Officer
 (615) 732-7404



CapStar Financial Holdings, Inc. Reports Second Quarter 2020 Results

Strong Pre-tax Pre-provision Income led by Record Mortgage Results

NASHVILLE, TN, July 23, 2020 GlobeNewswire -- CapStar Financial Holdings, Inc. (“CapStar”) (NASDAQ:CSTR) today reported second quarter net income of \$6.2 million and pre-tax pre-provision income of \$9.6 million. Diluted earnings per share were \$0.34, an increase of \$0.03 from the second quarter of 2019. Excluding merger-related charges, diluted operating⁽¹⁾ earnings per share were \$0.36, a decline of \$0.02 from the second quarter of 2019. Return on average assets and return on average equity for the second quarter of 2020 were 1.06% and 8.83%, respectively. On an operating basis, return on average assets was 1.11% and return on average tangible common equity was 11.02%. Net income for the quarter included provision for loan losses of \$1.6 million, severance expense of \$1.4 million, and merger related expenses of \$448,000.

“I am proud of the CapStar team for their remarkable dedication during an extremely challenging operating environment,” said Timothy K. Schools, CapStar’s president and CEO. “In keeping with our vision, mission and values, we have been unwavering in our commitment to support our employees, clients and communities through the public health crisis. Our non-financial center work force mobilized to working 100% remotely and continues to provide outstanding service. Importantly, we prioritized client assistance by offering loan deferrals and took a leadership position in facilitating PPP loans to protect all local business – both clients and non-clients – as they navigate the challenges presented by COVID-19. Our inclusive and response-driven approach is supporting our communities and presents the prospect for many new and expanded relationships.”

“In the second quarter, we delivered solid financial results with strong pre-tax pre-provision revenue led by our mortgage and Tri-Net divisions,” continued Schools. “During the quarter, we saw a significant rise in both loans related to PPP and in deposits which will bring short-term compression to our net interest margin and we continued to actively monitor our portfolio to identify potential weaknesses. On July 1, we completed our merger with The Bank of Waynesboro and The First National Bank of Manchester, creating an approximately \$3 billion financial institution which will enhance our funding profile, diversify our loan portfolio, expand our geographic reach, and improve our net interest margin, efficiency ratio, and return on assets.”

Soundness

- Allowance for loan losses to total loans was 1.32% at June 30, 2020 compared to 0.90% at June 30, 2019.
- Annualized net charge-offs to average loans were 0.18% for the three months ended June 30, 2020 compared to 0.02% for the same period in 2019.
- Non-performing assets to total loans and OREO were 0.20% at June 30, 2020 compared to 0.16% at June 30, 2019.
- The leverage ratio was 10.08% at June 30, 2020 compared to 11.01% at June 30, 2019.
- The total risk based capital ratio was 16.76% at June 30, 2020 compared to 13.29% at June 30, 2019.

(1) Operating measures exclude merger-related expenses unrelated to CapStar’s normal operations. 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.

Profitability

- Operating annualized return on average assets for the three months ended June 30, 2020 was 1.11% compared to 1.40% for the same period in 2019.
- Operating annualized return on average tangible equity for the three months ended June 30, 2020 was 11.02% compared to 13.05% for the same period in 2019.
- Net interest margin for the three months ended June 30, 2020 was 3.23% compared to 3.68% for the same period in 2019; approximately 17 bps of the decline is attributed to the impact of PPP loans and an increase in cash due to significant deposit growth during the quarter.
- The operating efficiency ratio for the three months ended June 30, 2020 was 64.87% compared to 61.39% for the same period in 2019.
- Operating annualized pre-tax pre-provision income to average assets for the three months ended June 30, 2020 was 1.71% compared to 1.86% for the same period in 2019.

Growth

- Average deposits for the quarter ended June 30, 2020 increased 21.1% to \$2.03 billion, compared to \$1.68 billion for the same period in 2019.
- Average gross loans for the quarter ended June 30, 2020 increased 6.3% to \$1.56 billion, compared to \$1.47 billion for the same period in 2019.
- Pre-tax pre-provision earnings for the quarter ended June 30, 2020 increased 26.3% to \$9.6 million, compared to \$7.6 million for the quarter ended June 30, 2019.
- Tangible book value per share for the quarter ended June 30, 2020 increased 9.7% to \$13.02, compared to \$11.87 for the quarter ended June 30, 2019.

Dividend

On July 23, 2020, the board of directors of CapStar approved a quarterly dividend of \$0.05 per common share that will be paid on August 27, 2020 to shareholders of record of CapStar's common stock as of the close of business on August 13, 2020.

Conference Call and Webcast Information

CapStar will host a conference call and webcast at 9:00 a.m. Central Time on Friday, July 24, 2020. 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 4376815. A simultaneous webcast may be accessed on CapStar's website at 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, 2020, on a consolidated basis, CapStar had total assets of \$2.45 billion, gross loans of \$1.59 billion, total deposits of \$2.10 billion, and shareholders' equity of \$282.0 million. Visit www.capstarbank.com for more information.

FORWARD-LOOKING STATEMENTS

This release contains forward-looking statements, as defined by federal securities laws, including statements about CapStar and its financial outlook and business environment. These statements are based on current expectations and are provided to assist in the understanding of our operations and future financial performance. Our operations and such performance involves risks and uncertainties, including but in no way limited to the effect of the COVID-19 pandemic, that may cause actual results to differ materially from those expressed or implied in any such statements. For a discussion of some of the risks and other factors that may cause such forward-looking statements to differ materially from actual results, please refer to CapStar's filings with the Securities and Exchange Commission, including its 2019 Annual Report on Form 10-K under the sections entitled "Forward-Looking Statements" and "Item 1A Risk Factors." Forward-looking statements speak only as of the date they are made, and except as otherwise required by applicable law, we undertake no obligation to update or revise forward-looking statements.

NON-GAAP MEASURES

This release includes financial information determined by methods other than in accordance with generally accepted accounting principles ("GAAP"). This financial information includes certain operating performance measures, which exclude merger-related and other charges that are not considered part of recurring operations. Such measures include: "Efficiency ratio – operating," "Expenses – operating," "Earnings per share – operating," "Diluted earnings per share – operating," "Tangible book value per share," "Return on common equity – operating," "Return on tangible common equity – operating," "Return on assets – operating," and "Tangible common equity to tangible assets."

Management has included these non-GAAP measures because it believes these measures may provide useful supplemental information for evaluating CapStar's underlying performance trends. Further, management uses these measures in managing and evaluating CapStar's business and intends to refer to them in discussions about our operations and performance. Operating performance measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP, and are not necessarily comparable to non-GAAP measures that may be presented by other companies. To the extent applicable, reconciliations of these non-GAAP measures to the most directly comparable GAAP measures can be found in the 'Non-GAAP Reconciliation Tables' included in the exhibits to this presentation.

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Consolidated Statements of Income (unaudited) (dollars in thousands, except share data)
Second quarter 2020 Earnings Release

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest income:				
Loans, including fees	\$ 19,086	\$ 20,999	\$ 38,823	\$ 41,591
Securities:				
Taxable	1,096	1,165	2,272	2,512
Tax-exempt	312	363	633	739
Federal funds sold	—	6	—	25
Restricted equity securities	140	214	282	401
Interest-bearing deposits in financial institutions	107	411	469	857
Total interest income	<u>20,741</u>	<u>23,158</u>	<u>42,479</u>	<u>46,125</u>
Interest expense:				
Interest-bearing deposits	831	1,827	2,732	3,420
Savings and money market accounts	731	1,782	2,283	3,500
Time deposits	1,416	2,217	2,897	4,030
Federal funds purchased	—	—	—	4
Securities sold under agreements to repurchase	—	—	—	5
Federal Home Loan Bank advances	88	324	231	1,156
Total interest expense	<u>3,066</u>	<u>6,150</u>	<u>8,143</u>	<u>12,115</u>
Net interest income	<u>17,675</u>	<u>17,008</u>	<u>34,336</u>	<u>34,010</u>
Provision for loan losses	1,624	—	9,177	886
Net interest income after provision for loan losses	<u>16,051</u>	<u>17,008</u>	<u>25,159</u>	<u>33,124</u>
Noninterest income:				
Treasury management and other deposit service charges	691	813	1,466	1,611
Net gain (loss) on sale of securities	13	(121)	40	(108)
Tri-Net fees	1,260	1,024	1,860	1,664
Mortgage banking income	7,123	3,087	9,376	4,472
Wealth management fees	374	334	781	639
Interchange and debit card transaction fees	729	991	1,454	1,569
Other noninterest income	633	904	1,720	1,920
Total noninterest income	<u>10,823</u>	<u>7,032</u>	<u>16,697</u>	<u>11,767</u>
Noninterest expense:				
Salaries and employee benefits	12,305	8,563	20,307	16,995
Data processing and software	2,100	1,862	3,964	3,336
Professional fees	581	501	1,216	1,043
Occupancy	797	809	1,616	1,692
Equipment	680	1,026	1,431	1,878
Regulatory fees	333	272	496	546
Merger related expenses	448	1,711	738	2,305
Amortization of intangibles	375	419	761	850
Other operating	1,315	1,307	2,616	2,551
Total noninterest expense	<u>18,934</u>	<u>16,470</u>	<u>33,145</u>	<u>31,196</u>
Income before income taxes	<u>7,940</u>	<u>7,570</u>	<u>8,711</u>	<u>13,695</u>
Income tax expense	1,759	1,814	1,184	3,160
Net income	<u>\$ 6,181</u>	<u>\$ 5,756</u>	<u>\$ 7,527</u>	<u>\$ 10,535</u>
Per share information:				
Basic net income per share of common stock	<u>\$ 0.34</u>	<u>\$ 0.33</u>	<u>\$ 0.41</u>	<u>\$ 0.59</u>
Diluted net income per share of common stock	<u>\$ 0.34</u>	<u>\$ 0.31</u>	<u>\$ 0.41</u>	<u>\$ 0.56</u>
Weighted average shares outstanding:				
Basic	<u>18,307,083</u>	<u>17,663,992</u>	<u>18,349,998</u>	<u>17,723,286</u>
Diluted	<u>18,320,006</u>	<u>18,650,706</u>	<u>18,381,866</u>	<u>18,740,322</u>

This information is preliminary and based on CapStar data available at the time of this earnings release.

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Selected Quarterly Financial Data (unaudited) (dollars in thousands, except share data)
Second quarter 2020 Earnings Release

	Five Quarter Comparison				
	6/30/20	3/31/20	12/31/19	9/30/19	6/30/19
Income Statement Data:					
Net interest income	\$ 17,675	\$ 16,661	\$ 16,581	\$ 17,156	\$ 17,008
Provision for loan losses	1,624	7,553	—	(125)	—
Net interest income after provision for loan losses	16,051	9,108	16,581	17,281	17,008
Treasury management and other deposit service charges	691	775	736	788	813
Net gain (loss) on sale of securities	13	27	9	—	(121)
Tri-Net fees	1,260	599	274	847	1,024
Mortgage banking income	7,123	2,253	2,316	2,679	3,087
Wealth management fees	374	407	407	379	334
Interchange and debit card transaction fees	729	724	928	754	991
Other noninterest income	633	1,089	1,049	1,341	904
Total noninterest income	10,823	5,874	5,719	6,788	7,032
Salaries and employee benefits	12,305	8,002	9,318	9,229	8,563
Data processing and software	2,100	1,864	1,835	1,790	1,862
Professional fees	581	636	531	528	501
Occupancy	797	820	795	858	809
Equipment	680	751	834	1,012	1,026
Regulatory fees	333	163	28	18	272
Merger related expenses	448	290	163	187	1,711
Amortization of intangibles	375	386	397	408	419
Other operating	1,315	1,299	1,365	1,501	1,307
Total noninterest expense	18,934	14,211	15,266	15,531	16,470
Net income before income tax expense	7,940	771	7,034	8,538	7,570
Income tax (benefit) expense	1,759	(575)	1,613	2,072	1,814
Net income	\$ 6,181	\$ 1,346	\$ 5,421	\$ 6,466	\$ 5,756
Weighted average shares - basic	18,307,083	18,392,913	18,350,994	17,741,778	17,663,992
Weighted average shares - diluted	18,320,006	18,443,725	18,443,916	18,532,479	18,650,706
Net income per share, basic	\$ 0.34	\$ 0.07	\$ 0.30	\$ 0.36	\$ 0.33
Net income per share, diluted	0.34	0.07	0.29	0.35	0.31
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 368,820	\$ 91,450	\$ 101,269	\$ 154,021	\$ 156,085
Securities available-for-sale	223,034	219,213	213,129	203,500	194,957
Securities held-to-maturity	2,699	3,306	3,313	3,319	3,721
Loans held for sale	129,807	186,937	168,222	129,613	89,629
Total loans	1,592,725	1,446,835	1,420,102	1,411,768	1,440,617
Allowance for loan losses	(21,035)	(20,114)	(12,604)	(12,828)	(12,903)
Total assets	2,445,172	2,072,585	2,037,201	2,033,911	2,018,421
Non-interest-bearing deposits	546,974	442,789	312,096	352,266	326,550
Interest-bearing deposits	1,548,591	1,320,920	1,417,355	1,379,497	1,396,220
Federal Home Loan Bank advances and other borrowings	39,464	10,000	10,000	10,000	10,000
Total liabilities	2,163,222	1,796,795	1,764,155	1,765,829	1,755,757
Shareholders' equity	\$ 281,950	\$ 275,790	\$ 273,046	\$ 268,082	\$ 262,664
Total shares of common stock outstanding	18,302,188	18,307,802	18,361,922	18,343,403	17,561,476
Total shares of preferred stock outstanding	—	—	—	—	878,048
Book value per share of common stock	\$ 15.41	\$ 15.06	\$ 14.87	\$ 14.61	\$ 14.44
Tangible book value per share of common stock*	13.02	12.66	12.45	12.17	11.87
Market value per share of common stock	\$ 12.00	\$ 9.89	\$ 16.65	\$ 16.58	\$ 15.15
Capital ratios:					
Total risk based capital	16.76%	13.68%	13.45%	13.46%	13.29%
Tier 1 risk based capital	13.76%	12.56%	12.73%	12.71%	12.53%
Common equity tier 1 capital	13.76%	12.56%	12.73%	12.71%	12.01%
Leverage	10.08%	11.23%	11.37%	11.24%	11.01%

*This metric is a non-GAAP financial measure. See Non-GAAP disclaimer in this earnings release and below for discussion and reconciliation to the most directly comparable GAAP financial measure.

This information is preliminary and based on CapStar data available at the time of this earnings release.

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Selected Quarterly Financial Data (unaudited) (dollars in thousands, except share data)
Second quarter 2020 Earnings Release

	Five Quarter Comparison				
	6/30/20	3/31/20	12/31/19	9/30/19	6/30/19
Average Balance Sheet Data:					
Cash and cash equivalents	\$ 257,709	\$ 114,272	\$ 115,100	\$ 129,114	\$ 93,523
Investment securities	238,762	226,537	225,265	211,460	228,283
Loans held for sale	176,193	180,401	140,731	101,835	91,585
Loans	1,560,626	1,421,256	1,431,027	1,445,755	1,469,210
Assets	2,350,021	2,059,306	2,030,231	2,005,950	2,004,207
Interest bearing deposits	1,519,877	1,411,666	1,388,496	1,370,988	1,364,211
Deposits	2,031,924	1,735,635	1,711,021	1,704,873	1,678,240
Federal Home Loan Bank advances and other borrowings	10,966	20,989	22,391	12,174	42,088
Liabilities	2,068,408	1,780,756	1,758,663	1,739,509	1,743,010
Shareholders' equity	281,614	278,550	271,568	266,441	261,197
Performance Ratios:					
Annualized return on average assets	1.06%	0.26%	1.06%	1.28%	1.15%
Annualized return on average equity	8.83%	1.94%	7.92%	9.63%	8.84%
Net interest margin (1)	3.23%	3.50%	3.49%	3.66%	3.68%
Annualized Noninterest income to average assets	1.85%	1.15%	1.12%	1.34%	1.41%
Efficiency ratio	66.44%	63.06%	68.46%	64.87%	68.51%
Loans by Type (at period end):					
Commercial and industrial	\$ 621,541	\$ 447,311	\$ 394,408	\$ 382,816	\$ 404,745
Commercial real estate - owner occupied	147,682	166,652	172,456	169,370	173,316
Commercial real estate - non-owner occupied	408,402	378,170	387,443	407,378	421,496
Construction and development	117,830	141,087	143,111	132,222	123,901
Consumer real estate	238,696	248,243	256,097	254,736	255,043
Consumer	27,542	27,739	28,426	29,059	26,704
Other	31,032	37,633	38,161	36,187	35,412
Asset Quality Data:					
Allowance for loan losses to total loans	1.32%	1.39%	0.89%	0.91%	0.90%
Allowance for loan losses to non-performing loans	705%	550%	861%	754%	894%
Nonaccrual loans	\$ 2,982	\$ 3,658	\$ 1,464	\$ 1,701	\$ 1,443
Troubled debt restructurings	1,228	1,306	2,717	2,725	1,238
Loans - over 89 days past due and accruing	639	399	38	551	302
Total non-performing loans	2,982	3,658	1,464	1,701	1,443
OREO and repossessed assets	147	147	1,044	914	914
Total non-performing assets	3,129	3,805	2,508	2,615	2,357
Non-performing loans to total loans	0.19%	0.25%	0.10%	0.12%	0.10%
Non-performing assets to total assets	0.13%	0.18%	0.12%	0.13%	0.12%
Non-performing assets to total loans and OREO	0.20%	0.26%	0.18%	0.19%	0.16%
Annualized net charge-offs (recoveries) to average loans	0.18%	0.01%	0.06%	(0.01)%	0.02%
Net charge-offs (recoveries)	\$ 703	\$ 43	\$ 224	\$ (50)	\$ 56
Interest Rates and Yields:					
Loans	4.50%	5.10%	5.24%	5.48%	5.44%
Securities (1)	2.73%	3.04%	3.00%	3.14%	3.22%
Total interest-earning assets (1)	3.78%	4.56%	4.67%	4.95%	5.00%
Deposits	0.59%	1.14%	1.27%	1.38%	1.39%
Borrowings and repurchase agreements	3.16%	2.77%	2.88%	4.12%	3.09%
Total interest-bearing liabilities	0.81%	1.43%	1.58%	1.74%	1.75%
Other Information:					
Full-time equivalent employees	286	288	289	290	290

This information is preliminary and based on CapStar data available at the time of this earnings 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)
Second quarter 2020 Earnings Release

	For the Three Months Ended June 30,					
	2020			2019		
	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate
Interest-Earning Assets						
Loans (1)	\$ 1,560,626	\$ 17,459	4.50%	\$ 1,469,210	\$ 19,931	5.44%
Loans held for sale	176,193	1,627	3.71%	91,585	1,068	4.68%
Securities:						
Taxable investment securities (2)	194,876	1,236	2.54%	175,742	1,379	3.14%
Investment securities exempt from federal income tax (3)	43,886	312	3.60%	52,541	363	3.50%
Total securities	238,762	1,548	2.73%	228,283	1,742	3.22%
Cash balances in other banks	237,738	107	0.18%	75,485	411	2.18%
Funds sold	1	—	1.27%	767	6	2.96%
Total interest-earning assets	2,213,320	20,741	3.78%	1,865,330	23,158	5.00%
Noninterest-earning assets	136,701			138,877		
Total assets	<u>\$ 2,350,021</u>			<u>\$ 2,004,207</u>		
Interest-Bearing Liabilities						
Interest-bearing deposits:						
Interest-bearing transaction accounts	\$ 691,063	831	0.48%	\$ 467,326	1,827	1.57%
Savings and money market deposits	492,682	731	0.60%	479,012	1,782	1.49%
Time deposits	336,132	1,416	1.69%	417,873	2,217	2.13%
Total interest-bearing deposits	1,519,877	2,978	0.79%	1,364,211	5,826	1.71%
Borrowings and repurchase agreements	11,131	88	3.16%	42,117	324	3.09%
Total interest-bearing liabilities	1,531,008	3,066	0.81%	1,406,328	6,150	1.75%
Noninterest-bearing deposits	512,046			314,029		
Total funding sources	2,043,054			1,720,357		
Noninterest-bearing liabilities	25,353			22,653		
Shareholders' equity	281,614			261,197		
Total liabilities and shareholders' equity	<u>\$ 2,350,021</u>			<u>\$ 2,004,207</u>		
Net interest spread (4)			2.98%			3.25%
Net interest income/margin (5)		<u>\$ 17,675</u>	3.23%		<u>\$ 17,008</u>	3.68%

- (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 CapStar data available at the time of this earnings release.

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)
Second quarter 2020 Earnings Release

	Three Months Ended				
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Operating net income:					
Net income	\$ 6,181	\$ 1,346	\$ 5,421	\$ 6,466	\$ 5,756
Add: merger related expenses	448	290	163	187	1,711
Less: income tax impact of merger related expenses	(117)	(76)	(43)	(49)	(447)
Operating net income	<u>\$ 6,512</u>	<u>\$ 1,560</u>	<u>\$ 5,541</u>	<u>\$ 6,604</u>	<u>\$ 7,020</u>
Operating diluted net income per share of common stock:					
Operating net income	\$ 6,512	\$ 1,560	\$ 5,541	\$ 6,604	\$ 7,020
Weighted average shares - diluted	18,320,006	18,443,725	18,443,916	18,532,479	18,650,706
Operating diluted net income per share of common stock	<u>\$ 0.36</u>	<u>\$ 0.08</u>	<u>\$ 0.30</u>	<u>\$ 0.36</u>	<u>\$ 0.38</u>
Operating annualized return on average assets:					
Operating net income	\$ 6,512	\$ 1,560	\$ 5,541	\$ 6,604	\$ 7,020
Average assets	\$ 2,350,021	\$ 2,059,306	\$ 2,030,231	\$ 2,005,950	\$ 2,004,207
Operating annualized return on average assets	<u>1.11%</u>	<u>0.30%</u>	<u>1.08%</u>	<u>1.31%</u>	<u>1.40%</u>
Operating annualized return on average tangible equity:					
Average total shareholders' equity	\$ 281,614	\$ 278,550	\$ 271,568	\$ 266,441	\$ 261,197
Less: average intangible assets	(43,871)	(44,253)	(44,646)	(45,050)	(45,456)
Average tangible equity	237,743	234,297	226,922	221,391	215,741
Operating net income	\$ 6,512	\$ 1,560	\$ 5,541	\$ 6,604	\$ 7,020
Operating annualized return on average tangible equity	<u>11.02%</u>	<u>2.68%</u>	<u>9.69%</u>	<u>11.83%</u>	<u>13.05%</u>
Operating efficiency ratio:					
Total noninterest expense	\$ 18,934	\$ 14,211	\$ 15,266	\$ 15,531	\$ 16,470
Less: merger related expenses	(448)	(290)	(163)	(187)	(1,711)
Total operating noninterest expense	18,486	13,921	15,103	15,344	14,759
Net interest income	17,675	16,661	16,581	17,156	17,008
Total noninterest income	10,823	5,874	5,719	6,788	7,032
Total revenues	\$ 28,498	\$ 22,535	\$ 22,300	\$ 23,944	\$ 24,040
Operating efficiency ratio:	<u>64.87%</u>	<u>61.78%</u>	<u>67.73%</u>	<u>64.08%</u>	<u>61.39%</u>
Operating annualized pre-tax pre-provision income to average assets:					
Income before income taxes	\$ 7,940	\$ 771	\$ 7,034	\$ 8,538	\$ 7,570
Add: merger related expenses	448	290	163	187	1,711
Add: provision for loan losses	1,624	7,553	—	(125)	—
Operating pre-tax pre-provision income	10,012	8,614	7,197	8,600	9,281
Average assets	\$ 2,350,021	\$ 2,059,306	\$ 2,030,231	\$ 2,005,950	\$ 2,004,207
Operating annualized pre-tax pre-provision income to average assets:	<u>1.71%</u>	<u>1.68%</u>	<u>1.41%</u>	<u>1.70%</u>	<u>1.86%</u>
Tangible Equity:					
Total shareholders' equity	\$ 281,950	\$ 275,790	\$ 273,046	\$ 268,082	\$ 262,664
Less: intangible assets	(43,633)	(44,008)	(44,393)	(44,790)	(45,199)
Tangible equity	<u>\$ 238,317</u>	<u>\$ 231,782</u>	<u>\$ 228,653</u>	<u>\$ 223,292</u>	<u>\$ 217,465</u>
Tangible Common Equity:					
Tangible equity	\$ 238,317	\$ 231,782	\$ 228,653	\$ 223,292	\$ 217,465
Less: preferred equity	—	—	—	—	(9,000)
Tangible common equity	<u>\$ 238,317</u>	<u>\$ 231,782</u>	<u>\$ 228,653</u>	<u>\$ 223,292</u>	<u>\$ 208,465</u>
Tangible Book Value per Share of Common Stock:					
Tangible common equity	\$ 238,317	\$ 231,782	\$ 228,653	\$ 223,292	\$ 208,465
Total shares of common stock outstanding	18,302,188	18,307,802	18,361,922	18,343,403	17,561,476
Tangible book value per share of common stock	<u>\$ 13.02</u>	<u>\$ 12.66</u>	<u>\$ 12.45</u>	<u>\$ 12.17</u>	<u>\$ 11.87</u>

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)
Second quarter 2020 Earnings Release

	Six Months Ended	
	June 30, 2020	June 30, 2019
Operating net income:		
Net income	\$ 7,527	\$ 10,535
Add: merger related expenses	738	2,305
Less: income tax impact of merger related expenses	(193)	(603)
Operating net income	<u>\$ 8,072</u>	<u>\$ 12,237</u>
Operating diluted net income per share of common stock:		
Operating net income	\$ 8,072	\$ 12,237
Weighted average shares - diluted	18,381,866	18,740,322
Operating diluted net income per share of common stock	<u>\$ 0.44</u>	<u>\$ 0.65</u>
Operating annualized return on average assets:		
Operating net income	\$ 8,072	\$ 12,237
Average assets	\$ 2,204,663	\$ 1,996,386
Operating annualized return on average assets	<u>0.74%</u>	<u>1.24%</u>
Operating annualized return on average tangible equity:		
Average total shareholders' equity	\$ 280,082	\$ 259,162
Less: average intangible assets	(44,062)	(45,672)
Average tangible equity	236,020	213,490
Operating net income	\$ 8,072	\$ 12,237
Operating annualized return on average tangible equity	<u>6.88%</u>	<u>11.56%</u>
Operating efficiency ratio:		
Total noninterest expense	\$ 33,145	\$ 31,196
Less: merger related expenses	(738)	(2,305)
Total operating noninterest expense	32,407	28,891
Net interest income	34,336	34,010
Total noninterest income	16,697	11,767
Total revenues	\$ 51,033	\$ 45,777
Operating efficiency ratio:	<u>63.50%</u>	<u>63.11%</u>



CAPSTARTM
FINANCIAL HOLDINGS, INC.

Second Quarter 2020

Earnings Call

July 24, 2020

FORWARD-LOOKING STATEMENTS

This investor presentation contains forward-looking statements, as defined by federal securities laws, including statements about CapStar Financial Holdings, Inc. ("CapStar") and its financial outlook and business environment. These statements are based on current expectations and are provided to assist in the understanding of our operations and future financial performance. Our operations and such performance involves risks and uncertainties, including but in no way limited to the effect of the COVID-19 pandemic, that may cause actual results to differ materially from those expressed or implied in any such statements. For a discussion of some of the risks and other factors that may cause such forward-looking statements to differ materially from actual results, please refer to CapStar's filings with the Securities and Exchange Commission, including its 2019 Annual Report on Form 10-K under the sections entitled "Forward-Looking Statements" and "Item 1A. Risk Factors". Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements.

NON-GAAP MEASURES

This investor presentation includes financial information determined by methods other than in accordance with generally accepted accounting principles ("GAAP"). This financial information includes certain operating performance measures, which exclude merger-related and other charges that are not considered part of recurring operations. Such measures include: "Efficiency ratio – operating," "Expenses – operating," "Earnings per share – operating," "Diluted earnings per share – operating," "Tangible book value per share," "Return on common equity – operating," "Return on tangible common equity – operating," "Return on assets – operating," and "Tangible common equity to tangible assets."

Management has included these non-GAAP measures because it believes these measures may provide useful supplemental information for evaluating CapStar's underlying performance trends. Further, management uses these measures in managing and evaluating CapStar's business and intends to refer to them in discussions about our operations and performance. Operating performance measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP, and are not necessarily comparable to non-GAAP measures that may be presented by other companies. To the extent applicable, reconciliations of these non-GAAP measures to the most directly comparable GAAP measures can be found in the 'Non-GAAP Reconciliation Tables' included in the exhibits to this presentation.

Agenda

- Financial Highlights and Results
- Risk Management
- FCB Update
- Looking Forward

Financial Highlights and Results

Financial Highlights

- **Strong PTPP led by mortgage and Tri-Net divisions**
 - 2Q PTPP / Assets of 1.71% up 0.03% vs 1Q20
 - Positive operating leverage year over year and linked quarter
 - Operating net income was \$6.5MM or \$0.36 per share
- **Increase in Net Interest Income due to success of PPP**
 - NIM declined due to asset sensitive position and increasing excess liquidity
 - Assessing opportunities to further reduce deposit pricing and levels of non-core deposit funding
 - Market leader in PPP relative to assets; non-PPP loans down vs 1Q20
- **Sound expense control**
 - Mortgage expenses rose in relation to record mortgage revenue
 - 2Q included merger-related and severance expense
 - Core expenses in-line with prior year quarters
- **Proactive risk management**
 - Continued low net charge-offs and criticized and classified asset levels
 - Further provisioned for uncertain economic environment
 - Strengthened total-risked based capital through subordinated debt issuance
 - Maintained significant on and off-balance sheet liquidity
- **FCB merger closed July 1; accretive to NIM, efficiency, ROAA and EPS**

Financial Results

	GAAP ⁽²⁾			Operating ⁽¹⁾⁽²⁾		
	2Q20	Favorable/(Unfavorable)		2Q20	Favorable/(Unfavorable)	
		1Q20	2Q19		1Q20	2Q19
Net Interest Income	\$17.68	6%	4%	\$17.68	6%	4%
Noninterest Income	\$10.82	84%	54%	\$10.82	84%	54%
Revenue	\$28.50	26%	19%	\$28.50	26%	19%
Noninterest Expense	\$18.93	(33%)	(15%)	\$18.49	(33%)	(25%)
Pre-tax Pre-provision Income	\$9.56	15%	26%	\$10.01	16%	8%
Provision for Loan Losses	\$1.62	79%	N/A	\$1.62	79%	N/A
Net Income	\$6.18	359%	7%	\$6.51	317%	(7%)
Diluted EPS	\$0.34	362%	9%	\$0.36	320%	(6%)

(1) Operating results are non-GAAP financial measures that adjust GAAP net income and other metrics for certain revenue and expense items. See the non-GAAP reconciliation calculations included in the Appendix at the end of this presentation, which use a blended statutory income tax rate of 26.14% and exclude non-deductible one-time merger items.

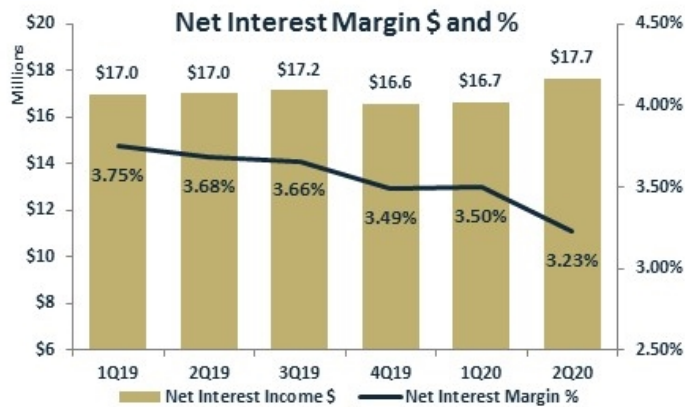
(2) Dollars in millions, except per share data.

Key Performance Indicators

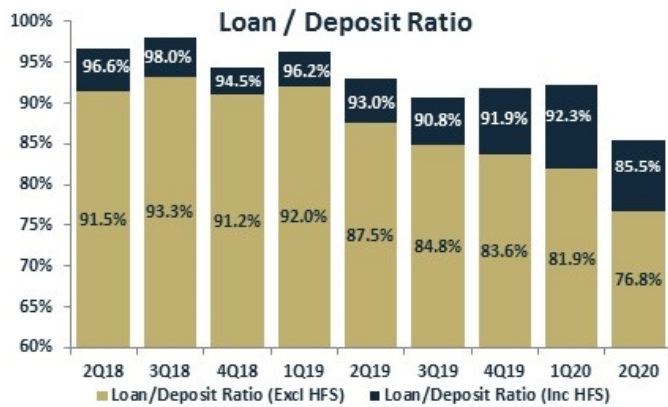
	Operating Metrics ⁽¹⁾	2Q20	1Q20	2Q19
Soundness	Net Charge-Offs to Average Loans (Annualized)	0.18%	0.01%	0.02%
	Non-Performing Assets / Loans + OREO	0.20%	0.26%	0.16%
	Allowance for Loan Losses / Loans Held for Investment	1.32%	1.39%	0.90%
	Tangible Common Equity / Tangible Assets	9.92%	11.43%	10.56%
	Total Risk Based Capital	16.76%	13.68%	13.29%
Profitability	Net Interest Margin ⁽²⁾ (tax equivalent basis)	3.23%	3.50%	3.68%
	Efficiency Ratio ⁽³⁾	64.87%	61.78%	61.39%
	Pre-tax Pre-provision Income / Assets ⁽⁴⁾	1.71%	1.68%	1.86%
	Return on Average Assets	1.11%	0.30%	1.40%
	Return on Average Equity	9.30%	2.25%	10.78%
	Return on Average Tangible Equity	11.02%	2.68%	13.05%
Growth⁽⁵⁾	Total Deposits (Avg)	\$2,032	\$1,736	\$1,678
	Total Loans (Avg)	\$1,561	\$1,421	\$1,469
	Total Assets (Avg)	\$2,350	\$2,059	\$2,004
	Pre-tax Pre-provision Income	\$10.01	\$8.61	\$9.28
	Net Income	\$6.51	\$1.56	\$7.02
	Diluted EPS	\$0.36	\$0.08	\$0.38
	Tangible Book Value per Share	\$13.02	\$12.66	\$11.87

- (1) Operating results are non-GAAP financial measures that adjust GAAP net income and other metrics for certain revenues and expense items. See the non-GAAP reconciliation calculations included in the Appendix at the end of this presentation, which use a blended statutory income tax rate of 28.34% and exclude non-deductible one-time merger items.
- (2) Calculated on a tax equivalent basis.
- (3) Efficiency ratio is Noninterest expense divided by the sum of net interest income and noninterest income.
- (4) Pre-tax Pre-provision Operating MOA calculated as MOA excluding the effect of income tax expense, provision expense and merger charges.
- (5) Dollars in millions, except per share data.

Net Interest Margin⁽¹⁾



- Net interest income increased as a result of higher average earning assets related to PPP
- NIM was 3.23%, down 27 bps from 1Q20
 - Increased cash driven by strong Q2 deposit growth
 - Full quarter impact of the Fed's March rate cuts given our asset sensitive position



- EOP loan to deposit ratio dropped to the mid 80s

(1) Calculated on a tax equivalent basis.

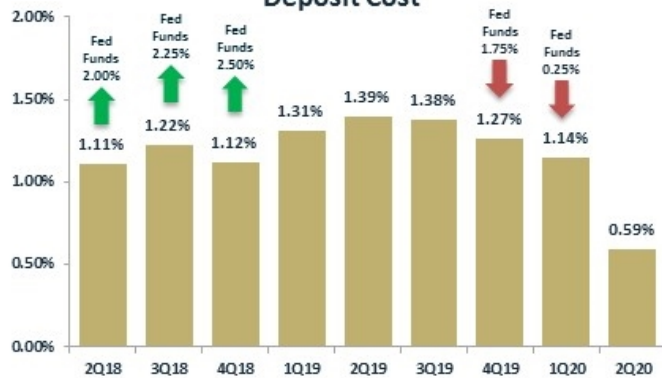
Deposit Growth and Costs

Deposit Portfolio (QTR Avg)



- Avg Deposit balances grew 21.1% over 2Q19
 - Estimated impact of increased deposits from PPP was \$77.4MM at 0.11%
- Avg NOW balances grew 47.9% over 2Q19
- Deposit costs down 55 bps from 1Q20 due to rate adjustments in the quarter

Deposit Cost



\$ in millions	2Q20	Change Vs. 1Q20*		Change Vs. 2Q19	
	\$	\$	%	\$	%
Balance Sheet (EOP Balances)					
Non-Interest Bearing	\$ 547	\$ 104	94.6%	\$ 220	67.5%
Interest Checking (NOW)	686	139	102.0%	195	39.8%
Savings & Money Market	510	37	31.4%	1	0.2%
Time Deposit's under \$100K	71	(0)	-1.5%	(34)	-32.7%
Time Deposit's over \$100K	282	52	91.3%	(10)	-3.3%
Deposits	\$ 2,096	\$ 332	75.7%	\$ 373	21.6%

*Annualized % change from 1Q20 to 2Q20.

Loan Growth



- EOP Loans HFI increased \$146MM or 40.6% annualized from 1Q20
 - PPP loans were \$222MM at June 30
- Avg Loans HFI increased 39% on an annualized basis from 1Q20 driven by the addition of \$154MM in PPP Loans
- Line utilization decreased by 4.7% to 47.4%



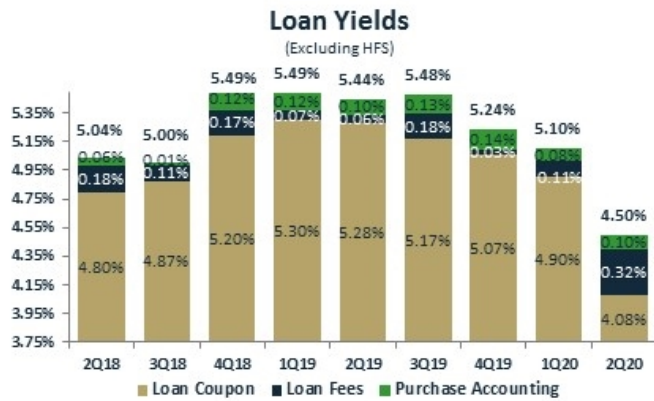
	2020		Change Vs. 1Q20*		Change Vs. 2Q19	
	\$	\$	\$	%	\$	%
Balance Sheet (EOP Balances)						
Commercial and Industrial	\$622	\$174	156.7%	\$217	53.6%	
Commercial Real Estate (Non-Owner Occupied)	408	30	32.2%	(13)	-3.1%	
Commercial Real Estate (Owner Occupied)	148	(19)	-45.8%	(26)	-14.8%	
Consumer Real Estate	239	(10)	-15.5%	(16)	-6.4%	
Construction & Land Development	118	(23)	-66.3%	(6)	-4.9%	
Consumer	28	(0)	-2.8%	1	3.1%	
Other	31	(7)	-70.6%	(4)	-12.4%	
Total Loans	\$1,593	\$146	40.6%	\$152	10.6%	

*Annualized % change from 1Q20 to 2Q20

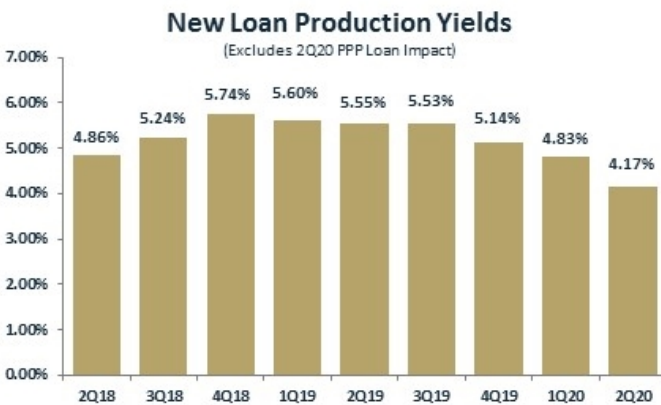
Payroll Protection Program (PPP)

- Supported needs of both clients and non-clients across our communities
- \$222 million loans funded, market leader in Nashville relative to assets
- \$151 thousand average loan size: 82% of loans under \$150 thousand
- 2Q20 average yield of 3.45%
- Obtained financing for more than 1,493 businesses
- Benefited more than 25,167 employees

Loan Yields



- Overall loan yield declined 60 bps from 1Q20
- Average 1 month Libor rate was 0.39% and down 104 bps from 1Q20, which negatively contributed to our variable rate loan yield decline of 72 bps
- Loan fees increased 21 bps from 1Q20 principally from fees associated with PPP Loans
- The yield on new loan production excluding the impact of PPP was 4.17%



Loan Yield Rollforward	
1Q20 (Avg)	5.10%
Increase in Loan Fees/Cost	0.21%
Increase in Purchase Accounting	0.02%
PPP Loan Yields/Fees	-0.11%
Repricing of Variable Rate Loans	-0.72%
2Q20 (Avg)	4.50%

Noninterest Income

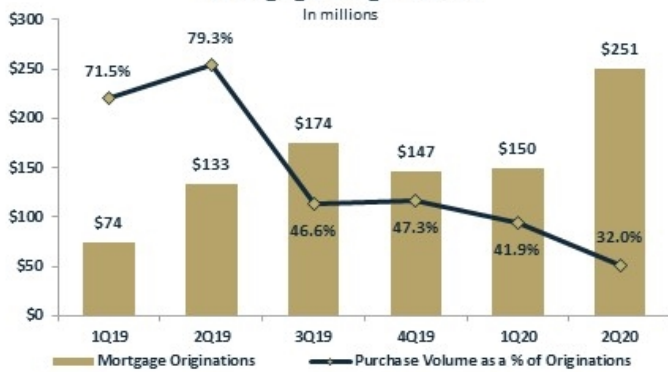
(Dollars in thousands)	Three Months Ended				
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Noninterest Income					
Treasury Management and Other Deposit Service Charges	\$ 691	\$ 775	\$ 736	\$ 788	\$ 813
Net Gain (Loss) on Sale of Securities	13	27	9	0	(121)
Tri-Net Fees	1,260	599	274	847	1,024
Mortgage Banking Income	7,123	2,253	2,316	2,679	3,087 ⁽¹⁾
Wealth Management Fees	374	407	407	379	334
Interchange and Debit Card Transaction Fees	729	724	928	754	991
Other	633	1,089	1,049	1,341	904
Total Noninterest Income	\$ 10,823	\$ 5,874	\$ 5,719	\$ 6,788	\$ 7,032
Average Assets	2,350,021	2,059,306	2,030,231	2,005,950	2,004,207
Noninterest Income / Average Assets	1.85%	1.15%	1.12%	1.34%	1.41%

- Mortgage income up from the prior year and quarter due to higher volumes and spreads
- Tri-Net fees of \$1.3MM in line with previous guidance and prior year
- Treasury Management and other Deposit Service Charges down due to clients paying TM fees with deposit balances
- Other includes a \$238K Mortgage Servicing Right valuation adjustment and a \$94K loss on sale of fixed assets

(1) Reflects the impact of the implementation of mandatory mortgage locks as opposed to best efforts mortgage locks. The aggregate accounting impact of the change was \$(912K).

Residential Mortgage Income

Mortgage Originations



- Residential Mortgage Originations increased \$101MM from 1Q20 driven predominately by increased refinance activity
- With mortgage rates at historic lowers, refinance activity increased to 68% of the origination volume for the quarter compared to 58% in 1Q20 and 21% in 2Q19
- Mortgage Fee Income up \$4.9MM due to increase of \$121.5MM in loans sold over 1Q20 and a 110 bps increase in gain on sale %

Mortgage Fee Income



Noninterest Expense

(Dollars in thousands)	Three Months Ended				
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Noninterest Expense					
Salaries and Employee Benefits	\$ 12,305	\$ 8,002	\$ 9,318	\$ 9,229	\$ 8,563
Data Processing & Software	2,100	1,864	1,835	1,790	1,862
Professional Fees	581	636	531	528	501
Occupancy	797	820	795	858	809
Equipment	680	751	834	1,012	1,026
Regulatory Fees	333	163	28	18	272
Merger Related Expenses	448	290	163	187	1,711
Amortization of Intangibles	375	386	397	408	419
Other Operating	1,315	1,299	1,365	1,501	1,307
Total Noninterest Expense	\$ 18,934	\$ 14,211	\$ 15,266	\$ 15,531	\$ 16,470
Efficiency Ratio	66.44%	63.06%	68.46%	64.87%	68.51%
Average Assets	\$ 2,350,021	\$ 2,059,306	\$ 2,030,231	\$ 2,005,950	\$ 2,004,207
Noninterest Expense / Average Assets	3.24%	2.78%	2.98%	3.07%	3.30%
FTE	286	288	289	290	290
Operating Noninterest Expense⁽¹⁾	\$ 18,486	\$ 13,921	\$ 15,103	\$ 15,344	\$ 14,759
Operating Efficiency Ratio⁽¹⁾	64.87%	61.78%	67.73%	64.08%	61.39%
Operating Noninterest Expense / Average Assets⁽¹⁾	3.16%	2.72%	2.95%	3.04%	2.95%

- Operating Noninterest Expense of \$18.5MM and up \$4.6MM primarily due to increased mortgage incentives, one-time contract buyouts, and expenses associated with PPP.
 - One-time expenses for contract buyouts were \$1.4MM.
- Regulatory Fees higher due to credits in previous quarters.

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

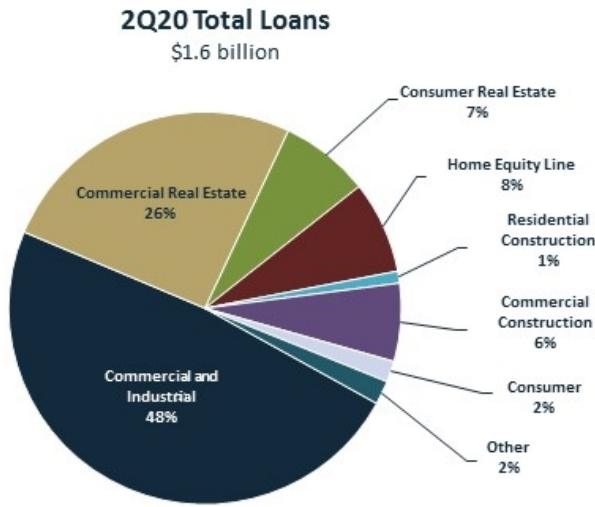


Risk Management

Loan Portfolio Summary

- Strong credit underwriting and portfolio management culture
 - Diversified portfolio in resilient markets
 - CRE portfolio has strong market and underwriting characteristics
 - In 2Q, We have successfully completed the first of three 2020 loan reviews 2020 by an external firm
 - External firm performs annual stress test; most recent completed 4/20
- COVID-19 impact update
 - By close of the opt in period, 32% of total loans opted into our deferral program expiring in July
 - We anticipate 6-8% to request a second deferral from interest only or more
 - 11% exposure to COVID-19 sensitive industries
 - Actively managing Lodging, Recreation/Restaurants, Retail, and Senior Living
- Proactively increased allowance for loan losses due to economic uncertainty related to COVID-19
 - 2Q20 reserve is 1.32%; or 1.53% excluding PPP loans
 - Including \$2.8MM fair value mark on acquired loans, 2Q20 reserve is 1.50%; or 1.73% excluding PPP loans

Loan Portfolio Performance

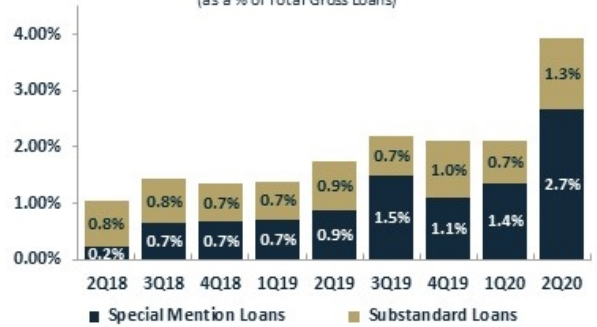


End of Period Balances as of June 30, 2020
Excludes LHFS Balances of \$130MM

Low Classified and Non-Performing Assets Relative to Total Capital



Criticized & Classified Loan Trends (as a % of Total Gross Loans)



(1) Commercial & Industrial includes Commercial & Industrial loans and Owner Occupied CRE loans

Select Industries

Lodging

Funded (Non-PPP) Balances (In Millions)	
No Deferral Elected	\$26.0
Deferral Opt-In	62.1
Grand Total	\$88.1

Second Deferral Expectations (In Millions)	
Expected	\$48.0
Not Expected	14.1
Grand Total	\$62.1

Lodging - Detail

Funded (Non-PPP) Balances (In Millions)	
Marriott	\$49.9
Hilton	21.9
Wyndham	7.6
Non-Flag	4.8
Choice Hotels	3.9
Grand Total	\$88.1

- Pre-pandemic loan to value ratios are 57% with debt service coverage of 1.92x provides substantial buffer to absorb lower room rates and/or occupancy.
- Cash equity assures reduced exposure to value reductions
- Hotel exposure is dominated by:
 - National brands
 - Newer and well-located properties
 - Seasoned developers
- East Tennessee locations (\$33MM) are dominated by:
 - Interstate exit locations performing below 2019 levels but reasonably well
 - Family destinations performing well related to 2019 levels
- Nashville locations (\$41MM) are:
 - Heavily tied to convention/event activities
 - Expected to have a longer re-stabilization with indications of strong pre-bookings in 2H2021
 - Newly constructed or newly opened facilities

Select Industries

Recreation / Restaurants

Funded (Non-PPP) Balances (In Millions)	
No Deferral Elected	\$12.4
Deferral Opt-In	17.7
Grand Total	\$30.1

Retail

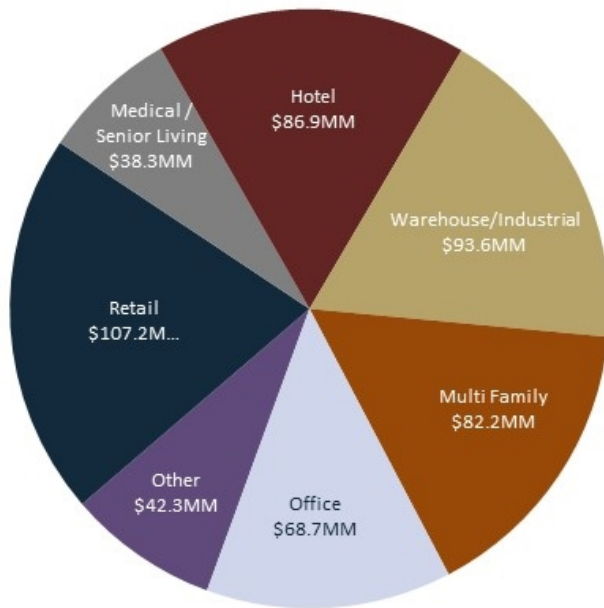
Funded (Non-PPP) Balances (In Millions)	
No Deferral Elected	\$10.0
Deferral Opt-In	0.4
Grand Total	\$10.4

Senior Living

Funded (Non-PPP) Balances (In Millions)	
No Deferral Elected	\$11.9
Deferral Opt-In	19.7
Grand Total	\$31.6

- Loans in these pandemic sensitive sectors:
 - Remain a small portion of our portfolio
 - Are expected to resume normal scheduled payments this quarter with expectations for second deferrals below 10%
 - Are primarily secured by Real Estate
 - Are greater than 92% Pass Rated
- As to Senior Living:
 - No facilities have been impacted by Covid19 infection

Commercial Real Estate



- Strong market fundamentals result in exceptionally strong quality metrics
- Focused on highly seasoned and liquid developer/investor profile
- Standard requirement expectation is 30%-35% cash equity
- Result is low LTV, high DSC that mitigates indirect tenant risk exposure
- 100% of balances Pass rated

Allowance for Loan Losses



- Multiple stress tests performed to evaluate a range of potential losses
- Due to the uncertainty of the impact of COVID-19, proactively increased allowance for loan losses 67% since 4Q19
 - 2Q increase of \$1.6MM in qualitative factors reflecting continued uncertain economic environment
 - Excluding the \$215.5MM⁽¹⁾ in PPP loans, Reserve/Loans increased from 1.39% in 1Q20 to 1.53% in 2Q20
- The current reserve of \$21MM plus the \$2.8MM fair value mark on acquired loans equates to a 1.50% reserve/loans or 1.73% excluding PPP Loans

(1) PPP Loan balances net of unearned fees as of 6/30/2020.

Capital

Capital Ratios	2Q20	1Q20	2Q19	"Well Capitalized" Guidelines
Leverage	10.08%	11.23%	11.01%	≥ 5.00%
Tangible Common Equity / Tangible Assets ¹	9.92%	11.43%	10.56%	NA
Tier 1 Risk Based Capital	13.76%	12.56%	12.53%	≥ 8.00%
Total Risk Based Capital	16.76%	13.68%	13.29%	≥ 10.00%

- Capital ratios significantly above “well capitalized” and risk-based ratios are higher than a year ago.
- Total risk-based capital increased 312 bps vs. 1Q20, including the impact of \$30MM subordinated debt issuance.
- Quarterly dividend of \$0.05 per common share was declared on July 23, 2020.
- Repurchased 147,800 shares during 1Q20 at an average price of \$9.69 per share for a total of \$1.4MM.
- Share repurchases discontinued March 24, 2020; \$7.6MM remain under current authorization.

¹Reconciliation provided in non-GAAP tables in the Appendix at the end of this presentation.

Liquidity

As of 06/30/2020

Funding Sources	Amount Outstanding (\$000)	Available to Draw (\$000)	Total Funding Capacity (\$000)
Cash & Equivalents	\$368,820	N/A	\$368,820
Unpledged AFS Securities ⁽¹⁾	159,816	N/A	159,816
Loans Held for Sale	129,807	N/A	129,807
On Balance Sheet	658,443	N/A	658,443
FHLB Advances	10,000	150,228	160,228
Fed Funds Lines	-	125,000	125,000
Brokered CDs ⁽²⁾	114,433	199,902	314,335
QwickRate Deposits ⁽²⁾	348	313,987	314,335
Fed Discount Window ⁽³⁾	-	N/A	N/A
Off Balance Sheet	124,781	789,117	913,898
Total	\$783,224	\$789,117	\$1,572,341

- Liquidity stress tests performed quarterly using four scenarios
- Liquidity to be expanded further by renewal of Fed Discount Window

(1) Amount outstanding uses fair market value as reported on CSTR's financial statements as of 6/30/20
(2) Available to draw amounts are based on CSTR ALCO policy guideline of 15% of total deposits
(3) CSTR has a borrowing arrangement in place and is in process of pledging loan collateral and determining borrowing capacity

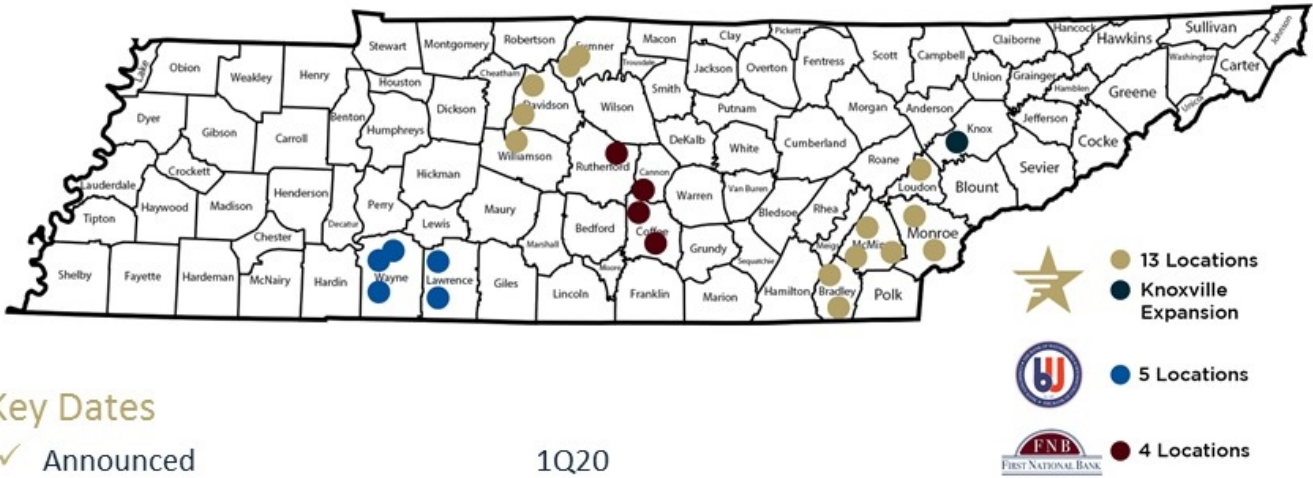


FCB Merger Update

Strategic and Financial Rationale

- Very established and well-run banks in less competitive markets
- Strong deposit franchise – granular and low cost
- Loan diversification – product, size, geography, and pricing
- Scale to leverage back office overhead
- Continue to establish CSTR as a proven acquirer
- Projected financial impact:
 - Manageable TBV dilution with acceptable TBV earnback period
 - Double-digit 2021 EPS accretion
 - Accretive to NIM, efficiency ratio, and ROA

Acquisition Summary

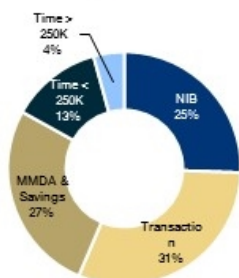


Key Dates

- ✓ Announced 1Q20
- ✓ FNB|BOW Shareholder Approval April 30, 2020
- ✓ Regulatory Approval June 15, 2020
- ✓ Close July 1, 2020
- System Conversions 4Q20

Pro Forma Deposit Composition

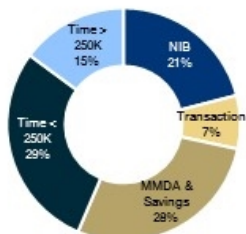
CapStar Bank



Non-Interest Bearing	\$453,569
Transaction	547,561
MMDA & Savings	472,717
Time < 250K	224,910
Time > 250K	75,732
Total Deposits	\$1,774,489

Cost of Deposits 1.14%

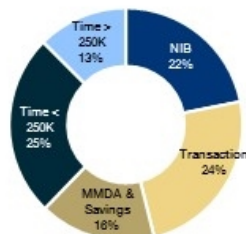
Bank of Waynesboro



Non-Interest Bearing	\$32,251
Transaction	11,344
MMDA & Savings	43,126
Time < 250K	44,135
Time > 250K	22,854
Total Deposits	\$153,710

Cost of Deposits 0.71%

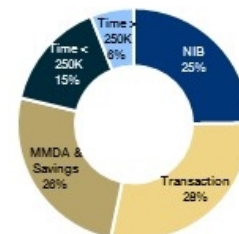
First National Bank of Manchester



Non-Interest Bearing	\$57,347
Transaction	63,626
MMDA & Savings	42,422
Time < 250K	66,237
Time > 250K	32,928
Total Deposits	\$262,560

Cost of Deposits 0.77%

Pro Forma¹



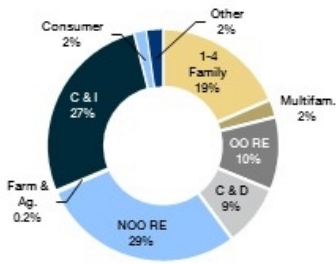
Non-Interest Bearing	\$543,167
Transaction	622,531
MMDA & Savings	588,265
Time < 250K	335,282
Time > 250K	131,514
Total Deposits	\$2,190,759

Cost of Deposits 1.05%

(1) Preliminary estimates of CSTR pro forma for pending acquisition
Note: As of March 31, 2020; dollars in thousands; bank level data

Pro Forma Loan Composition

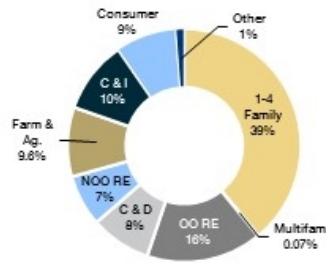
CapStar Bank¹



1-4 Family	\$303,104
Multifam.	40,418
OO RE	166,652
C & D	141,087
NOO RE	466,477
Farm & Ag.	3,522
C & I	447,311
Consumer	27,738
Other	37,462
Total Loans & Leases	\$1,633,771

Yield on Loans 4.93%

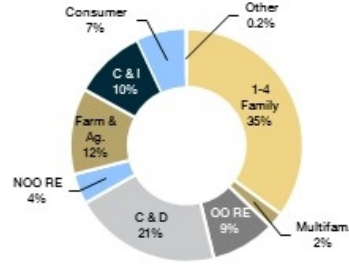
Bank of Waynesboro



1-4 Family	\$46,456
Multifam.	82
OO RE	19,106
C & D	10,015
NOO RE	8,480
Farm & Ag.	11,460
C & I	11,980
Consumer	10,022
Other	1,410
Total Loans & Leases	\$119,011

Yield on Loans 6.39%

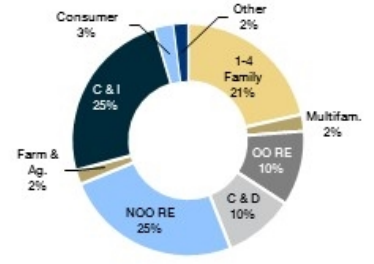
First National Bank of Manchester



1-4 Family	\$69,087
Multifam.	4,276
OO RE	17,795
C & D	40,573
NOO RE	8,354
Farm & Ag.	23,596
C & I	19,763
Consumer	13,455
Other	339
Total Loans & Leases	\$197,238

Yield on Loans 5.88%

Pro Forma²



1-4 Family	\$418,647
Multifam.	44,776
OO RE	203,553
C & D	191,675
NOO RE	483,311
Farm & Ag.	38,578
C & I	479,054
Consumer	51,215
Other	39,211
Total Loans & Leases	\$1,950,020

Yield on Loans 5.12%

(1) Includes loans HFS

(2) Preliminary estimates of CSTR pro forma for pending acquisition

Note: As of March 31, 2020; dollars in thousands; bank level data



Looking Forward

Looking Forward

As we move forward, CapStar has tremendous opportunities to continue to improve our performance

Our priorities include:

1. **Delivering strong risk management practices**
 - Maintain strong liquidity, reserves, and capital
 - Escalate portfolio monitoring and proactively manage credit portfolio
 - Generate strong PTPP
2. **Enhancing the level and consistency of our profitability**
 - Improving our net interest margin and its stability
 - Implementing expense disciplines – proficient and frugal execution
 - Eliminating prior credit “spikes”
3. **Expanding and accelerating our growth opportunities**
 - Aggressively seeking to expand customer relationships in our existing markets
 - Strategically hiring additional talented bankers in or around our service areas
 - Actively pursuing acquisitions of well-managed, appropriately-priced banks



Appendix: Other Financial Results and Non-GAAP Reconciliations

Non-GAAP Financial Measures

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
(Dollars in thousands, except per share information)					
TANGIBLE EQUITY					
Total Shareholders' Equity	\$ 281,950	\$ 275,790	\$ 273,046	\$ 268,082	\$ 262,664
Less: Intangible Assets	43,633	44,008	44,393	44,790	45,199
Tangible Equity	238,317	231,782	228,653	223,292	217,465
TANGIBLE COMMON EQUITY					
Tangible Equity	238,317	\$ 231,782	\$ 228,653	\$ 223,292	\$ 217,465
Less: Preferred Equity	-	-	-	-	9,000
Tangible Common Equity	238,317	231,782	228,653	223,292	208,465
TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS					
Tangible Common Equity	\$ 238,317	\$ 231,782	\$ 228,653	\$ 223,292	\$ 208,465
Total Assets	2,445,172	2,072,585	2,037,201	2,033,911	2,018,421
Less: Intangible Assets	43,633	44,008	44,393	44,790	45,199
Tangible Assets	2,401,539	2,028,577	1,992,808	1,989,121	1,973,223
Tangible Common Equity to Tangible Assets	9.92%	11.43%	11.47%	11.23%	10.56%
TANGIBLE BOOK VALUE PER SHARE, REPORTED					
Tangible Common Equity	\$ 238,317	\$ 231,782	\$ 228,653	\$ 223,292	\$ 208,465
Shares of Common Stock Outstanding	18,302,188	18,307,802	18,361,922	18,343,403	17,561,476
Tangible Book Value Per Share, Reported	\$13.02	\$12.66	\$12.45	\$12.17	\$11.87

Non-GAAP Financial Measures

(Dollars in thousands, except per share information)	Three Months Ended				
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Total Average Shareholders' Equity	\$ 281,614	\$ 278,550	\$ 271,568	\$ 266,441	\$ 261,197
Less: Average Intangible Assets	43,871	44,253	44,646	45,050	45,456
Average Tangible Equity	237,743	234,297	226,922	221,391	215,741
Net Income	6,181	1,346	5,421	6,466	5,756
Return on Average Tangible Equity (ROATE)	10.46%	2.31%	9.48%	11.59%	10.70%
RETURN ON AVERAGE TANGIBLE COMMON EQUITY (ROATCE)					
Average Tangible Equity	\$ 237,743	\$ 234,297	\$ 226,922	\$ 221,391	\$ 215,741
Less: Preferred Equity	-	-	-	7,043	9,000
Average Tangible Common Equity	237,743	234,297	226,922	214,347	206,741
Net Income	6,181	1,346	5,421	6,466	5,756
Return on Average Tangible Common Equity (ROATCE)	10.46%	2.31%	9.48%	11.97%	11.17%

Non-GAAP Financial Measures

(Dollars in thousands, except per share information)	Three Months Ended				
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
OPERATING NET INCOME					
Net Income (Loss)	\$ 6,181	\$ 1,346	\$ 5,421	\$ 6,466	\$ 5,756
Add: Merger Related Expense	448	290	163	187	1,711
Less: Income Tax Impact	(117)	(76)	(43)	(49)	(447)
Operating Net Income	6,512	1,560	5,541	6,604	7,020
OPERATING DILUTED NET INCOME PER SHARE					
Operating Net Income	\$ 6,512	\$ 1,560	\$ 5,541	\$ 6,604	\$ 7,020
Average Diluted Shares Outstanding	18,320,006	18,443,725	18,443,916	18,532,479	18,650,706
Operating Diluted Net Income per Share	\$ 0.36	\$0.08	\$0.30	\$0.36	\$0.38
OPERATING RETURN ON AVERAGE ASSETS (ROAA)					
Operating Net Income	\$ 6,512	\$ 1,560	\$ 5,541	\$ 6,604	\$ 7,020
Total Average Assets	2,350,021	2,059,306	2,030,231	2,005,950	2,004,207
Operating Return on Average Assets (ROAA)	1.11%	0.30%	1.08%	1.31%	1.40%
OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Average Tangible Equity	\$ 237,743	\$ 234,297	\$ 226,922	\$ 221,391	\$ 215,741
Operating Net Income	6,512	1,560	5,541	6,604	7,020
Operating Return on Average Tangible Equity (ROATE)	11.02%	2.68%	9.69%	11.83%	13.05%

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, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
(Dollars in thousands, except per share information)					
OPERATING NONINTEREST EXPENSE					
Noninterest Expense	\$ 18,934	\$ 14,211	\$ 15,266	\$ 15,531	\$ 16,470
Less: Merger Related Expense	(448)	(290)	(163)	(187)	(1,711)
Operating Noninterest Expense	18,486	13,921	15,103	15,344	14,759
OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS					
Operating Noninterest Expense	\$ 18,486	\$ 13,921	\$ 15,103	\$ 15,344	\$ 14,759
Total Average Assets	2,350,021	2,059,306	2,030,231	2,005,950	2,004,207
Operating Noninterest Income / Average Assets	3.16%	2.72%	2.95%	3.04%	2.95%
OPERATING EFFICIENCY RATIO					
Operating Noninterest Expense	\$ 18,486	\$ 13,921	\$ 15,103	\$ 15,344	\$ 14,759
Net Interest Income	17,675	16,661	16,581	17,156	17,008
Noninterest Income	10,823	5,874	5,719	6,788	7,032
Total Revenues	28,498	22,535	22,300	23,944	24,040
Operating Efficiency Ratio	64.87%	61.78%	67.73%	64.08%	61.39%

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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