

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 22, 2021

**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.

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

On July 22, 2021, CapStar Financial Holdings, Inc. (the “Company”) issued an earnings release announcing its financial results for the second quarter ended June 30, 2021. 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.

**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.

The Company will conduct a conference call at 9:00 a.m. (Central Time) on July 23, 2021 to discuss its financial results for the second quarter ended June 30, 2021.

**Item 9.01. Financial Statements and Exhibits.**

<u>Exhibit Number</u>	<u>Description</u>
99.1	<a href="#">Earnings release issued on July 22, 2021 by CapStar Financial Holdings, Inc.</a>
99.2	<a href="#">Presentation for conference call to be conducted by CapStar Financial Holdings, Inc. on July 23, 2021.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

**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/ Denis J. Duncan  
Denis J. Duncan  
Chief Financial Officer

Date: July 22, 2021

## EARNINGS RELEASE

## CONTACT

**Denis J. Duncan**  
**Chief Financial Officer**  
**(615) 732-7492**



## CapStar Reports Second Quarter 2021 Results

**NASHVILLE, TN, July 22, 2021 (GLOBE NEWSWIRE)** -- CapStar Financial Holdings, Inc. (“CapStar”) (NASDAQ:CSTR) today reported net income of \$12.1 million or \$0.54 per diluted share, for the quarter ended June 30, 2021, compared with net income of \$11.0 million or \$0.50 per diluted share, for the quarter ended March 31, 2021, and net income of \$6.2 million or \$0.34 per diluted share, for the quarter ended June 30, 2020. Annualized return on average assets and return on average equity for the quarter ended June 30, 2021 were 1.57 percent and 13.50 percent, respectively. Second quarter 2021 noninterest expense included \$256,000 in acquisition related costs.

For the six months ended June 30, 2021, the Company reported net income of \$23.1 million or \$1.04 per diluted share, compared with \$7.5 million or \$0.41 per diluted share, for the same period of 2020. Year to date 2021 annualized return on average assets and return on average equity were 1.51 percent and 13.13 percent, respectively. Year to date 2021 noninterest expense included \$323,000 in acquisition related costs.

Four Key Drivers	Targets	2Q21	1Q21	2Q20
Annualized revenue growth	> 5%	8.96%	-22.41%	106.43%
Net interest margin	≥ 3.60%	3.26%	3.13%	3.23%
Efficiency ratio	≤ 55%	57.97%	54.08%	66.44%
Annualized net charge-offs to average loans	≤ 0.25%	0.01%	0.00%	0.18%

“Our second quarter results reflect strong, profitable growth resulting from the hard work of our dedicated employees. As we continue to execute on our strategic plan, we are enhancing profitability and accelerating in-market revenue growth while maintaining outstanding credit quality and customer service,” said Timothy K. Schools, President and Chief Executive Officer of CapStar. “The highlights of the second quarter include record noninterest bearing and total deposit balances; loan production, loan balances, and loan pipeline; earnings per share; book value per share; stock price; and market capitalization. Additionally, our criticized and classified loans as a percentage of total loans and classified loans to total risk-based capital ratios are returning to more traditional pre-pandemic levels. Our results benefited from increased PPP forgiveness and while these earnings are temporary in nature, they represent the tremendous effort and customer service provided by our teammates during the pandemic and are reflective of the Company’s capabilities. Looking forward, we are excited and optimistic about the many opportunities we have to expand our highly responsive and customer centric banking model across Tennessee, cited in a recent CNBC study as having our nation’s second best economy and as the fifth best place for business among all fifty states. With four Tennessee-based, \$1 billion and greater financial institutions being acquired within our markets over the past twelve months, CapStar is poised to become one of Tennessee’s leading locally-based banks.”

## Revenue

Total revenue, defined as net interest income plus noninterest income, increased \$0.7 million to \$32.9 million from the prior quarter. Net interest income totaled \$23.0 million, an increase of \$0.9 million compared to the first quarter of 2021, principally from income related to increased forgiveness of PPP loans. Second quarter 2021 noninterest income totaled \$9.9 million, a decline of \$131,000 from the prior quarter.

Second quarter 2021 average earning assets of \$2.85 billion remained essentially unchanged from first quarter 2021, as strong growth in loans held for investment offset declines in low-yielding interest earning cash and PPP balances. Average loans held for investment, excluding PPP balances, increased \$40.8 million from the prior quarter, or 9.4 percent linked-quarter annualized. Loan growth accelerated during the second quarter of 2021 with end of period loans held for investment, excluding PPP balances, increasing \$67.6 million, or 15.7 percent linked-quarter annualized. Due to a significant increase in deposits over the past year, average loans as a percentage of average earning assets was 68.4 percent for second quarter 2021. The Company's commercial loan pipeline is at a record level, approaching \$500 million, comprised principally of CapStar-led Tennessee-based loans, presenting the Company a tremendous opportunity to utilize current excess liquidity and capital to grow revenue and net income.

The Company's net interest margin continues to be positively and negatively impacted from the effects of the recent pandemic. For the second quarter of 2021, the net interest margin increased 13 basis points from the prior quarter to 3.26 percent. The Company's net interest margin continues to be impacted by revenues related to PPP loans, as well as significant growth in deposit balances over the past year. Adjusting for the influence of PPP and excess deposits, the Company estimates its second quarter 2021 net interest margin was 3.36 percent, an increase of 1 basis point compared to the first quarter of 2021.

Within the adjusted net interest margin, the Company continued to experience favorable deposit trends. Average deposits totaled \$2.66 billion in the second quarter of 2021, unchanged from the prior quarter. The Company experienced a favorable mix shift as average interest-bearing deposits declined \$46.2 million, led by a \$34.2 million reduction in higher cost time deposits. While the Company is experiencing a period of excess liquidity, a key longer-term strategic initiative is to create a stronger deposit-led culture with an emphasis on lower cost relationship-based deposits. During the quarter, the Company's two lowest cost deposit categories, noninterest bearing and savings, increased \$55.8 million on average from the prior quarter, or 27.8 percent linked-quarter annualized. Deposit costs declined across all interest-bearing account types leading to a 6 basis point decline to 0.29 percent. Combined with the favorable shift in noninterest bearing deposits, total deposit costs improved 5 basis points to 0.21 percent.

Noninterest income during the quarter benefitted from record interchange and debit card transaction fees, Tri-Net revenues, wealth management revenues, as well as continued strength in SBA revenues. While mortgage revenues declined from record levels, they remain high relative to past performance, and the Company strengthened its position during the quarter by hiring one of Nashville's leading mortgage loan originators.

## Noninterest Expense and Operating Efficiency

Noninterest expenses increased \$1.7 million from the first quarter of 2021 to \$19.1 million in the second quarter of 2021. Second quarter 2021 noninterest expense included approximately \$3.0 million associated with the Company's 2021 incentive plan. Given the Company's performance in the first two quarters of 2021 and the outlook for the remainder of the year, the incentive accrual was increased \$1.5 million in anticipation of reaching maximum payout. Data processing fees increased approximately \$1 million for the quarter ended June 30, 2021 compared to the same period in 2020 due to increased transaction volumes related to the Company's recent acquisitions and services related to the processing of PPP loans. As noted above, second quarter 2021 noninterest expense included \$256,000 in acquisition related costs.

Efficiency is a key focus and the Company uses three metrics to monitor its performance relative to peers: efficiency ratio (noninterest expense as a percentage of total revenue), noninterest expense as a percentage of assets, and assets per employee. For the quarter ended June 30, 2021, the efficiency ratio was 57.97 percent, an increase from 54.08 percent in the first quarter of 2021. Annualized noninterest expense as a percentage of average assets increased to 2.49 percent for the quarter ended June 30, 2021 compared to 2.29 percent for the quarter ended March 31, 2021. Assets per employee improved to \$8.4 million as of June 30, 2021 compared to \$8.3 million for the previous quarter.

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## Asset Quality

Asset quality is a core tenant of the Company's culture. Sound risk management and an improving economy led to low net charge-offs and strong credit metrics. Annualized net charge offs to average loans for the three months ended June 30, 2021 remained low at 0.01 percent. Past due loans as a percentage of total loans held for investment were 0.49 percent at June 30, 2021, compared to 0.43 percent at March 31, 2021. Within this amount, loans greater than 90 days past due totaled \$2.4 million, or 0.13 percent of loans held for investment at June 30, 2021, compared to 0.14 percent at March 31, 2021. Non-performing assets to total loans and OREO were 0.22 percent at June 30, 2021, an improvement from 0.30 percent at March 31, 2021. Criticized and classified loans to total loans, which elevated during the pandemic, continued to improve and were 3.93 percent at June 30, 2021.

As a result of the Company's quarterly analysis of the adequacy of the allowance for credit losses, the Company released reserves during the quarter based on improved asset quality trends and other qualitative factors. In addition to providing reserves for the strong loan growth experienced during the second quarter, the allowance for loan losses declined \$1.1 million. As a result, the allowance for loan losses plus the fair value mark on acquired loans to total loans, less PPP loans, declined 13 basis points to 1.46 percent at June 30, 2021 from 1.59 percent at March 31, 2021.

Asset Quality Data:	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020
Annualized net charge-offs (recoveries) to average loans	0.01 %	0.00 %	0.02 %	0.00 %	0.18 %
Criticized and classified loans to total loans	3.93 %	4.37 %	5.44 %	5.61 %	4.25 %
Classified loans to total risk-based capital	7.69 %	10.51 %	11.08 %	11.43 %	8.88 %
Loans- past due to total end of period loans	0.49 %	0.43 %	1.12 %	0.44 %	0.32 %
Loans- over 89 days past due to total end of period loans	0.13 %	0.14 %	0.23 %	0.09 %	0.09 %
Non-performing assets to total loans and OREO	0.22 %	0.30 %	0.28 %	0.16 %	0.20 %
Allowance for loan losses plus fair value marks / Non-PPP Loans	1.46 %	1.59 %	1.57 %	1.61 %	1.73 %
Allowance for loan losses to non-performing loans	571 %	446 %	483 %	787 %	705 %

## Income Tax Expense

The Company's effective income tax rate for the second quarter of 2021 was 19.0 percent, a decline from 22.0 percent in the prior quarter ended March 31, 2021. The decrease was primarily attributable to adjustments to the tax provision related to changes in tax strategy and updated expected results for the year. The Company anticipates its effective tax rate for 2021 to be approximately 21.0 percent.

## Capital

The Company continues to be strongly capitalized with tangible equity of \$311.1 million at June 30, 2021. Tangible book value per share of common stock for the quarter ended June 30, 2021 increased to \$14.03 compared to \$13.34 and \$13.02 for the quarters ended March 31, 2021 and June 30, 2020, respectively. The regulatory capital ratios in the table below are significantly above levels required to be considered "well capitalized," which is the highest possible regulatory designation.

Capital ratios:	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020
Total risk-based capital	16.13 %	16.29 %	16.03 %	15.96 %	16.76 %
Common equity tier 1 capital	13.78 %	13.79 %	13.52 %	13.39 %	13.76 %
Leverage	10.17 %	9.78 %	9.60 %	9.23 %	10.08 %

In the second quarter of 2021, the Company did not repurchase common stock under its share repurchase program. The total remaining authorization for future repurchases was \$29.7 million as of June 30, 2021.

## Dividend

On July 22, 2021, the Board of Directors of CapStar approved a quarterly cash dividend of \$0.06 per common share payable on August 25, 2021 to shareholders of record as of August 11, 2021.

**Conference Call and Webcast Information**

CapStar will host a conference call and webcast at 9:00 a.m. Central Time on Friday, July 23, 2021. 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 2976541. 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, 2021, on a consolidated basis, CapStar had total assets of \$3.2 billion, total loans of \$1.9 billion, total deposits of \$2.8 billion, and shareholders' equity of \$359.8 million. Visit [www.capstarbank.com](http://www.capstarbank.com) for more information.

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## 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.

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**CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY**  
**Consolidated Statements of Income (unaudited) (dollars in thousands, except share data)**  
**Second quarter 2021 Earnings Release**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
<b>Interest income:</b>				
Loans, including fees	\$ 22,572	\$ 19,086	\$ 44,586	\$ 38,823
<b>Securities:</b>				
Taxable	1,640	1,096	3,244	2,272
Tax-exempt	356	312	722	633
Federal funds sold	3	—	3	—
Restricted equity securities	160	140	321	282
Interest-bearing deposits in financial institutions	101	107	234	469
Total interest income	24,832	20,741	49,110	42,479
<b>Interest expense:</b>				
Interest-bearing deposits	379	831	826	2,732
Savings and money market accounts	295	731	608	2,283
Time deposits	732	1,416	1,663	2,897
Federal funds purchased	—	—	—	—
Securities sold under agreements to repurchase	—	—	—	—
Federal Home Loan Bank advances	—	88	12	231
Subordinated notes	394	—	788	—
Total interest expense	1,800	3,066	3,897	8,143
Net interest income	23,032	17,675	45,213	34,336
Provision for loan losses	(1,065)	1,624	(415)	9,177
Net interest income after provision for loan losses	24,097	16,051	45,628	25,159
<b>Noninterest income:</b>				
Deposit service charges	1,109	691	2,211	1,466
Interchange and debit card transaction fees	1,227	729	2,318	1,454
Mortgage banking	3,910	7,123	8,625	9,376
Tri-Net	1,536	1,260	2,679	1,860
Wealth management	471	374	931	781
SBA lending	377	13	870	49
Net gain (loss) on sale of securities	(13)	13	13	40
Other noninterest income	1,266	620	2,250	1,671
Total noninterest income	9,883	10,823	19,897	16,697
<b>Noninterest expense:</b>				
Salaries and employee benefits	10,803	12,305	20,229	20,307
Data processing and software	3,070	2,100	5,898	3,964
Occupancy	1,057	797	2,165	1,616
Equipment	980	680	1,880	1,431
Professional services	460	581	1,165	1,216
Regulatory fees	211	333	467	496
Acquisition related expenses	256	448	323	738
Amortization of intangibles	493	375	1,001	761
Other operating	1,750	1,315	3,364	2,616
Total noninterest expense	19,080	18,934	36,492	33,145
Income before income taxes	14,900	7,940	29,033	8,711
Income tax expense	2,824	1,759	5,927	1,184
Net income	\$ 12,076	\$ 6,181	\$ 23,106	\$ 7,527
<b>Per share information:</b>				
Basic net income per share of common stock	\$ 0.55	\$ 0.34	\$ 1.05	\$ 0.41
Diluted net income per share of common stock	\$ 0.54	\$ 0.34	\$ 1.04	\$ 0.41
<b>Weighted average shares outstanding:</b>				
Basic	22,133,759	18,307,083	22,089,874	18,349,998
Diluted	22,198,829	18,320,006	22,138,052	18,381,866

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 2021 Earnings Release**

	Five Quarter Comparison				
	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020
<b>Income Statement Data:</b>					
Net interest income	\$ 23,032	\$ 22,182	\$ 22,331	\$ 19,656	\$ 17,675
Provision for loan losses	(1,065)	650	184	2,119	1,624
Net interest income after provision for loan losses	24,097	21,532	22,147	17,537	16,051
Deposit service charges	1,109	1,102	964	1,064	691
Interchange and debit card transaction fees	1,227	1,092	782	936	729
Mortgage banking	3,910	4,716	5,971	9,686	7,123
Tri-Net	1,536	1,143	1,165	668	1,260
Wealth management	471	459	411	382	374
SBA lending	377	492	916	476	13
Net gain on sale of securities	(13)	26	51	34	13
Other noninterest income	1,266	984	1,488	1,558	620
Total noninterest income	9,883	10,014	11,748	14,804	10,823
Salaries and employee benefits	10,803	9,427	11,996	12,949	12,305
Data processing and software	3,070	2,827	2,548	2,353	2,100
Occupancy	1,057	1,108	975	999	797
Equipment	980	899	900	864	680
Professional services	460	704	370	638	581
Regulatory fees	211	257	368	397	333
Acquisition related expenses	256	67	2,105	2,548	448
Amortization of intangibles	493	508	524	539	375
Other operating	1,750	1,616	1,692	1,452	1,315
Total noninterest expense	19,080	17,413	21,478	22,739	18,934
Net income before income tax expense	14,900	14,133	12,417	9,602	7,940
Income tax expense (benefit)	2,824	3,103	2,736	2,115	1,759
Net income	\$ 12,076	\$ 11,030	\$ 9,681	\$ 7,487	\$ 6,181
Weighted average shares - basic	22,133,759	22,045,501	21,960,184	21,948,579	18,307,083
Weighted average shares - diluted	22,198,829	22,076,600	21,978,925	21,960,490	18,320,006
Net income per share, basic	\$ 0.55	\$ 0.50	\$ 0.44	\$ 0.34	\$ 0.34
Net income per share, diluted	0.54	0.50	0.44	0.34	0.34
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents	\$ 449,267	\$ 390,565	\$ 277,439	\$ 455,925	\$ 368,820
Securities available-for-sale	500,339	474,788	486,215	308,337	223,034
Securities held-to-maturity	2,395	2,401	2,407	2,413	2,699
Loans held for sale	148,251	162,269	179,669	198,603	129,807
Loans held for investment	1,907,820	1,941,078	1,891,019	1,906,603	1,592,725
Allowance for loan losses	(22,754)	(23,877)	(23,245)	(23,167)	(21,035)
Total assets	3,212,390	3,150,457	2,987,006	3,024,348	2,445,172
Non-interest-bearing deposits	782,170	711,606	662,934	716,707	546,974
Interest-bearing deposits	1,998,024	2,039,595	1,905,067	1,900,835	1,548,592
Federal Home Loan Bank advances and other borrowings	29,487	29,455	39,423	39,418	39,464
Total liabilities	2,852,639	2,806,513	2,643,520	2,690,453	2,163,222
Shareholders' equity	\$ 359,752	\$ 343,944	\$ 343,486	\$ 333,895	\$ 281,950
Total shares of common stock outstanding	22,165,547	22,089,873	21,988,803	21,947,805	18,302,188
Book value per share of common stock	\$ 16.23	\$ 15.57	\$ 15.62	\$ 15.21	\$ 15.41
Tangible book value per share of common stock*	14.03	13.34	13.36	12.92	13.02
Market value per share of common stock	\$ 20.50	\$ 17.25	\$ 14.75	\$ 9.81	\$ 12.00
<b>Capital ratios:</b>					
Total risk-based capital	16.13%	16.29%	16.03%	15.96%	16.76%
Tier 1 risk-based capital	13.78%	13.79%	13.52%	13.39%	13.76%
Common equity tier 1 capital	13.78%	13.79%	13.52%	13.39%	13.76%
Leverage	10.17%	9.78%	9.60%	9.23%	10.08%

\*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 2021 Earnings Release**

	Five Quarter Comparison				
	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020
<b>Average Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 301,773	\$ 341,092	\$ 427,086	\$ 526,409	\$ 257,709
Investment securities	508,595	496,035	407,622	323,689	238,762
Loans held for sale	138,093	155,677	165,441	156,123	176,193
Loans	1,948,638	1,938,532	1,891,202	1,906,449	1,560,626
Assets	3,078,748	3,078,745	3,028,225	3,043,847	2,350,021
Interest bearing deposits	1,940,442	1,986,621	1,909,692	1,957,259	1,519,877
Deposits	2,662,192	2,663,551	2,613,080	2,648,465	2,031,924
Federal Home Loan Bank advances and other borrowings	29,467	33,879	39,428	39,431	10,966
Liabilities	2,719,898	2,728,064	2,687,516	2,722,341	2,068,408
Shareholders' equity	358,850	350,681	340,709	321,506	281,614
<b>Performance Ratios:</b>					
Annualized return on average assets	1.57 %	1.45 %	1.27 %	0.98 %	1.06 %
Annualized return on average equity	13.50 %	12.76 %	11.30 %	9.26 %	8.83 %
Net interest margin (1)	3.26 %	3.13 %	3.12 %	2.72 %	3.23 %
Annualized noninterest income to average assets	1.29 %	1.32 %	1.54 %	1.93 %	1.85 %
Efficiency ratio	57.97 %	54.08 %	63.02 %	65.99 %	66.44 %
<b>Loans by Type (at period end):</b>					
Commercial and industrial	\$ 546,261	\$ 619,287	\$ 630,775	\$ 648,018	\$ 621,541
Commercial real estate - owner occupied	200,725	197,758	162,603	164,336	147,682
Commercial real estate - non-owner occupied	538,521	505,252	481,229	480,106	408,402
Construction and development	198,448	170,965	174,859	176,751	117,830
Consumer real estate	331,580	336,496	343,791	350,238	238,696
Consumer	45,898	45,481	44,279	42,104	27,542
Other	46,387	65,839	53,483	45,050	31,032
<b>Asset Quality Data:</b>					
Allowance for loan losses to total loans	1.19 %	1.23 %	1.23 %	1.22 %	1.32 %
Allowance for loan losses to non-performing loans	571 %	446 %	483 %	787 %	705 %
Nonaccrual loans	\$ 3,985	\$ 5,355	\$ 4,817	\$ 2,945	\$ 2,982
Troubled debt restructurings	1,895	1,914	1,928	1,886	1,228
Loans - over 89 days past due	2,389	2,720	4,367	1,781	1,460
Total non-performing loans	3,985	5,355	4,817	2,945	2,982
OREO and repossessed assets	184	523	523	171	147
Total non-performing assets	4,169	5,878	5,340	3,116	3,129
Non-performing loans to total loans	0.21 %	0.28 %	0.25 %	0.15 %	0.19 %
Non-performing assets to total assets	0.13 %	0.19 %	0.18 %	0.10 %	0.13 %
Non-performing assets to total loans and OREO	0.22 %	0.30 %	0.28 %	0.16 %	0.20 %
Annualized net charge-offs (recoveries) to average loans	0.01 %	0.00 %	0.02 %	0.00 %	0.18 %
Net charge-offs (recoveries)	\$ 59	\$ 18	\$ 106	\$ (13)	\$ 703
<b>Interest Rates and Yields:</b>					
Loans	4.41 %	4.34 %	4.48 %	4.47 %	4.50 %
Securities (1)	1.77 %	1.80 %	1.98 %	2.18 %	2.73 %
Total interest-earning assets (1)	3.51 %	3.42 %	3.45 %	3.41 %	3.78 %
Deposits	0.21 %	0.26 %	0.30 %	0.67 %	0.59 %
Borrowings and repurchase agreements	5.36 %	4.85 %	4.09 %	5.14 %	3.16 %
Total interest-bearing liabilities	0.37 %	0.42 %	0.49 %	0.99 %	0.81 %
<b>Other Information:</b>					
Full-time equivalent employees	383	379	380	403	286

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 2021 Earnings Release**

	For the Three Months Ended June 30,					
	2021			2020		
	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)	\$ 1,948,638	\$ 21,412	4.41 %	\$ 1,560,626	\$ 17,459	4.50 %
Loans held for sale	138,093	1,160	3.37 %	176,193	1,627	3.71 %
Securities:						
Taxable investment securities (2)	446,696	1,800	1.61 %	194,876	1,236	2.54 %
Investment securities exempt from federal income tax (3)	61,899	356	2.91 %	43,886	312	3.60 %
Total securities	508,595	2,156	1.77 %	238,762	1,548	2.73 %
Cash balances in other banks	235,212	101	0.17 %	237,738	107	0.18 %
Funds sold	18,319	3	0.06 %	1	—	1.27 %
Total interest-earning assets	2,848,857	24,832	3.51 %	2,213,320	20,741	3.78 %
Noninterest-earning assets	229,891			136,701		
Total assets	\$ 3,078,748			\$ 2,350,021		
<b>Interest-Bearing Liabilities</b>						
Interest-bearing deposits:						
Interest-bearing transaction accounts	\$ 927,210	379	0.16 %	\$ 691,063	831	0.48 %
Savings and money market deposits	589,006	295	0.20 %	492,682	731	0.60 %
Time deposits	424,226	732	0.69 %	336,132	1,416	1.69 %
Total interest-bearing deposits	1,940,442	1,406	0.29 %	1,519,877	2,978	0.79 %
Borrowings and repurchase agreements	29,467	394	5.36 %	11,131	88	3.16 %
Total interest-bearing liabilities	1,969,909	1,800	0.37 %	1,531,008	3,066	0.81 %
Noninterest-bearing deposits	721,751			512,046		
Total funding sources	2,691,660			2,043,054		
Noninterest-bearing liabilities	28,238			25,353		
Shareholders' equity	358,850			281,614		
Total liabilities and shareholders' equity	\$ 3,078,748			\$ 2,350,021		
Net interest spread (4)			3.14 %			2.98 %
Net interest income/margin (5)		\$ 23,032	3.26 %		\$ 17,675	3.23 %

- (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 2021 Earnings Release**

	Five Quarter Comparison				
	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020
<b>Operating net income:</b>					
Net income	\$ 12,076	\$ 11,030	\$ 9,681	\$ 7,487	\$ 6,181
Add: acquisition related expenses	256	67	2,105	2,548	448
Less: income tax impact of acquisition related expenses	(67)	(18)	(550)	(666)	(117)
Operating net income	<u>\$ 12,265</u>	<u>\$ 11,079</u>	<u>\$ 11,236</u>	<u>\$ 9,369</u>	<u>\$ 6,512</u>
<b>Operating diluted net income per share of common stock:</b>					
Operating net income	\$ 12,265	\$ 11,079	\$ 11,236	\$ 9,369	\$ 6,512
Weighted average shares - diluted	22,198,829	22,076,600	21,978,925	21,960,490	18,320,006
Operating diluted net income per share of common stock	<u>\$ 0.55</u>	<u>\$ 0.50</u>	<u>\$ 0.51</u>	<u>\$ 0.43</u>	<u>\$ 0.36</u>
<b>Operating annualized return on average assets:</b>					
Operating net income	\$ 12,265	\$ 11,079	\$ 11,236	\$ 9,369	\$ 6,512
Average assets	3,078,748	3,078,745	3,028,225	3,043,847	2,350,021
Operating annualized return on average assets	<u>1.60 %</u>	<u>1.46 %</u>	<u>1.48 %</u>	<u>1.22 %</u>	<u>1.11 %</u>
<b>Operating annualized return on average tangible equity:</b>					
Average total shareholders' equity	\$ 358,850	\$ 350,681	\$ 340,709	\$ 321,506	\$ 281,614
Less: average intangible assets	(49,012)	(49,514)	(50,038)	(50,577)	(43,871)
Average tangible equity	309,838	301,167	290,671	270,929	237,743
Operating net income	\$ 12,265	\$ 11,079	\$ 11,236	\$ 9,369	\$ 6,512
Operating annualized return on average tangible equity	<u>15.88 %</u>	<u>14.92 %</u>	<u>15.38 %</u>	<u>13.76 %</u>	<u>11.02 %</u>
<b>Operating efficiency ratio:</b>					
Total noninterest expense	\$ 19,080	\$ 17,413	\$ 21,478	\$ 22,739	\$ 18,934
Less: acquisition related expenses	(256)	(67)	(2,105)	(2,548)	(448)
Total operating noninterest expense	18,824	17,346	19,373	20,191	18,486
Net interest income	23,032	22,182	22,331	19,656	17,675
Total noninterest income	9,883	10,014	11,748	14,804	10,823
Total revenues	\$ 32,915	\$ 32,196	\$ 34,079	\$ 34,460	\$ 28,498
Operating efficiency ratio:	<u>57.19 %</u>	<u>53.88 %</u>	<u>56.85 %</u>	<u>58.59 %</u>	<u>64.87 %</u>
<b>Operating annualized pre-tax pre-provision income to average assets:</b>					
Income before income taxes	\$ 14,900	\$ 14,133	\$ 12,417	\$ 9,602	\$ 7,940
Add: acquisition related expenses	256	67	2,105	2,548	448
Add: provision for loan losses	(1,065)	650	184	2,119	1,624
Operating pre-tax pre-provision income	14,091	14,850	14,706	14,269	10,012
Average assets	\$ 3,078,748	\$ 3,078,745	\$ 3,028,225	\$ 3,043,847	\$ 2,350,021
Operating annualized pre-tax pre-provision income to average assets:	<u>1.84 %</u>	<u>1.96 %</u>	<u>1.93 %</u>	<u>1.86 %</u>	<u>1.71 %</u>
<b>Tangible Equity:</b>					
	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020
Total shareholders' equity	\$ 359,752	\$ 343,944	\$ 343,486	\$ 333,895	\$ 281,950
Less: intangible assets	(48,697)	(49,190)	(49,698)	(50,222)	(43,633)
Tangible equity	<u>\$ 311,055</u>	<u>\$ 294,754</u>	<u>\$ 293,788</u>	<u>\$ 283,673</u>	<u>\$ 238,317</u>
<b>Tangible Book Value per Share of Common Stock:</b>					
Tangible common equity	\$ 311,055	\$ 294,754	\$ 293,788	\$ 283,673	\$ 238,317
Total shares of common stock outstanding	22,165,547	22,089,873	21,988,803	21,947,805	18,302,188
Tangible book value per share of common stock	<u>\$ 14.03</u>	<u>\$ 13.34</u>	<u>\$ 13.36</u>	<u>\$ 12.92</u>	<u>\$ 13.02</u>

**CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY**  
**Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)**  
**Second quarter 2021 Earnings Release**

	Six Months Ended	
	6/30/2021	6/30/2020
<b>Operating net income:</b>		
Net income	\$ 23,106	\$ 7,527
Add: acquisition related expenses	323	738
Less: income tax impact of acquisition related expenses	(84)	(193)
Operating net income	<u>\$ 23,345</u>	<u>\$ 8,072</u>
<b>Operating diluted net income per share of common stock:</b>		
Operating net income	\$ 23,345	\$ 8,072
Weighted average shares - diluted	22,138,052	18,381,866
Operating diluted net income per share of common stock	<u>\$ 1.05</u>	<u>\$ 0.44</u>
<b>Operating annualized return on average assets:</b>		
Operating net income	\$ 23,345	\$ 8,072
Average assets	\$ 3,078,746	\$ 2,204,663
Operating annualized return on average assets	<u>1.53 %</u>	<u>0.74 %</u>
<b>Operating annualized return on average tangible equity:</b>		
Average total shareholders' equity	\$ 354,788	\$ 280,082
Less: average intangible assets	(49,262)	(44,062)
Average tangible equity	305,526	236,020
Operating net income	\$ 23,345	\$ 8,072
Operating annualized return on average tangible equity	<u>15.41 %</u>	<u>6.88 %</u>
<b>Operating efficiency ratio:</b>		
Total noninterest expense	\$ 36,492	\$ 33,145
Less: acquisition related expenses	(323)	(738)
Total operating noninterest expense	36,169	32,407
Net interest income	45,213	34,336
Total noninterest income	19,897	16,697
Total revenues	\$ 65,110	\$ 51,033
Operating efficiency ratio:	<u>55.55 %</u>	<u>63.50 %</u>

**CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY**  
**Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)**  
**Second quarter 2021 Earnings Release**

	<b>Five Quarter Comparison</b>				
	<b>6/30/2021</b>	<b>3/31/2021</b>	<b>12/31/2020</b>	<b>9/30/2020</b>	<b>6/30/2020</b>
Net interest income	\$ 23,032	\$ 22,182	\$ 22,331	\$ 19,656	\$ 17,675
Less: PPP loan income	(2,686)	(2,260)	(2,184)	(2,050)	(1,258)
Less: Excess liquidity interest income	(545)	(504)	(300)	—	—
Plus: Loss recognized on termination of interest rate swap	—	—	—	1,910	—
Adjusted net interest income	<u>19,801</u>	<u>19,418</u>	<u>19,847</u>	<u>19,516</u>	<u>16,417</u>
Average interest earning assets	2,848,857	2,889,119	2,859,096	2,886,031	2,213,320
Less: Average PPP loans	(173,733)	(204,459)	(204,918)	(215,806)	(153,857)
Less: Excess liquidity	(301,325)	(334,109)	(341,654)	(362,659)	(145,502)
Adjusted interest earning assets	<u>2,373,799</u>	<u>2,350,551</u>	<u>2,312,524</u>	<u>2,307,566</u>	<u>1,913,961</u>
Net interest margin (1)	3.26 %	3.13 %	3.12 %	2.72 %	3.23 %
Adjusted Net interest margin (1)	<u>3.36 %</u>	<u>3.35 %</u>	<u>3.41 %</u>	<u>3.40 %</u>	<u>3.45 %</u>

	<b>Five Quarter Comparison</b>				
	<b>6/30/2021</b>	<b>3/31/2021</b>	<b>12/31/2020</b>	<b>9/30/2020</b>	<b>6/30/2020</b>
Allowance for loan losses	\$ 22,754	\$ 23,877	\$ 23,245	\$ 23,167	\$ 21,035
Purchase accounting marks	3,533	3,615	3,663	4,013	2,790
Allowance for loan losses and purchase accounting fair value marks	<u>26,287</u>	<u>27,492</u>	<u>26,908</u>	<u>27,180</u>	<u>23,825</u>
Loans	1,907,820	1,941,078	1,891,019	1,906,603	1,592,725
Less: PPP Loans net of deferred fees	109,940	210,810	181,601	216,799	213,064
Non-PPP Loans	<u>1,797,880</u>	<u>1,730,268</u>	<u>1,709,418</u>	<u>1,689,804</u>	<u>1,379,661</u>
Allowance for loan losses plus fair value marks / Non-PPP Loans	<u>1.46 %</u>	<u>1.59 %</u>	<u>1.57 %</u>	<u>1.61 %</u>	<u>1.73 %</u>

(1) Net interest margin and adjusted net interest margin are shown on a tax equivalent basis.



**CAPSTAR**<sup>TM</sup>  
FINANCIAL HOLDINGS, INC.

# Second Quarter 2021 Earnings Call

July 23, 2021



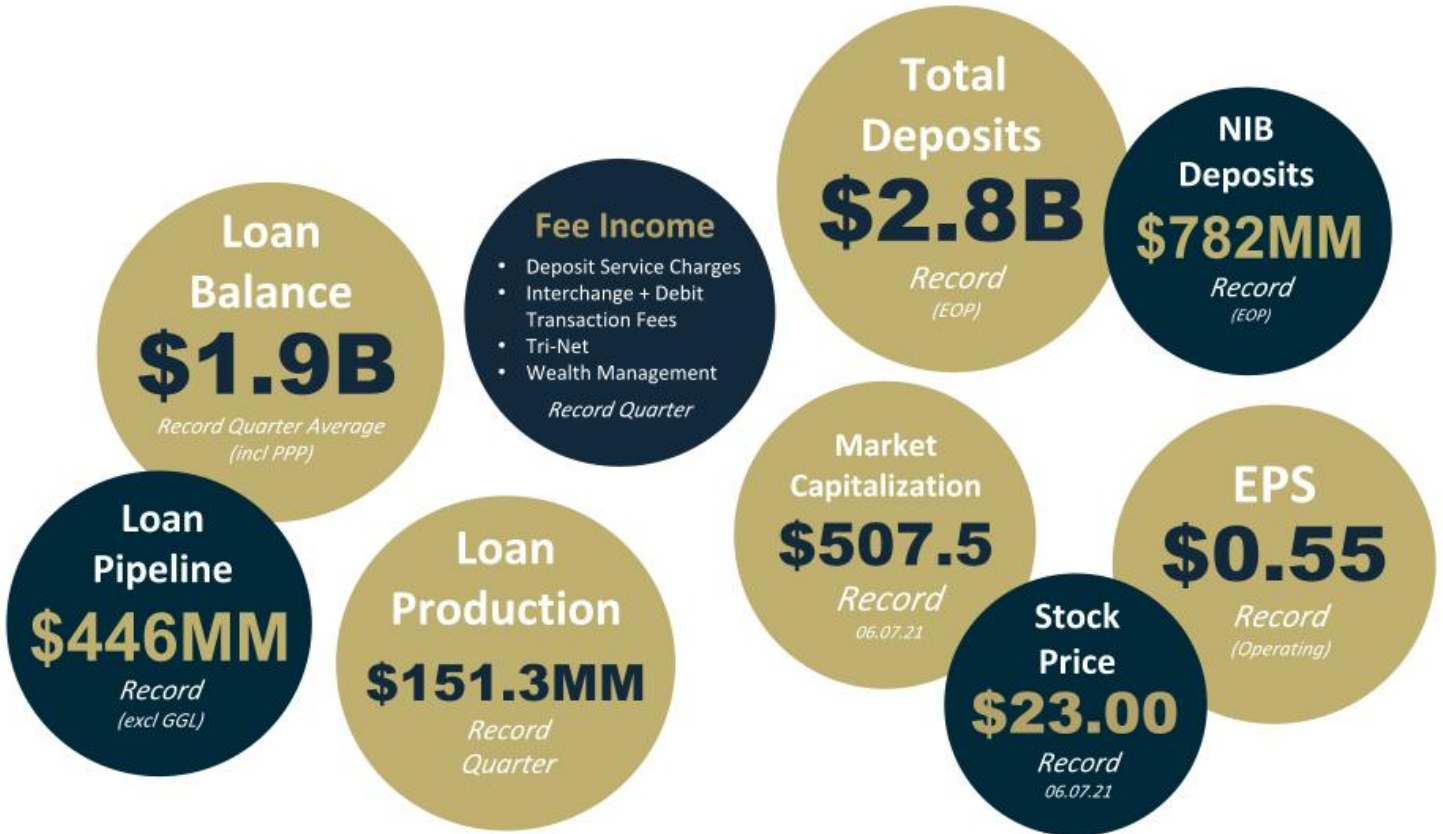
## FORWARD-LOOKING STATEMENTS

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. All statements, other than statements of historical fact, included in this release and any oral statements made regarding the subject of this release, including in the conference call referenced herein, that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "expect", "anticipate", "intend", "may", "should", "plan", "believe", "seek", "estimate" and similar expressions are intended to identify such forward-looking statements, but other statements not based on historical information may also be considered forward-looking statements. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the statements, **including, but not limited to:** (I) deterioration in the financial condition of borrowers of the Company and its subsidiaries, resulting in significant increases in loan losses and provisions for those losses; (II) the effects of the emergence of widespread health emergencies or pandemics, including the magnitude and duration of the Covid-19 pandemic and its impact on general economic and financial market conditions and on the Company's customer's business, results of operations, asset quality and financial condition; (III) the ability to grow and retain low-cost, core deposits and retain large, uninsured deposits, including during times when the Company is seeking to lower rates it pays on deposits; (IV) the impact of competition with other financial institutions, including pricing pressures and the resulting impact on the Company's results, including as a result of compression to net interest margin; (V) fluctuations or differences in interest rates on loans or deposits from those that the Company is modeling or anticipating, including as a result of the Company's inability to better match deposit rates with the changes in the short term rate environment, or that affect the yield curve; (VI) difficulties and delays in integrating required businesses or fully realizing cost savings or other benefits from acquisitions; (VII) the Company's ability to profitably grow its business and successfully execute on its business plans; (VIII) any matter that would cause the Company to conclude that there was impairment of any asset, including goodwill or other intangible assets; (IX) the vulnerability of the Company's network and online banking portals, and the systems of customers or parties with whom the Company contracts, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches; (X) the availability of and access to capital; (XI) adverse results (including costs, fines, reputational harm, inability to obtain necessary approvals, and/or other negative affects) from current or future litigation, regulatory examinations or other legal and/or regulatory actions, including as a result of the Company's participation in and execution of government programs related to the Covid-19 pandemic; and (XII) general competitive, economic, political and market conditions. Additional factors which could affect the forward-looking statements can be found in the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, filed with the SEC. The Company disclaims any obligation to update or revise any forward-looking statements contained in this press release (we speak only as of the date hereof ), whether as a result of new information, future events, or otherwise.

## 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.

# 2Q21 Accomplishments



# 2Q21 Highlights

## Executing on strategic objectives

- Enhance profitability and earnings consistency
- Accelerate organic growth
- Maintain sound risk management
- Execute disciplined capital allocation

## Delivering high performance

- Operating earnings per share of \$0.55 and ROAA of 1.60%
- NIM adjusted for PPP and excess deposits increased 1 basis point to 3.36%
- Loans (excluding PPP) grew 9.4% and 15.7% linked-quarter annualized on average and EOP, respectively
- Noninterest bearing and savings deposits increased 27.8% on average linked-quarter annualized
- Operating efficiency ratio of 57.19% ; bank-only of 54.13%

## Proactively managing risk

- Meaningful shift in balance sheet profile
  - YTD loan production nearly 100% CapStar-led to Tennessee borrowers
  - Focus is loans with strong collateral / guarantee profile
  - Shared national credits less than 2% of total loans
- Continued improvement in criticized and classified loans

## Deploying capital in a disciplined manner

- ~ 200 - 300 basis points of excess capital over targeted levels
- Investing in core business through additional bankers and prepared for opportunistic buyback



# Financial Results

	GAAP			Operating <sup>(1)</sup>		
	2Q21	Favorable/(Unfavorable)		2Q21	Favorable/(Unfavorable)	
		1Q21	2Q20 <sup>(2)</sup>		1Q20	2Q20 <sup>(2)</sup>
Net Interest Income	\$23.03	4%	30%	\$23.03	4%	30%
Noninterest Income	\$9.88	-1%	-9%	\$9.88	-1%	-9%
Revenue	\$32.91	2%	15%	\$32.91	2%	15%
Noninterest Expense	\$19.08	-10%	1%	\$18.82	-8%	2%
Pre-tax Pre-provision Income	<b>\$13.83</b>	<b>-6%</b>	<b>45%</b>	<b>\$14.09</b>	<b>-5%</b>	<b>41%</b>
Provision for Loan Losses	(\$1.06)	264%	166%	(\$1.06)	264%	166%
Net Income	\$12.08	9%	95%	\$12.27	11%	88%
Diluted Earnings per Share	<b>\$0.54</b>	<b>9%</b>	<b>61%</b>	<b>\$0.55</b>	<b>10%</b>	<b>55%</b>

(Dollars in millions,  
except per share data)

(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 related items.

(2) 2Q20 Results are pre the acquisition of FCB and Net Income and EPS comparisons are not meaningful.

# Key Performance Indicators

(Dollars in millions, except for per share data)		Operating Metrics <sup>(1)</sup>		
		2Q21	1Q21	2Q20
Profitability	Net Interest Margin <sup>(2)</sup>	3.26%	3.13%	3.23%
	Efficiency Ratio <sup>(3)</sup>	57.19%	53.88%	64.87%
	Pretax Preprovision Income / Assets <sup>(4)</sup>	1.84%	1.96%	1.71%
	Return on Average Assets	1.60%	1.46%	1.11%
	Return on Average Tangible Equity	15.88%	14.92%	11.02%
Growth	Total Assets (Avg)	\$3,079	\$3,079	\$2,350
	Total Deposits (Avg)	\$2,662	\$2,664	\$2,032
	Total Loans HFI (Avg) (Excl PPP)	\$1,775	\$1,734	\$1,479
	Diluted Earnings per Share	\$0.55	\$0.50	\$0.36
	Tangible Book Value per Share	\$14.03	\$13.34	\$13.02
Soundness	Net Charge-Offs to Average Loans (Annualized)	0.01%	0.00%	0.18%
	Non-Performing Assets / Loans + OREO	0.22%	0.30%	0.20%
	Allowance for Loan Losses + Fair Value Mark / Loans Excl PPP	1.46%	1.59%	1.73%
	Common Equity Tier 1 Capital	13.78%	13.79%	13.76%
	Total Risk Based Capital	16.13%	16.29%	16.76%

- (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 related 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 ROA calculated as ROA excluding the effect of income tax expense, provision expense and merger expenses.

# Financial Detail

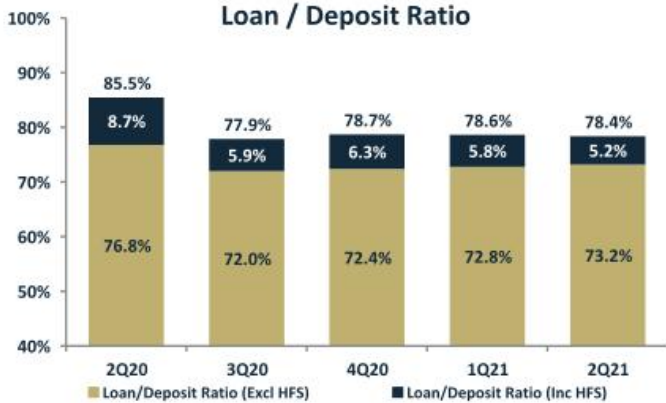


# Net Interest Income / Margin<sup>(1)</sup>

Net Interest Margin \$ and %



Loan / Deposit Ratio

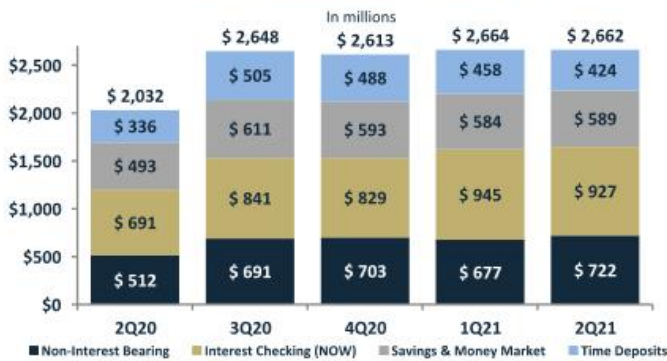


- NII up \$0.8MM from 1Q21 due to 13 bps NIM improvement and an additional day
- NIM up 13 bps vs 1Q21 primarily due to a 7 bps loan yield increase related primarily by greater PPP loan forgiveness and a 5 bps decline in deposit rates paid
- Adjusted NIM, excluding 28 bps negative impact of excess liquidity and 18 bps positive impact of PPP loans, increased 1 bps vs 1Q21
- Significant opportunity to benefit NII, net income, ROAA, and ROE through redeploying excess liquidity in loan growth and investments as well as deposit pricing

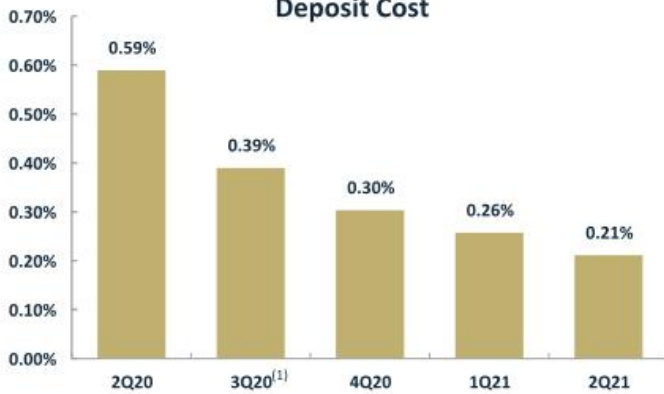
(1) Calculated on a tax equivalent basis.  
 (2) Adjusted for 3Q20 SWAP Termination Expense, Excess Cash and PPP Loan impact.

# Deposit Growth and Costs

Deposit Portfolio (QTR Avg)



Deposit Cost



- Total Deposits and Non-interest bearing deposits at record levels in 2Q21
- Deposit costs declined 5 bps to 0.21% with increases in DDA and Savings, the Company's two lowest cost categories, offset by a decline in Time Deposits, the Company's highest cost category
- While the Company is currently faced with excess deposits, a priority is to develop a deposit first culture to ensure strong core funding into the future

(1) 3Q20 excludes the amortization of swap expense.

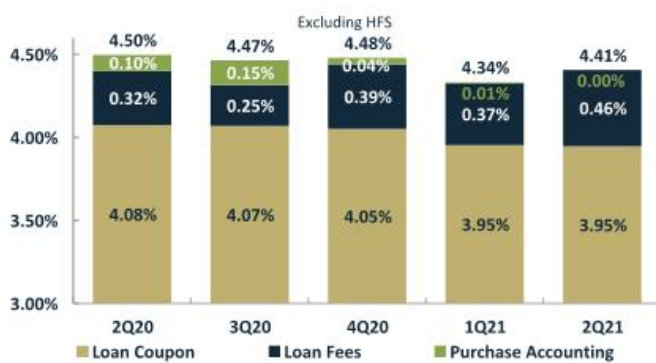


# Loan Growth and Yields

**Total Loans (QTR Avg)**



**Loan Yields**



- Strong core loan growth, excluding PPP loans
  - 9.4% average linked-quarter annualized
  - 15.7% EOP linked-quarter annualized
- PPP loans totaled \$110MM at June 30, 2021
  - Round 1&2 PPP balances totaled approximately \$35MM with \$0.4MM of fees remaining to be recognized
  - Round 3 PPP balances totaled approximately \$75MM with \$3.4MM of fees remaining to be recognized
- Strengthened loan capabilities
  - Stronger and larger commercial banker line-up
  - Growing loan pipeline
  - Improved credit process

# Noninterest Income

(Dollars in thousands)	Three Months Ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>Noninterest Income</b>					
Deposit Service Charges	\$ 1,109	\$ 1,102	\$ 964	\$ 1,064	\$ 691
Interchange and Debit Transaction Fees	1,227	1,092	782	936	729
Mortgage Banking	3,910	4,716	5,971	9,686	7,123
Tri-Net	1,536	1,143	1,165	668	1,260
Wealth Management	471	459	411	382	374
SBA Lending	377	492	916	476	13
Net Gain on Sale of Securities	(13)	26	51	34	13
Other	1,266	984	1,488	1,558	620
<b>Total Noninterest Income</b>	<b>\$ 9,883</b>	<b>\$ 10,014</b>	<b>\$ 11,748</b>	<b>\$ 14,804</b>	<b>\$ 10,823</b>
<b>Average Assets</b>	<b>\$ 3,078,748</b>	<b>\$ 3,078,745</b>	<b>\$ 3,028,225</b>	<b>\$ 3,043,847</b>	<b>\$ 2,350,021</b>
<b>Noninterest Income / Average Assets</b>	<b>1.29%</b>	<b>1.32%</b>	<b>1.54%</b>	<b>1.93%</b>	<b>1.85%</b>
<b>Revenue</b>	<b>\$ 32,915</b>	<b>\$ 32,196</b>	<b>\$ 34,079</b>	<b>\$ 34,460</b>	<b>\$ 28,498</b>
<b>% of Revenue</b>	<b>30.03%</b>	<b>31.10%</b>	<b>34.47%</b>	<b>42.96%</b>	<b>37.98%</b>

- Strong contribution across all categories
- Record:
  - Deposit Service Charges
  - Interchange and Debit Card
  - Tri-Net
  - Wealth Management
- Continued strength in Mortgage and SBA

# Noninterest Expense

(Dollars in thousands)	Three Months Ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>Noninterest Expense</b>					
Salaries and Employee Benefits	\$ 10,803	\$ 9,427	\$ 11,996	\$ 12,949	\$ 12,305
Data Processing and Software	3,070	2,827	2,548	2,353	2,100
Occupancy	1,057	1,108	975	999	797
Equipment	980	899	900	864	680
Professional Services	460	704	370	638	581
Regulatory Fees	211	257	368	397	333
Acquisition Related Expenses	256	67	2,105	2,548	448
Amortization of Intangibles	493	508	524	539	375
Other Operating	1,750	1,616	1,692	1,452	1,315
<b>Total Noninterest Expense</b>	<b>\$ 19,080</b>	<b>\$ 17,413</b>	<b>\$ 21,478</b>	<b>\$ 22,739</b>	<b>\$ 18,934</b>
<i>Efficiency Ratio</i>	<i>57.97%</i>	<i>54.08%</i>	<i>63.02%</i>	<i>65.99%</i>	<i>66.44%</i>
<i>Average Assets</i>	<i>\$ 3,078,748</i>	<i>\$ 3,078,745</i>	<i>\$ 3,028,225</i>	<i>\$ 3,043,847</i>	<i>\$ 2,350,021</i>
<i>Noninterest Expense / Average Assets</i>	<i>2.49%</i>	<i>2.29%</i>	<i>2.82%</i>	<i>2.97%</i>	<i>3.24%</i>
<i>FTE</i>	<i>383</i>	<i>379</i>	<i>380</i>	<i>403</i>	<i>286</i>
<b>Operating Noninterest Expense<sup>(1)</sup></b>	<b>\$ 18,824</b>	<b>\$ 17,346</b>	<b>\$ 19,373</b>	<b>\$ 20,191</b>	<b>\$ 18,486</b>
<b>Operating Efficiency Ratio<sup>(1)</sup></b>	<b>57.19%</b>	<b>53.88%</b>	<b>56.85%</b>	<b>58.59%</b>	<b>64.87%</b>
<b>Operating Noninterest Expense/Average Assets<sup>(1)</sup></b>	<b>2.45%</b>	<b>2.28%</b>	<b>2.55%</b>	<b>2.64%</b>	<b>3.16%</b>

- 2Q21 increase principally related to incentive accruals in anticipation of achieving maximum year-end payout
- Adjusted for \$1.5 million in increased incentive accruals, operating noninterest expense is flat
- Noninterest expense includes approximately \$250K of temporary expense related to the processing of PPP loans

(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

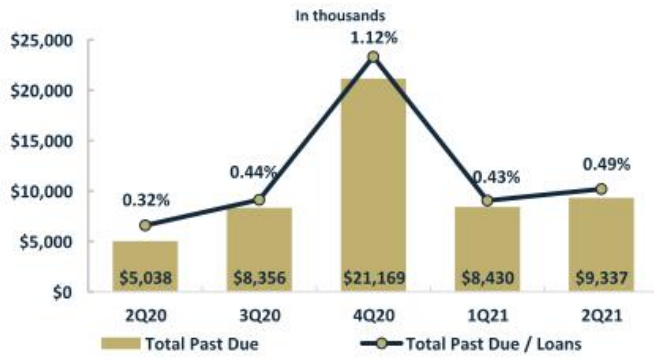
# Loan Portfolio Summary

- Continued focus on growing in-market core relationship banking activities
- Robust internal asset quality review process over low Pass rated credits and all Criticized and Classified borrowers > \$250,000, including a monthly assessment of:
  - direction of risk
  - adequacy and sustainability of the borrower's cash flow
  - coverage of collateral and guaranties
- Continual external validation with robust external loan review and periodic stress tests
- At 2Q21:
  - % of Criticized and Classified Loans improved 10% from 1Q21
  - Payment deferrals were at 2% involving 6 borrowers
  - Shared National Credits were < 2%
  - In-market loans were > 96%
  - Loan losses remained low and averaged < \$140K over last 8 quarters

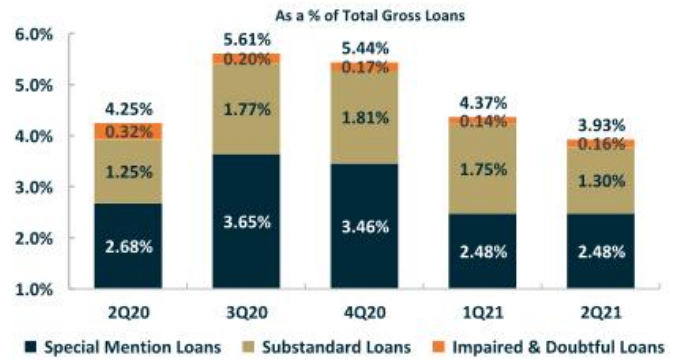


# Loan Portfolio Performance

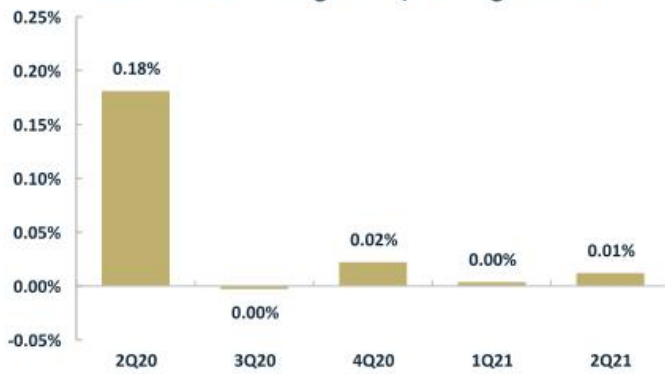
Past Due Trend



Criticized & Classified Loan Trends

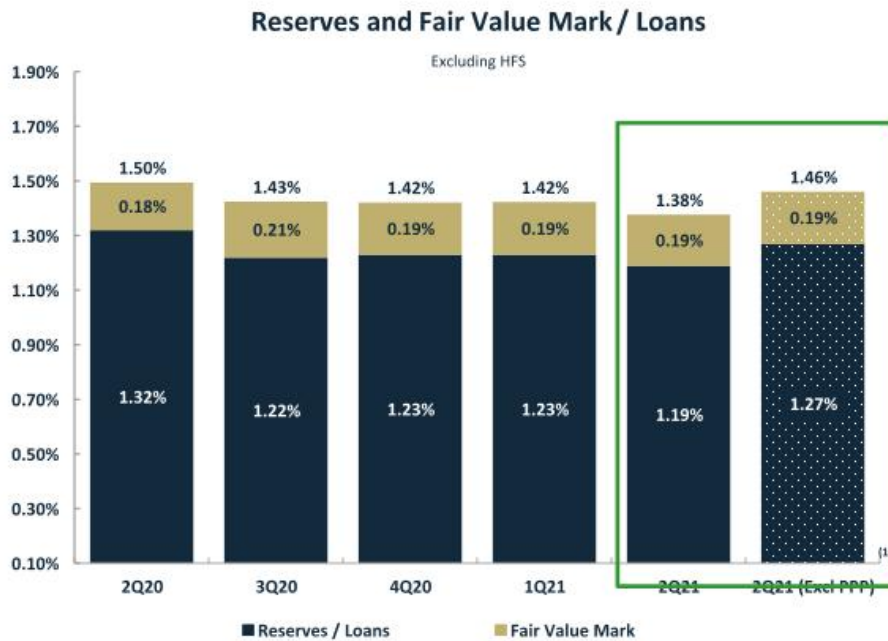


Annualized Net Charge-Offs / Average Loans



- Criticized and classified loans improved from 4.37% to 3.93% with the peak at 5.61%
- Net charge-offs remained low and have averaged < \$140K over the last 8 quarters

# Allowance for Loan Losses



- In addition to providing reserves for loan growth in the second quarter, the Allowance for Loan Losses declined \$1.1MM due to ongoing economic recovery.
- The Allowance for Loan Losses at 2Q21 of \$22.8MM plus the \$3.5MM fair value mark on acquired loans was 1.46% of non-PPP Loans

(1) PPP Loan balances net of unearned fees as of 06/30/2021.

# Capital Management



# Capital Ratios

Capital Ratios	2Q21	1Q21	2Q20	"Well Capitalized" Guidelines
Leverage	10.17%	9.78%	10.08%	≥ 5.00%
Tangible Common Equity / Tangible Assets	9.83%	9.50%	9.92%	NA
Tier 1 Risk Based Capital	13.78%	13.79%	13.76%	≥ 8.00%
Total Risk Based Capital	16.13%	16.29%	16.76%	≥ 10.00%

- Capital ratios remained significantly above “well capitalized” minimums and approximately 200 – 300 basis points above targeted levels
- Proactively seeking opportunities to invest in our business through additional bankers
- Prepared for opportunistic stock buyback; minimal shares repurchased in 2Q21
- Declared a quarterly dividend of \$0.06 per common share

# Looking Forward

# Investment Thesis

## Quality Management Team

- Strong operational and capital allocation experience
- Insiders own ~10% of the company
- Shareholder-friendly culture

## Catalyst for Improved Profitability and Growth

- Dynamic and stable markets offer opportunities for organic customer growth and expansion
- Three recent acquisitions provide greater scale to leverage
- Strong cash/securities and capital levels available for deployment

## Repeatable Investment Opportunities

- Beneficiary of significant immigration and growing number of dissatisfied large regional bank customers
- Lift out opportunities for employees who value a higher touch and more entrepreneurial culture
- M&A available to capitalize on continued Tennessee consolidation

## Attractive Valuation

- Improved profitability and growth prospects provide potential for relative multiple expansion and increased earnings

# Tennessee Landscape



TN 2020 & 2021 M&A Transactions	
Seller	Asset Size
Reliant Bancorp, Inc.	\$3B
Landmark Community Bank	\$1B
Triumph Bancshares, Inc.	\$894MM
Tri-State Bank of Memphis	\$105MM
Cumberland Bancshares, Inc.	\$289MM
Sevier County Bancshares, Inc.	\$424MM
SFB Bancorp, Inc.	\$62MM
American Bancshares Corp.	\$264MM
Brighton Bancorp, Inc.	\$42MM
Bumpushares, Inc.	\$25MM
FCB Corporation	\$467MM
Franklin Financial Network, Inc.	\$3.9B
Dyer F & M Bancshares, Inc.	\$99MM
Progressive Financial Group, Inc.	\$292MM
First Advantage Bancorp	\$733MM
TN Community Bank Holdings, Inc.	\$251MM



### America's Top States for Business

- No. 2 Best Economy in the Nation
- No. 5 Top State to do Business in the Nation



### Best State Rankings

- No. 1 State for Long-Term Fiscal Stability in the Nation



### States Americans Headed to Most in 2020

- No. 1 State in the Nation for Relocations in 2020



## **Appendix: Other Financial Results and Non-GAAP Reconciliations**

# Non-GAAP Financial Measures

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>(Dollars in thousands, except per share information)</b>					
<b>TANGIBLE COMMON EQUITY</b>					
Total Shareholders' Equity	\$ 359,752	\$ 343,944	\$ 343,486	\$ 333,895	\$ 281,950
Less: Intangible Assets	48,697	49,190	49,698	50,222	43,633
Tangible Common Equity	311,055	294,754	293,788	283,673	238,317
<b>TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS</b>					
Tangible Common Equity	\$ 311,055	\$ 294,754	\$ 293,788	\$ 283,673	\$ 238,317
Total Assets	3,212,390	3,150,457	2,987,006	3,024,348	2,445,172
Less: Intangible Assets	48,697	49,190	49,698	50,222	43,633
Tangible Assets	3,163,693	3,101,268	2,934,404	2,974,127	2,401,539
Tangible Common Equity to Tangible Assets	9.83%	9.50%	10.01%	9.54%	9.92%
<b>TANGIBLE BOOK VALUE PER SHARE, REPORTED</b>					
Tangible Common Equity	\$ 311,055	\$ 294,754	\$ 293,788	\$ 283,673	\$ 238,317
Shares of Common Stock Outstanding	22,165,547	22,089,873	21,988,803	21,947,805	18,302,188
Tangible Book Value Per Share, Reported	\$14.03	\$13.34	\$13.36	\$12.92	\$13.02

# Non-GAAP Financial Measures

	Three Months Ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
(Dollars in thousands, except per share information)					
<b>RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Total Average Shareholders' Equity	\$ 358,850	\$ 350,681	\$ 340,709	\$ 321,506	\$ 281,614
Less: Average Intangible Assets	49,012	49,514	50,038	50,577	43,871
Average Tangible Equity	309,838	301,167	290,671	270,929	237,743
Net Income	12,076	11,030	9,681	7,487	6,181
Return on Average Tangible Equity (ROATE)	15.63%	14.85%	13.25%	10.99%	10.46%



# Non-GAAP Financial Measures

	Three Months Ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>(Dollars in thousands, except per share information)</b>					
<b>OPERATING NET INCOME</b>					
Net Income	\$ 12,076	\$ 11,030	\$ 9,681	\$ 7,487	\$ 6,181
Add: Merger Related Expense	256	67	2,105	2,548	448
Less: Income Tax Impact	(67)	(18)	(550)	(666)	(117)
Operating Net Income	12,265	11,079	11,236	9,369	6,512
<b>OPERATING DILUTED NET INCOME PER SHARE</b>					
Operating Net Income	\$ 12,265	\$ 11,079	\$ 11,236	\$ 9,369	\$ 6,512
Average Diluted Shares Outstanding	22,198,829	22,076,600	21,978,925	21,960,490	18,320,006
Operating Diluted Net Income per Share	\$ 0.55	\$ 0.50	\$ 0.51	\$ 0.43	\$ 0.36
<b>OPERATING RETURN ON AVERAGE ASSETS (ROAA)</b>					
Operating Net Income	\$ 12,265	\$ 11,079	\$ 11,236	\$ 9,369	\$ 6,512
Total Average Assets	3,078,748	3,078,745	3,028,225	3,043,847	2,350,021
Operating Return on Average Assets (ROAA)	1.60%	1.46%	1.48%	1.22%	1.11%
<b>OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Average Tangible Equity	\$ 309,838	\$ 301,167	\$ 290,671	\$ 270,929	\$ 237,743
Operating Net Income	12,265	11,079	11,236	9,369	6,512
Operating Return on Average Tangible Equity (ROATE)	15.88%	14.92%	15.38%	13.76%	11.02%

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, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
(Dollars in thousands, except per share information)					
<b>OPERATING NONINTEREST EXPENSE</b>					
Noninterest Expense	\$ 19,080	\$ 17,413	\$ 21,478	\$ 22,739	\$ 18,934
Less: Merger Related Expense	(256)	(67)	(2,105)	(2,548)	(448)
Operating Noninterest Expense	18,824	17,346	19,373	20,191	18,486
<b>OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS</b>					
Operating Noninterest Expense	\$ 18,824	\$ 17,346	\$ 19,373	\$ 20,191	\$ 18,486
Total Average Assets	3,078,748	3,078,745	3,028,225	3,043,847	2,350,021
Operating Noninterest Income / Average Assets	2.45%	2.28%	2.55%	2.64%	3.16%
<b>OPERATING EFFICIENCY RATIO</b>					
Operating Noninterest Expense	\$ 18,824	\$ 17,346	\$ 19,373	\$ 20,191	\$ 18,486
Net Interest Income	23,032	22,182	22,331	19,656	17,675
Noninterest Income	9,883	10,014	11,748	14,804	10,823
Total Revenues	32,915	32,196	34,079	34,460	28,498
Operating Efficiency Ratio	57.19%	53.88%	56.85%	58.59%	64.87%

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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