

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): January 27, 2022

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 January 27, 2022, CapStar Financial Holdings, Inc. (the “Company”) issued an earnings release announcing its financial results for the fourth quarter ended December 31, 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 January 28, 2022 to discuss its financial results for the fourth quarter ended December 31, 2021.

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Earnings release issued on January 27, 2022 by CapStar Financial Holdings, Inc.
99.2	Presentation for conference call to be conducted by CapStar Financial Holdings, Inc. on January 28, 2022.
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: January 27, 2022

EARNINGS RELEASE

CONTACT

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



CapStar Reports Fourth Quarter 2021 Results

NASHVILLE, TN, January 27, 2022 (GLOBE NEWSWIRE) -- **CapStar Financial Holdings, Inc. ("CapStar") (NASDAQ:CSTR)** today reported net income of \$12.5 million or \$0.56 per diluted share, for the quarter ended December 31, 2021, compared with net income of \$13.1 million or \$0.59 per diluted share, for the quarter ended September 30, 2021, and net income of \$9.7 million or \$0.44 per diluted share, for the quarter ended December 31, 2020. Annualized return on average assets and return on average equity for the quarter ended December 31, 2021 were 1.57 percent and 13.11 percent, respectively. Fourth quarter 2020 earnings included acquisition related expenses totaling \$2.1 million.

For the twelve months ended December 31, 2021, the Company reported net income of \$48.7 million or \$2.19 per diluted share, compared with \$24.7 million or \$1.22 per diluted share, for the same period of 2020. Year to date 2021 return on average assets and return on average equity were 1.56 percent and 13.38 percent, respectively. The twelve months ended December 31, 2021 and 2020 included acquisition related expenses of \$0.3 million and \$5.4 million, respectively.

Four Key Drivers	Targets	2021	4Q21	3Q21	Q420
Annualized revenue growth	> 5%	11.94%	-5.61%	20.49%	-4.40%
Net interest margin	≥ 3.60%	3.16%	3.14%	3.12%	3.12%
Efficiency ratio	≤ 55%	54.94%	54.74%	53.06%	63.02%
Annualized net charge-offs to average loans	≤ 0.25%	0.03%	0.04%	0.05%	0.02%

“The employees of CapStar delivered outstanding fourth quarter and yearly results. Their commitment to excellence led to many expanded and new customer relationships and helped us operate the company in a more productive manner,” said Timothy K. Schools President and Chief Executive Officer of CapStar. “Like many banks, CapStar experienced record earnings in 2021. However, it is the positive developments and many successes occurring across the company that make me proud and excited for our future. Of note, our team has improved our organic revenue growth capabilities, gained increased operating discipline around balance sheet and expense management, and developed active plans for significant excess capital that is currently held on our balance sheet as cash.”

“CapStar has built a winning culture, and the Company’s improved operating performance, superior markets and size have us well positioned in 2022 and beyond to be an attractive destination for high performance employees and customers seeking a more personal banking experience. It is an exciting time at CapStar and we thank our employees, customers, and business partners for a great year.”

Revenue

Total revenue, defined as net interest income plus noninterest income, totaled \$34.1 million in the fourth quarter, the third highest in Company history. This represents a decline of \$0.5 million from the previous quarter, which was the highest revenue produced in Company history. Net interest income totaled \$23.0 million, equal to the third quarter of 2021, while fourth quarter 2021 noninterest income totaled \$11.1 million, a decrease of \$0.5 million from the prior quarter. Interchange and debit card fees as well as the Company's Tri-Net division achieved record results offset by declines in mortgage and SBA revenues each of which had particularly strong third quarters.

The Company continues to have excess liquidity providing the opportunity to increase net interest income without having to grow average earning assets by replacing lower yielding cash and securities with higher yielding loan balances. As a result, fourth quarter 2021 average earning assets remained relatively flat at \$2.92 billion compared to September 30, 2021. As occurred throughout the year, loan growth continued to accelerate during the quarter. Average loans held for investment, excluding PPP balances, increased \$56.4 million from the prior quarter, or 12.5 percent linked-quarter annualized. End of period loans held for investment, excluding PPP balances, increased \$109.2 million, or 23.7 percent linked-quarter annualized, of which approximately \$53.1 million originated through the Company's mid-fourth quarter Chattanooga expansion. Over the past two years, the Company successfully strengthened its in-market organic loan capabilities with fourth quarter annualized loans held for investment production of \$1.02 billion compared to total actual production of \$674.0 million, \$445.4 million, and \$296.4 million in 2021, 2020, and 2019 respectively. The current commercial loan pipeline exceeds \$500 million, presenting the Company a tremendous opportunity to utilize current excess liquidity and capital to grow revenue and net income.

For the fourth quarter of 2021, the net interest margin increased 2 basis points from the prior quarter to 3.14 percent primarily resulting from an increase in non-PPP loans with higher rates and improved yields in the investment portfolio. Adjusting for the influence of PPP and excess deposits accumulated during the pandemic, the Company estimates its fourth quarter 2021 net interest margin was 3.40 percent, a 4 basis point increase compared to the third quarter of 2021. While the Company is managing to a more neutral interest rate risk profile in order to enhance earnings consistency, net interest income over the next year is expected to benefit modestly from rising rates.

The Company's average deposits totaled \$2.71 billion in the fourth quarter of 2021, a slight decrease from the Company's record level of \$2.73 billion for the third quarter of 2021. During the quarter, the Company experienced a \$23.2 million reduction in higher cost average time deposits and \$19.9 million decrease in average interest-bearing transaction accounts. These decreases were offset by a \$27.5 million increase in average savings and money market deposits, creating an overall net decrease of \$15.7 million in average interest-bearing deposits when compared to the third quarter of 2021. While in the short-term 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 lowest cost deposit category, noninterest bearing, comprised 27.6 percent of total average deposits, consistent with the third quarter ended September 30, 2021. Total deposit costs remained flat for the fourth quarter at 0.19 percent.

The Company's unique fee businesses continue to support non-interest income, which has exceeded 30 percent of total revenue for the past seven quarters. Noninterest income during the quarter benefitted from record Tri-Net revenue, contributing a \$2.1 million improvement when compared to the quarter ended September 30, 2021. Additionally, the Company produced record interchange and debit card revenues as it relates to the Company's core banking. These increases were offset by a \$2.0 million decline in mortgage banking, as the residential housing market returns to more normalized levels, and \$0.6 million decline in SBA revenue following the divisions second highest results in Company history.

Noninterest Expense and Operating Efficiency

Improving productivity and operating efficiency is a key focus of the Company. During the quarter, the Company continued to exhibit strong expense discipline. Noninterest expenses increased \$0.3 million from the third quarter of 2021 to \$18.7 million in the fourth quarter of 2021. Excluding \$0.4 million in costs associated with the Company's recent Chattanooga expansion, noninterest expense declined from the prior quarter.

For the quarter ended December 31, 2021, the efficiency ratio was 54.74 percent, an increase from 53.06 percent in the third quarter of 2021. Annualized noninterest expense as a percentage of average assets increased 5 basis points to 2.35 percent for the quarter ended December 31, 2021 compared to 2.30 percent for the quarter ended September 30, 2021. Assets per employee remained unchanged at \$7.9 million as of December 31, 2021 compared to the previous quarter. The continued discipline in productivity metrics demonstrates the Company's commitment to outstanding performance.

Asset Quality

Strong asset quality is a core tenant of the Company's culture. Continued sound risk management and an improving economy led to continued low net charge-offs and strong credit metrics. Annualized net charge offs to average loans for the three months ended December 31, 2021, improved to 0.04 percent. Past due loans as a percentage of total loans held for investment improved to 0.25 percent at December 31, 2021 compared to 0.31 percent at September 30, 2021. Within this amount, loans greater than 89 days past due totaled \$2.1 million, or 0.11 percent of loans held for investment at December 31, 2021, compared to 0.12 percent at September 30, 2021. Non-performing assets to total loans and OREO were 0.18 percent at December 31, 2021, a 2 basis point improvement from 0.20 percent at September 30, 2021. Criticized and classified loans to total loans, which elevated during the pandemic, continued to improve and were 2.64 percent at December 31, 2021, a 21 basis point decline from September 30, 2021. Overall, the Company's asset quality metrics are approaching pre-pandemic levels.

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 fourth quarter, the allowance for loan losses declined \$0.7 million. As a result, the allowance for loan losses plus the fair value mark on acquired loans to total loans, less PPP loans, declined 14 basis points to 1.27 percent at December 31, 2021 from 1.41 percent at September 30, 2021.

Asset Quality Data:	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
Annualized net charge-offs to average loans	0.04%	0.05%	0.01%	0.00%	0.02%
Criticized and classified loans to total loans	2.64%	2.85%	3.95%	4.39%	5.46%
Classified loans to total risk-based capital	7.49%	7.16%	7.69%	10.51%	11.08%
Loans past due to total end of period loans	0.25%	0.31%	0.49%	0.44%	1.12%
Loans over 89 days past due to total end of period loans	0.11%	0.12%	0.13%	0.14%	0.23%
Non-performing assets to total loans and OREO	0.18%	0.20%	0.22%	0.30%	0.28%
Allowance for loan losses plus fair value marks / Non-PPP Loans	1.27%	1.41%	1.47%	1.60%	1.58%
Allowance for loan losses to non-performing loans	666%	657%	571%	446%	483%

Income Tax Expense

The Company's fourth quarter effective income tax rate increased to approximately 22.5% compared to 19.4% for the prior quarter ended September 30, 2021. The Company's 2021 effective tax rate was 21.0 percent, a 1.0 percent increase from the forecasted rate due primarily to an increase in taxable income for the full year when compared to the previous interim estimate.

Capital

The Company continues to be well capitalized with tangible equity of \$332.3 million at December 31, 2021. Tangible book value per share of common stock for the quarter ended December 31, 2021 increased to \$14.99 compared to \$14.53 and \$13.36 for the quarters ended September 30, 2021 and December 31, 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:	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
Total risk-based capital	16.29%	16.23%	16.13%	16.29%	16.03%
Common equity tier 1 capital	14.11%	13.95%	13.78%	13.79%	13.52%
Leverage	10.69%	10.28%	10.17%	9.78%	9.60%

In the fourth quarter of 2021, the Company did not repurchase common stock under its share repurchase program; however, on January 27, 2022, the Board of Directors of the Company renewed a common stock share repurchase up to

\$30 million. The Plan will terminate on the earlier of the date on which the maximum authorized dollar amount of shares of common stock has been repurchased or January 31, 2023.

Dividend

On January 27, 2022, the Board of Directors of the Company approved a quarterly dividend of \$0.06 per common share payable on February 23, 2022 to shareholders of record of CapStar's common stock as of the close of business on February 9, 2022.

Conference Call and Webcast Information

CapStar will host a conference call and webcast at 9:00 a.m. Central Time on Friday, January 28, 2022. During the call, management will review the fourth quarter results and operational highlights. Interested parties may listen to the call by dialing (844) 412-1002. The conference ID number is 2095058. 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 December 31, 2021, on a consolidated basis, CapStar had total assets of \$3.1 billion, total loans of \$2.0 billion, total deposits of \$2.7 billion, and shareholders' equity of \$380.1 million. Visit www.capstarbank.com for more information.

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)
Fourth quarter 2021 Earnings Release

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Interest income:				
Loans, including fees	\$ 22,284	\$ 22,653	\$ 89,219	\$ 84,272
Securities:				
Taxable	1,682	1,412	6,573	4,863
Tax-exempt	335	354	1,408	1,342
Federal funds sold	9	—	21	—
Restricted equity securities	157	155	640	576
Interest-bearing deposits in financial institutions	192	158	598	799
Total interest income	<u>24,659</u>	<u>24,732</u>	<u>98,459</u>	<u>91,852</u>
Interest expense:				
Interest-bearing deposits	410	497	1,626	3,868
Savings and money market accounts	307	377	1,203	5,196
Time deposits	556	1,121	2,873	5,317
Federal Home Loan Bank advances	—	8	12	356
Subordinated notes	394	398	1,575	792
Total interest expense	<u>1,667</u>	<u>2,401</u>	<u>7,289</u>	<u>15,529</u>
Net interest income	22,992	22,331	91,170	76,323
Provision for loan losses	(651)	184	(1,066)	11,479
Net interest income after provision for loan losses	<u>23,643</u>	<u>22,147</u>	<u>92,236</u>	<u>64,844</u>
Noninterest income:				
Deposit service charges	1,117	964	4,515	3,494
Interchange and debit card transaction fees	1,261	782	4,816	3,172
Mortgage banking income	2,740	5,971	16,058	25,034
Tri-Net	3,996	1,165	8,613	3,693
Wealth management	438	411	1,850	1,573
SBA lending	279	916	2,060	1,440
Net gain on sale of securities	8	51	28	125
Other noninterest income	1,295	1,488	4,741	4,717
Total noninterest income	<u>11,134</u>	<u>11,748</u>	<u>42,681</u>	<u>43,248</u>
Noninterest expense:				
Salaries and employee benefits	10,549	11,996	41,758	45,252
Data processing and software	2,719	2,548	11,248	8,865
Occupancy	1,012	975	4,205	3,590
Equipment	867	900	3,507	3,195
Professional services	521	370	2,155	2,224
Regulatory fees	284	368	1,031	1,261
Acquisition related expenses	—	2,105	323	5,390
Amortization of intangibles	461	524	1,939	1,824
Other operating	2,269	1,692	7,375	5,760
Total noninterest expense	<u>18,682</u>	<u>21,478</u>	<u>73,541</u>	<u>77,361</u>
Income before income taxes	16,095	12,417	61,376	30,731
Income tax expense	3,625	2,736	12,699	6,035
Net income	<u>\$ 12,470</u>	<u>\$ 9,681</u>	<u>\$ 48,677</u>	<u>\$ 24,696</u>
Per share information:				
Basic net income per share of common stock	<u>\$ 0.56</u>	<u>\$ 0.44</u>	<u>\$ 2.20</u>	<u>\$ 1.22</u>
Diluted net income per share of common stock	<u>\$ 0.56</u>	<u>\$ 0.44</u>	<u>\$ 2.19</u>	<u>\$ 1.22</u>
Weighted average shares outstanding:				
Basic	<u>22,166,410</u>	<u>21,960,184</u>	<u>22,127,919</u>	<u>20,162,038</u>
Diluted	<u>22,221,989</u>	<u>21,978,925</u>	<u>22,179,461</u>	<u>20,185,589</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)
Fourth quarter 2021 Earnings Release

	Five Quarter Comparison				
	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
Income Statement Data:					
Net interest income	\$ 22,992	\$ 22,964	\$ 23,032	\$ 22,182	\$ 22,331
Provision for loan losses	(651)	—	(1,065)	650	184
Net interest income after provision for loan losses	23,643	22,964	24,097	21,532	22,147
Deposit service charges	1,117	1,187	1,109	1,102	964
Interchange and debit card transaction fees	1,261	1,236	1,227	1,092	782
Mortgage banking	2,740	4,693	3,910	4,716	5,971
Tri-Net	3,996	1,939	1,536	1,143	1,165
Wealth management	438	481	471	459	411
SBA lending	279	911	377	492	916
Net gain (loss) on sale of securities	8	7	(13)	26	51
Other noninterest income	1,295	1,197	1,266	984	1,488
Total noninterest income	11,134	11,651	9,883	10,014	11,748
Salaries and employee benefits	10,549	10,980	10,803	9,427	11,996
Data processing and software	2,719	2,632	3,070	2,827	2,548
Occupancy	1,012	1,028	1,057	1,108	975
Equipment	867	760	980	899	900
Professional services	521	469	460	704	370
Regulatory fees	284	279	211	257	368
Acquisition related expenses	—	—	256	67	2,105
Amortization of intangibles	461	477	493	508	524
Other operating	2,269	1,741	1,750	1,616	1,692
Total noninterest expense	18,682	18,366	19,080	17,413	21,478
Net income before income tax expense	16,095	16,249	14,900	14,133	12,417
Income tax expense	3,625	3,147	2,824	3,103	2,736
Net income	\$ 12,470	\$ 13,102	\$ 12,076	\$ 11,030	\$ 9,681
Weighted average shares - basic	22,166,410	22,164,278	22,133,759	22,045,501	21,960,184
Weighted average shares - diluted	22,221,989	22,218,402	22,198,829	22,076,600	21,978,925
Net income per share, basic	\$ 0.56	\$ 0.59	\$ 0.55	\$ 0.50	\$ 0.44
Net income per share, diluted	0.56	0.59	0.54	0.50	0.44
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 415,125	\$ 359,267	\$ 449,267	\$ 390,565	\$ 277,439
Securities available-for-sale	459,396	483,778	500,339	474,788	486,215
Securities held-to-maturity	1,782	1,788	2,395	2,401	2,407
Loans held for sale	83,715	176,488	158,234	171,660	186,998
Loans held for investment	1,965,769	1,894,249	1,897,838	1,931,687	1,883,690
Allowance for loan losses	(21,698)	(22,533)	(22,754)	(23,877)	(23,245)
Total assets	3,133,046	3,112,127	3,212,390	3,150,457	2,987,006
Non-interest-bearing deposits	725,171	718,299	782,170	711,606	662,934
Interest-bearing deposits	1,959,110	1,956,093	1,998,024	2,039,595	1,905,067
Federal Home Loan Bank advances and borrowings	29,532	29,499	29,487	29,455	39,423
Total liabilities	2,752,952	2,741,799	2,852,639	2,806,513	2,643,520
Shareholders' equity	\$ 380,094	\$ 370,328	\$ 359,752	\$ 343,944	\$ 343,486
Total shares of common stock outstanding	22,166,129	22,165,760	22,165,547	22,089,873	21,988,803
Book value per share of common stock	\$ 17.15	\$ 16.71	\$ 16.23	\$ 15.57	\$ 15.62
Tangible book value per share of common stock *	14.99	14.53	14.03	13.34	13.36
Market value per common share	21.03	21.24	20.50	17.25	14.75
Capital ratios:					
Total risk based capital	16.29 %	16.23 %	16.13 %	16.29 %	16.03 %
Tier 1 risk based capital	14.11 %	13.95 %	13.78 %	13.79 %	13.52 %
Common equity tier 1 capital	14.11 %	13.95 %	13.78 %	13.79 %	13.52 %
Leverage	10.69 %	10.28 %	10.17 %	9.78 %	9.60 %

*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)
Fourth quarter 2021 Earnings Release

	Five Quarter Comparison				
	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
Average Balance Sheet Data:					
Cash and cash equivalents	\$ 470,963	\$ 411,101	\$ 301,773	\$ 341,092	\$ 427,086
Investment securities	491,135	515,877	508,595	496,035	407,622
Loans held for sale	123,962	173,402	147,912	164,867	171,517
Loans held for investment	1,888,094	1,884,935	1,938,818	1,929,343	1,885,126
Assets	3,159,308	3,171,182	3,078,748	3,078,745	3,028,225
Interest-bearing deposits	1,964,641	1,980,304	1,940,442	1,986,621	1,909,692
Deposits	2,713,314	2,732,165	2,662,192	2,663,551	2,613,080
Federal Home Loan Bank advances and other borrowings	29,514	29,495	29,467	33,879	39,428
Liabilities	2,781,951	2,803,375	2,719,898	2,728,064	2,687,516
Shareholders' equity	\$ 377,357	\$ 367,807	\$ 358,850	\$ 350,681	\$ 340,709
Performance Ratios:					
Annualized return on average assets	1.57 %	1.64 %	1.57 %	1.45 %	1.27 %
Annualized return on average equity	13.11 %	14.13 %	13.50 %	12.76 %	11.30 %
Net interest margin (1)	3.14 %	3.12 %	3.26 %	3.13 %	3.12 %
Annualized noninterest income to average assets	1.40 %	1.46 %	1.29 %	1.32 %	1.54 %
Efficiency ratio	54.74 %	53.06 %	57.97 %	54.08 %	63.02 %
Loans by Type (at period end):					
Commercial and industrial	\$ 497,615	\$ 478,279	\$ 536,279	\$ 609,896	\$ 623,446
Commercial real estate - owner occupied	209,261	193,139	200,725	197,758	162,603
Commercial real estate - non-owner occupied	616,023	579,857	538,520	505,252	481,229
Construction and development	214,310	210,516	198,448	170,965	174,859
Consumer real estate	326,412	328,262	331,580	336,496	343,791
Consumer	46,811	45,669	45,898	45,481	44,279
Other	55,337	58,527	46,387	65,839	53,483
Asset Quality Data:					
Allowance for loan losses to total loans	1.10 %	1.19 %	1.20 %	1.24 %	1.23 %
Allowance for loan losses to non-performing loans	666 %	657 %	571 %	446 %	483 %
Nonaccrual loans	3,258	3,431	3,985	5,355	4,817
Troubled debt restructurings	1,832	1,859	1,895	1,914	1,928
Loans - over 89 days past due	2,120	2,333	2,389	2,720	4,367
Total non-performing loans	3,258	3,431	3,985	5,355	4,817
OREO and repossessed assets	266	349	184	523	523
Total non-performing assets	\$ 3,524	\$ 3,780	\$ 4,169	\$ 5,878	\$ 5,340
Non-performing loans to total loans	0.17 %	0.18 %	0.21 %	0.28 %	0.26 %
Non-performing assets to total assets	0.11 %	0.12 %	0.13 %	0.19 %	0.18 %
Non-performing assets to total loans and OREO	0.18 %	0.20 %	0.22 %	0.30 %	0.28 %
Annualized net charge-offs to average loans	0.04 %	0.05 %	0.01 %	0.00 %	0.02 %
Net charge-offs	\$ 184	\$ 221	\$ 59	\$ 18	\$ 106
Interest Rates and Yields:					
Loans	4.47 %	4.41 %	4.43 %	4.36 %	4.50 %
Securities (1)	1.84 %	1.75 %	1.77 %	1.80 %	1.98 %
Total interest-earning assets (1)	3.36 %	3.35 %	3.51 %	3.42 %	3.45 %
Deposits	0.19 %	0.19 %	0.21 %	0.26 %	0.30 %
Borrowings and repurchase agreements	5.29 %	5.30 %	5.36 %	4.85 %	4.09 %
Total interest-bearing liabilities	0.33 %	0.34 %	0.37 %	0.42 %	0.49 %
Other Information:					
Full-time equivalent employees	397	392	383	379	380

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)
Fourth quarter 2021 Earnings Release

	For the Three Months Ended December 31,					
	2021			2020		
	Average Outstanding Balance	Interest Income/Expense	Average Yield/Rate	Average Outstanding Balance	Interest Income/Expense	Average Yield/Rate
Interest-Earning Assets						
Loans held for investment (1)	\$ 1,888,094	\$ 21,291	4.47 %	\$ 1,885,126	\$ 21,305	4.50 %
Loans held for sale	123,962	993	3.18 %	171,517	1,348	3.13 %
Securities:						
Taxable investment securities (2)	432,165	1,839	1.70 %	350,644	1,567	1.79 %
Investment securities exempt from federal income tax (3)	58,970	335	2.88 %	56,978	354	3.14 %
Total securities	491,135	2,174	1.84 %	407,622	1,921	1.98 %
Cash balances in other banks	397,381	192	0.19 %	394,831	158	0.16 %
Funds sold	19,906	9	—	—	—	—
Total interest-earning assets	2,920,478	24,659	3.36 %	2,859,096	24,732	3.45 %
Noninterest-earning assets	238,830			169,129		
Total assets	\$ 3,159,308			\$ 3,028,225		
Interest-Bearing Liabilities						
Interest-bearing deposits:						
Interest-bearing transaction accounts	\$ 964,932	410	0.17 %	\$ 828,740	497	0.24 %
Savings and money market deposits	616,610	307	0.20 %	593,236	377	0.25 %
Time deposits	383,099	556	0.58 %	487,716	1,121	0.91 %
Total interest-bearing deposits	1,964,641	1,273	0.26 %	1,909,692	1,995	0.42 %
Borrowings and repurchase agreements	29,514	394	5.29 %	39,428	406	4.09 %
Total interest-bearing liabilities	1,994,155	1,667	0.33 %	1,949,120	2,401	0.49 %
Noninterest-bearing deposits	748,673			703,388		
Total funding sources	2,742,828			2,652,508		
Noninterest-bearing liabilities	39,123			35,008		
Shareholders' equity	377,357			340,709		
Total liabilities and shareholders' equity	\$ 3,159,308			\$ 3,028,225		
Net interest spread (4)			3.03 %			2.96 %
Net interest income/margin (5)		\$ 22,992	3.14 %		\$ 22,331	3.12 %

- (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)
Fourth quarter 2021 Earnings Release

	Five Quarter Comparison				
	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
Operating net income:					
Net income	\$ 12,470	\$ 13,102	\$ 12,076	\$ 11,030	\$ 9,681
Add: acquisition related expenses	—	—	256	67	2,105
Less: income tax impact of acquisition related expenses	—	—	(67)	(18)	(550)
Operating net income	<u>\$ 12,470</u>	<u>\$ 13,102</u>	<u>\$ 12,265</u>	<u>\$ 11,079</u>	<u>\$ 11,236</u>
Operating diluted net income per share of common stock:					
Operating net income	\$ 12,470	\$ 13,102	\$ 12,265	\$ 11,079	\$ 11,236
Weighted average shares - diluted	22,221,989	22,218,402	22,198,829	22,076,600	21,978,925
Operating diluted net income per share of common stock	<u>\$ 0.56</u>	<u>\$ 0.59</u>	<u>\$ 0.55</u>	<u>\$ 0.50</u>	<u>\$ 0.51</u>
Operating annualized return on average assets:					
Operating net income	\$ 12,470	\$ 13,102	\$ 12,265	\$ 11,079	\$ 11,236
Average assets	\$ 3,159,308	\$ 3,171,182	\$ 3,078,748	\$ 3,078,745	\$ 3,028,225
Operating annualized return on average assets	<u>1.57%</u>	<u>1.64%</u>	<u>1.60%</u>	<u>1.46%</u>	<u>1.48%</u>
Operating annualized return on average tangible equity:					
Average total shareholders' equity	\$ 377,357	\$ 367,807	\$ 358,850	\$ 350,681	\$ 340,709
Less: average intangible assets	(48,054)	(48,527)	(49,012)	(49,514)	(50,038)
Average tangible equity	329,303	319,280	309,838	301,167	290,671
Operating net income	\$ 12,470	\$ 13,102	\$ 12,265	\$ 11,079	\$ 11,236
Operating annualized return on average tangible equity	<u>15.02%</u>	<u>16.28%</u>	<u>15.88%</u>	<u>14.92%</u>	<u>15.38%</u>
Operating efficiency ratio:					
Total noninterest expense	\$ 18,682	\$ 18,366	\$ 19,080	\$ 17,413	\$ 21,478
Less: acquisition related expenses	—	—	(256)	(67)	(2,105)
Total operating noninterest expense	18,682	18,366	18,824	17,346	19,373
Net interest income	22,992	22,964	23,032	22,182	22,331
Total noninterest income	11,134	11,651	9,883	10,014	11,748
Total revenues	\$ 34,126	\$ 34,615	\$ 32,915	\$ 32,196	\$ 34,079
Operating efficiency ratio:	<u>54.74%</u>	<u>53.06%</u>	<u>57.19%</u>	<u>53.88%</u>	<u>56.85%</u>
Operating annualized pre-tax pre-provision income to average assets:					
Income before income taxes	\$ 16,095	\$ 16,249	\$ 14,900	\$ 14,133	\$ 12,417
Add: acquisition related expenses	—	—	256	67	2,105
Add: provision for loan losses	(651)	—	(1,065)	650	184
Operating pre-tax pre-provision income	15,444	16,249	14,091	14,850	14,706
Average assets	\$ 3,159,308	\$ 3,171,182	\$ 3,078,748	\$ 3,078,745	\$ 3,028,225
Operating annualized pre-tax pre-provision income to average assets:	<u>1.94%</u>	<u>2.03%</u>	<u>1.84%</u>	<u>1.96%</u>	<u>1.93%</u>
Tangible Equity:					
Total shareholders' equity	\$ 380,094	\$ 370,328	\$ 359,752	\$ 343,944	\$ 343,486
Less: intangible assets	(47,759)	(48,220)	(48,697)	(49,190)	(49,698)
Tangible equity	<u>\$ 332,335</u>	<u>\$ 322,108</u>	<u>\$ 311,055</u>	<u>\$ 294,754</u>	<u>\$ 293,788</u>
Tangible Book Value per Share of Common Stock:					
Tangible common equity	\$ 332,335	\$ 322,108	\$ 311,055	\$ 294,754	\$ 293,788
Total shares of common stock outstanding	22,166,129	22,165,760	22,165,547	22,089,873	21,988,803
Tangible book value per share of common stock	<u>\$ 14.99</u>	<u>\$ 14.53</u>	<u>\$ 14.03</u>	<u>\$ 13.34</u>	<u>\$ 13.36</u>

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

	Year Ended	
	December 31, 2021	December 31, 2020
Operating net income:		
Net income	\$ 48,677	\$ 24,696
Add: acquisition related expenses	323	5,390
Less: income tax impact of acquisition related expenses	(84)	(1,409)
Operating net income	<u>\$ 48,916</u>	<u>\$ 28,677</u>
Operating diluted net income per share of common stock:		
Operating net income	\$ 48,916	\$ 28,677
Weighted average shares - diluted	22,179,461	20,185,589
Operating diluted net income per share of common stock	<u>\$ 2.21</u>	<u>\$ 1.42</u>
Operating return on average assets:		
Operating net income	\$ 48,916	\$ 28,677
Average assets	\$ 3,122,351	\$ 2,622,635
Operating return on average assets	<u>1.57 %</u>	<u>1.09 %</u>
Operating return on average tangible equity:		
Average total shareholders' equity	\$ 363,759	\$ 305,748
Less: average intangible assets	(48,772)	(47,202)
Average tangible equity	314,987	258,546
Operating net income	\$ 48,916	\$ 28,677
Operating return on average tangible equity	<u>15.53 %</u>	<u>11.09 %</u>
Operating efficiency ratio:		
Total noninterest expense	\$ 73,541	\$ 77,361
Less: merger related expenses	(323)	(5,390)
Total operating noninterest expense	73,218	71,971
Net interest income	91,170	76,323
Total noninterest income	42,681	43,248
Total revenues	\$ 133,851	\$ 119,571
Operating efficiency ratio:	<u>54.70 %</u>	<u>60.19 %</u>

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

	Five Quarter Comparison				
	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
Net interest income	\$ 22,992	\$ 22,964	\$ 23,032	\$ 22,182	\$ 22,331
Less: PPP loan income	(1,691)	(1,897)	(2,686)	(2,260)	(2,184)
Less: Excess liquidity interest income	(479)	(545)	(545)	(504)	(300)
Adjusted net interest income	20,822	20,522	19,801	19,418	19,847
Average interest earning assets	2,920,478	2,931,134	2,848,857	2,889,119	2,859,096
Less: Average PPP loans	(42,055)	(95,257)	(173,733)	(204,459)	(204,918)
Less: Excess liquidity	(447,548)	(411,926)	(301,325)	(334,109)	(341,654)
Adjusted interest earning assets	2,430,875	2,423,951	2,373,799	2,350,551	2,312,524
Net interest margin (1)	3.14%	3.12%	3.26%	3.13%	3.12%
Adjusted Net interest margin (1)	3.40%	3.36%	3.36%	3.35%	3.41%

	Five Quarter Comparison				
	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
Allowance for loan losses	\$ 21,698	\$ 22,533	\$ 22,754	\$ 23,877	\$ 23,245
Purchase accounting marks	3,003	3,288	3,533	3,615	3,663
Allowance for loan losses and purchase accounting fair value marks	24,701	25,821	26,287	27,492	26,908
Loans held for investment	1,965,769	1,894,249	1,897,838	1,931,687	1,883,690
Less: PPP Loans net of deferred fees	26,539	64,188	109,940	210,810	181,601
Non-PPP Loans	1,939,230	1,830,061	1,787,898	1,720,877	1,702,089
Allowance for loan losses plus fair value marks / Non-PPP Loans	<u>1.27%</u>	<u>1.41%</u>	<u>1.47%</u>	<u>1.60%</u>	<u>1.58%</u>

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



CAPSTAR[™]
FINANCIAL HOLDINGS, INC.

Fourth Quarter 2021

Earnings Call

January 28, 2022

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.

4Q21 Highlights

Executing on strategic objectives

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

Delivering high performance

- Earnings per share of \$0.56
- PTPPA and ROAA of 1.94% and 1.57%, respectively, despite ~ \$400MM of excess liquidity
- ROATCE of 15.02%, despite ~ 200 basis points of excess capital
- Improved absolute and relative 1, 2, and 3-year total shareholder returns

Proactively managing risk

- ~ 100% of 2021 loan production CapStar-led to Tennessee borrowers
- Strong credit culture
- Slightly asset sensitive balance sheet

Deploying capital in a disciplined manner

- Entered Chattanooga in 4Q21; provided \$53MM 4Q21 EOP loan growth
- Actively speaking with leading bankers in several metro markets
- Prepared for opportunistic share repurchase with \$30 million renewed authorization

Financial Results

(Dollars in millions,
except per share data)

	GAAP			Operating ⁽¹⁾		
	4Q21	Favorable/(Unfavorable)		4Q21	Favorable/(Unfavorable)	
		3Q21	4Q20		3Q21	4Q20
Net Interest Income	\$22.99	0%	3%	\$22.99	0%	3%
Noninterest Income	\$11.13	-4%	-5%	\$11.13	-4%	-5%
Revenue	\$34.12	-1%	0%	\$34.12	-1%	0%
Noninterest Expense	\$18.68	-2%	-13%	\$18.68	-2%	-4%
Pre-tax Pre-provision Income	\$15.44	-5%	23%	\$15.44	-5%	5%
Provision for Loan Losses	(\$0.65)	NM	454%	(\$0.65)	NM	454%
Net Income	\$12.47	-5%	29%	\$12.47	-5%	11%
Diluted Earnings per Share	\$0.56	-5%	27%	\$0.56	-5%	10%

(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 merger related items.

Key Performance Indicators

(Dollars in millions,
except for per share data)

	Operating Metrics ⁽¹⁾	4Q21	3Q21	4Q20
Profitability	Net Interest Margin ⁽²⁾	3.14%	3.12%	3.12%
	Efficiency Ratio ⁽³⁾	54.74%	53.06%	56.85%
	Pretax Preprovision Income / Assets ⁽⁴⁾	1.94%	2.03%	1.93%
	Return on Average Assets	1.57%	1.64%	1.48%
	Return on Average Tangible Common Equity	15.02%	16.28%	15.38%
Growth	Total Assets (Avg)	\$3,159	\$3,171	\$3,028
	Total Deposits (Avg)	\$2,713	\$2,732	\$2,613
	Total Loans HFI (Avg) (Excl PPP)	\$1,846	\$1,790	\$1,680
	Diluted Earnings per Share	\$0.56	\$0.59	\$0.51
	Tangible Book Value per Share	\$14.99	\$14.53	\$13.36
Soundness	Net Charge-Offs to Average Loans (Annualized)	0.04%	0.05%	0.02%
	Non-Performing Assets / Loans + OREO	0.18%	0.20%	0.28%
	Allowance for Loan Losses + Fair Value Mark / Loans Excl PPP	1.27%	1.41%	1.58%
	Common Equity Tier 1 Capital	14.11%	13.95%	13.52%
	Total Risk Based Capital	16.29%	16.23%	16.03%

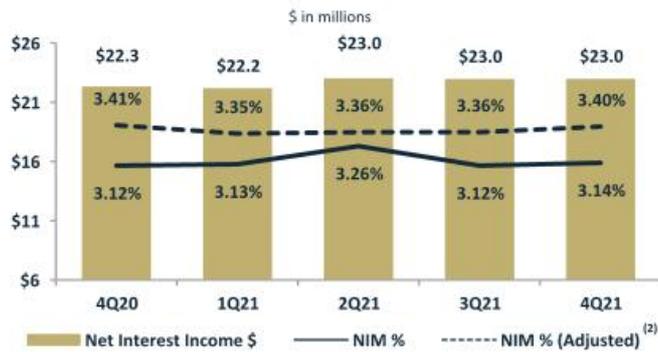
- (1) Operating results are non-GAAP financial measures that adjust GAAP net income and other metrics for certain revenue and expense items. See the non-GAAP reconciliation calculations included in the Appendix at the end of this presentation, which use a blended statutory income tax rate of 26.14% and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

Net Interest Margin \$ and %



- Net interest income of \$23MM, equal to 3Q21
- NIM increased 2 bps vs 3Q21 principally due to higher loan balances, rates and continued PPP fees
 - \$0.6MM of PPP fees remaining to be recognized
- NIM, adjusted for PPP and excess liquidity, increased 4 bps over 3Q21



- While managing to a more neutral interest rate risk profile in order to enhance earnings consistency, net interest income over the next year is expected to benefit modestly from rising rates
- Significant opportunity to benefit net interest income, net income, PTPPA, ROAA, and ROATCE through deploying excess liquidity in loan growth

(1) Calculated on a tax equivalent basis.
 (2) Adjusted for excess Cash and PPP Loan impact.

Deposit Growth and Costs

Deposit Portfolio (QTR Avg)



Deposit Cost



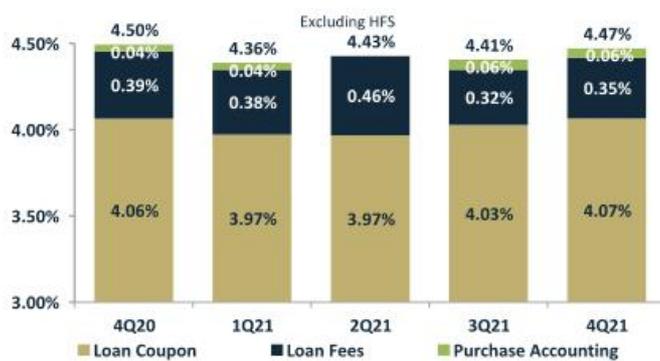
- Total deposits and non-interest bearing deposits remained near record levels
- Total deposit cost held flat at 0.19%
 - Reduction in interest expense from higher-cost time deposits offset partially by an increase in correspondent banking deposits
- ~ \$400MM of excess liquidity
 - Relatively earnings neutral as cash investment yield approximates average cost of deposits
 - Negatively impacts key ratios – NIM, PTPPA, and ROA
- 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

Loan Growth and Yields

Total Loans (QTR Avg)



Loan Yields



- Strong core loan growth, excluding PPP loans
 - 12.5% AVG linked-quarter annualized
 - 23.7% EOP linked-quarter annualized
 - PPP loans totaled \$26.5MM at 12/31/21
- 4Q21 annualized production of loans held for investment accelerated to \$1.0B
 - 2021 totaled \$674MM
 - 2020 totaled \$445MM
 - 2019 totaled \$296MM
- 4Q21 loan yield increased 6 bps over 3Q21
 - Disciplined pricing with 4Q21 matched funding spread of ~ 2.50%
- \$90MM reduction in shared national credits since 2Q19
 - Total participations declined \$133MM over the same period
- Commercial loan pipeline exceeds \$500MM
 - Strong contribution across all markets

Noninterest Income

(Dollars in thousands)	Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Noninterest Income					
Deposit Service Charges	\$ 1,117	\$ 1,187	\$ 1,109	\$ 1,102	\$ 964
Interchange and Debit Transaction Fees	1,261	1,236	1,227	1,092	782
Mortgage Banking	2,740	4,693	3,910	4,716	5,971
Tri-Net	3,996	1,939	1,536	1,143	1,165
Wealth Management	438	481	471	459	411
SBA Lending	279	911	377	492	916
Net Gain on Sale of Securities	8	7	(13)	26	51
Other	1,295	1,197	1,266	984	1,488
Total Noninterest Income	\$ 11,134	\$ 11,651	\$ 9,883	\$ 10,014	\$ 11,748
Average Assets	3,159,308	\$ 3,171,182	\$ 3,078,748	\$ 3,078,745	\$ 3,028,225
Noninterest Income / Average Assets	1.40%	1.46%	1.29%	1.32%	1.54%
Revenue	34,126	\$ 34,615	\$ 32,915	\$ 32,196	\$ 34,079
% of Revenue	32.63%	33.66%	30.03%	31.10%	34.47%

- Unique fee businesses contributed to noninterest income as % of revenue > 30% over the past seven quarters
- Strong contribution across all categories
- 4Q21 records:
 - Interchange and Debit Card
 - Tri-Net
- Continued strength in Mortgage, SBA, and Wealth

Noninterest Expense

(Dollars in thousands)	Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Noninterest Expense					
Salaries and Employee Benefits	\$ 10,549	\$ 10,980	\$ 10,803	\$ 9,427	\$ 11,996
Data Processing and Software	2,719	2,632	3,070	2,827	2,548
Occupancy	1,012	1,028	1,057	1,108	975
Equipment	867	760	980	899	900
Professional Services	521	469	460	704	370
Regulatory Fees	284	279	211	257	368
Acquisition Related Expenses	-	-	256	67	2,105
Amortization of Intangibles	461	477	493	508	524
Other	2,268	1,741	1,750	1,616	1,692
Total Noninterest Expense	\$ 18,682	\$ 18,366	\$ 19,080	\$ 17,413	\$ 21,478
Efficiency Ratio	54.74%	53.06%	57.97%	54.08%	63.02%
Average Assets	\$ 3,159,308	\$ 3,171,182	\$ 3,078,748	\$ 3,078,745	\$ 3,028,225
Noninterest Expense / Average Assets	2.35%	2.30%	2.49%	2.29%	2.82%
FTE	397	392	383	379	380
Operating Noninterest Expense⁽¹⁾	\$ 18,682	\$ 18,366	\$ 18,824	\$ 17,346	\$ 19,373
Operating Efficiency Ratio⁽¹⁾	54.74%	53.06%	57.19%	53.88%	56.85%
Operating Noninterest Expense/Average Assets⁽¹⁾	2.35%	2.30%	2.45%	2.28%	2.55%

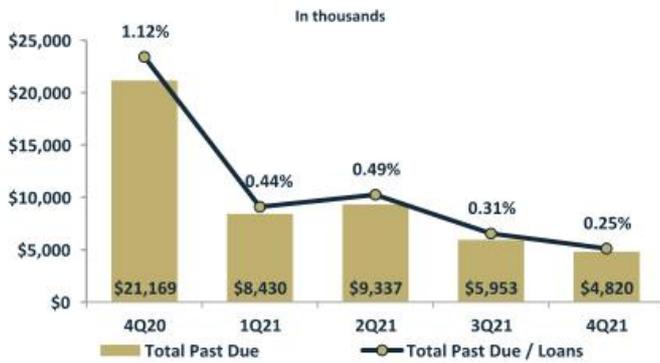
- Strong expense discipline with adoption of productivity mindset across the organization
- Excluding \$408K of costs for the Company's 4Q21 Chattanooga investment, noninterest expense declined from 3Q21

(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 merger related items.

Risk Management

Loan Portfolio Performance

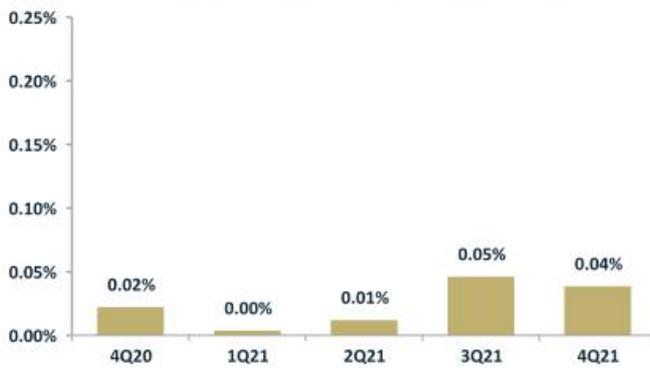
Past Due Trend



Criticized & Classified Loan Trends



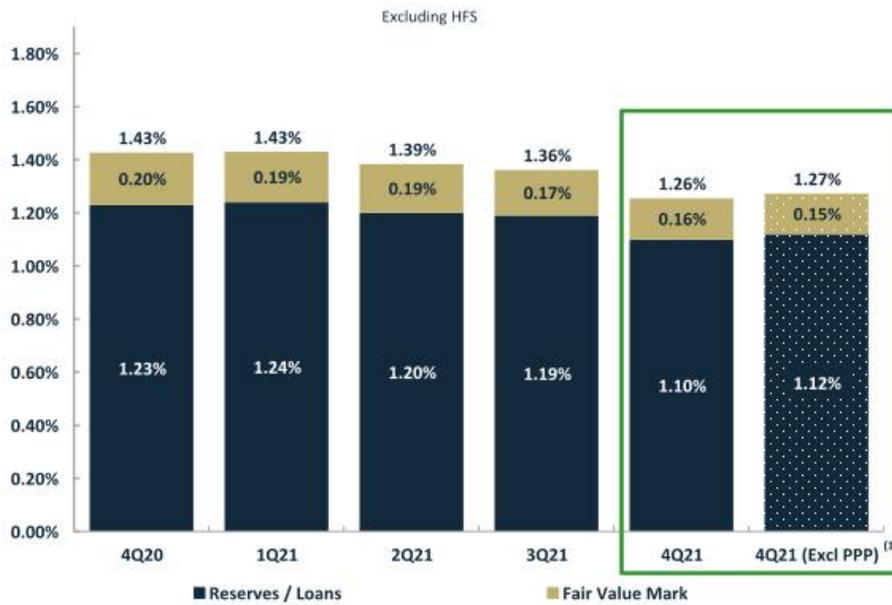
Annualized Net Charge-Offs / Average Loans



- Proforma for acquisitions, year-end past dues near record low level
 - \$1.2MM of total that failed to be renewed at quarter end has now renewed in January
- Net charge-offs remained low and have averaged less than \$165K over the last 8 quarters
- Positive 2022 credit outlook

Allowance for Loan Losses

Reserves and Fair Value Mark / Loans



- Improved economic conditions and asset quality trends allowed for reduced reserves of \$3.8MM for which \$3.1MM was used to provide for new loan growth, resulting in a \$651K net release
- The Allowance for Loan Losses at 4Q21 of \$21.7MM plus the \$3.0MM fair value mark on acquired loans was 1.27% of non-PPP Loans

(1) PPP Loan balances net of unearned fees as of 12/31/2021.

Profitability & Capital Management

Return on Tangible Common Equity Illustration

Reported Return on Tangible Common Equity

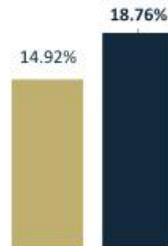
As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

Adjusted Return on Tangible Common Equity

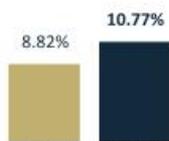
As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

Tangible Common Equity / Tangible Assets

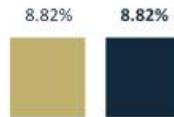
As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

Adjusted Tangible Common Equity / Tangible Assets

As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

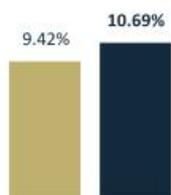
- CapStar's earnings power and capital generation is understated relative to peers
 - Compared to industry, ~ \$40MM - \$80MM of excess capital
- Company cash levels exceed \$350MM or 10% of assets
 - excess capital has nominal earnings
 - available for organic loan growth, dividend increases, or share repurchases
- Valuation implications
 - ~ \$1.80 - \$3.60 dividend per share could theoretically occur, relatively EPS neutral
 - Comparatively, investing excess capital at the core ROATCE equates to EPS of ~ \$0.34 - \$0.68
 - Equates to ~ 8.5 - 9.5x '23 consensus EPS for remaining bank if excess capital is valued at 1x book value today

(1) Source: S&P Capital IQ, Peer Medians based on Selected Nationwide Major Exchange Banks and Thrifts with Assets \$2.0 Billion - \$6.5 Billion as of 3Q21.

Capital Allocation Strategies

Leverage

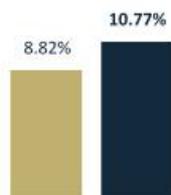
As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

Tangible Common Equity / Tangible Assets

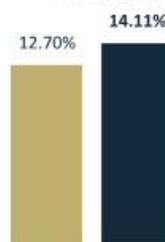
As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

Common Equity Tier 1 Capital

As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

Total Risk Based Capital

As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

1 Internal Investment

- Primary Focus – investing in our core business
- Seeking organic growth and acquisitions that meet or exceed our cost of capital
- Added Chattanooga in 4Q21

2 Dividends

- Targeting 10-35% payout ratio
- Announced \$0.06 dividend in 4Q21

3 Share Repurchase

- At times, our stock is our best investment
- Recently renewed \$30MM authorization
- Focus is opportunistic repurchases

(1) Source: S&P Capital IQ, Peer Medians based on Selected Nationwide Major Exchange Banks and Thrifts with Assets \$2.0 Billion - \$6.5 Billion as of 3Q21.

Shareholder Performance

Expanded Research Coverage

Aided by expanded institutional research

- Added three firms over the past year increasing coverage to seven firms

CapStar has the opportunity to improve core profitability as the company capitalizes on its building market share in the dynamic market of Nashville, Tennessee, and continues to de-risk its balance sheet, invest in fee income sources (Tri-Net, mortgage, SBA platform), and improve efficiency. **Our thesis is that CapStar shares have upside** as the bank returns to a stable level of growth (de-risking headwinds have now abated) and continues to show positive operating leverage as it strives toward a higher ROA, although NIM pressure is a headwind near term.

- Keefe, Bruyette & Woods (October 25, 2021)

While we do expect the company to ultimately re-enter the M&A arena, it appears the nearer-term focus could be on organic growth (as highlighted by the team liftout in Chattanooga), as management looks to efficiently deploy capital. **As such, with growth accelerating, and an above-peer profitability profile, we believe the risk/reward dynamic continues to screen attractively.**

- Raymond James (October 22, 2021)

The valuation gap with SE bank peers [is] narrowing as [CSTR] continues to outpace on core loan growth, solid profitability, and upside EPS surprises relative to consensus expectations are the biggest catalysts for the shares over the next few quarters.

- Hovde (October 25, 2021)

We think CSTR's improved lending strategy will continue to pay benefits within the bank's vibrant footprint, and believe it manifested itself in the liftout of 9 bankers (5 producers) in Chattanooga that managed a \$600M book prior.

- Piper Sandler (October 22, 2021)

Today's company is certainly not yesterday's, as the relatively new leadership team has transformed CSTR into a new company, with an improved risk profile ... as well as a lower-cost deposit mix, a focus on organic loan growth, and increased emphasis on specialty banking (fee) businesses, and, in turn, enhanced profitability.

- DA Davidson (January 11, 2022)

We remain confident that the company can achieve 6% to 10% core loan growth per annum, given the number of hires the company has made over the last several months, including the Chattanooga expansion, and the favorable footprint.

- Truist (October 25, 2021)

We favor Management's decision to invest in future growth via the Chattanooga expansion and believe this market, Knoxville and the core Nashville market, will continue to provide strong loan growth opportunities for CSTR. Strong earnings and capital levels provide optionality for Management, and we anticipate a \$0.02 quarterly dividend increase in 1Q-2022 and 1Q-2023.

- Janney (October 25, 2021)

Improved Shareholder Profile

Increased institutional ownership and shareholder liquidity

- Institutional ownership approaching 50%



Institutional Investors		
6/30/2019		9/30/2021
BlackRock	1	BlackRock
Corsair	2	Vanguard
Vanguard	3	Wellington
Elizabeth Park	4	Dimensional
Ranger	5	BHZ Capital
Foresters	6	Private Capital
Dimensional	7	DePrince Race
BHZ Capital	8	Geode
Cypress Capital	9	Renaissance
Penn Capital	10	Russell

Improving Absolute and Relative Performance

Strategic objectives increasing relative competitiveness

- 1, 2, and 3-year 12/31/21 total shareholder returns exceed KRX industry average



(1) Source: KBW

Southeast Bank Performance and Valuation Comps

Superior profitability, growth, and soundness franchise with 20% Price / '23 consensus EPS multiple upside

	Professional Holding Corp	Southern FIRST	First Community Bankshares, Inc.	AMERICAN NATIONAL	PRIMIS	HomeTrust Bank	Capital City Bank	Peer Median	CAPSTAR	
Market Performance / Multiples	2 Yr. Price Performance	6%	45%	10%	7%	(1%)	19%	(3%)	7%	40%
	LTM Price Performance	32	47	49	35	23	54	21	35	48
	P / '23E EPS	13.2x	11.9x	12.5x	11.9x	11.7x	14.7x	12.5x	12.5x	10.4x
	P / TBV	1.41x	1.73x	1.96x	1.60x	1.26x	1.40x	1.60x	1.60x	1.48x
Profitability (2023E)	NIM (2023E)	2.98%	3.43%	3.76%	2.83%	3.24%	3.31%	3.04%	3.24%	3.25%
	NIM Δ bps ('20 - '23E)	(52)	(5)	(53)	(47)	(12)	14	(26)	(26)	16
	Fee Income / Rev (2023E)	7%	14%	26%	19%	10%	27%	48%	19%	29%
	Efficiency Ratio (2023E)	63	52	N/A	62	64	71	74	63	57
	ROAA (2023E)	0.82	1.25	N/A	0.95	0.84	0.94	0.85	0.90	1.33
ROATCE (2023E)	9.1	11.7	14.1	11.6	9.6	8.7	12.7	11.6	11.8	
Growth	TBVPS Growth ('20 - '23E)	32.7%	54.8%	23.2%	26.8%	21.4%	13.6%	18.7%	23.2%	38.0%
	Project Population Growth ('22 - '27E)	4.0	4.0	(0.2)	1.2	2.9	2.7	2.5	2.7	5.4
	Project HHI Growth ('22 - '27E)	13.8	11.9	9.7	10.7	9.1	11.3	11.7	11.3	13.0
Soundness	TCE / TA (MRQ)	7.7%	9.5%	9.7%	8.2%	9.0%	10.7%	65%	9.0%	10.8%
	Total Capital Ratio (MRQ)	14.0	14.9	9.1	14.8	19.1	11.9	16.7	14.8	16.3
	NPAs / Loans + OREO (MRQ)	0.18	0.74	1.46	0.14	0.86	0.64	0.55	0.64	0.18

(1) Source: S&P Capital IQ and FactSet; Market data as of 1/26/2022

Illustrative Valuation Opportunity



Looking Forward

2022 Outlook

As of January 28, 2022	
Economy	<ul style="list-style-type: none"> Gradual increases in the 10-yr Treasury yield and Fed Funds rate throughout 2023
Loan Growth	<ul style="list-style-type: none"> Low double-digit growth
Deposit Growth	<ul style="list-style-type: none"> Continue to develop core deposit capabilities to provide an improved long-term funding base Low single-digit growth as a result of excess liquidity
Net Interest Income	<ul style="list-style-type: none"> Opportunities to improve NII and NIM by redeploying excess liquidity into loans NIM (excluding PPP) benefiting modestly from rising rates \$0.6MM of PPP fees with anticipated forgiveness
Provision Expense	<ul style="list-style-type: none"> Continued low net charge-offs Modest decline allowance for loan loss percentage with continued economic improvement Adoption of CECL 1/1/23
Non-Interest Income	<ul style="list-style-type: none"> Mortgage and TriNet volumes expected to return to more normalized levels. Anticipate \$2.5-3 million in revenues per quarter in Mortgage and \$750K-1.3 million per quarter in TriNet Continued growth in SBA fees
Non-Interest Expense	<ul style="list-style-type: none"> Bank-only expense of approximately \$16.5MM per quarter; other expenses influenced by mortgage operations Actively recruiting high quality bankers with average PTPP break even at or around 12 months
Income Taxes	<ul style="list-style-type: none"> Expected tax rate to remain at approximately 20% for 2022
Capital	<ul style="list-style-type: none"> Progression toward targeted capital levels through loan growth, lift-outs, and increased dividends \$30MM authorization available for opportunistic share repurchases

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

- Excess liquidity and capital levels available to support balance sheet growth or share repurchases
- Opportunity to lever expenses from bankers added in 2021
- Three recent acquisitions provide greater scale to leverage

Repeatable Investment Opportunities

- Beneficiary of significant in-migration and growing number of dissatisfied large regional bank customers
- Lift-out opportunities of bankers who value an entrepreneurial culture and size where they make an impact
- M&A available to capitalize on continued Tennessee consolidation

Attractive Valuation

- Opportunity for superior shareholder returns through multiple expansion and earnings growth
- Top quartile performance and franchise scarcity value trading at ~ 15% discount
- Strong organic growth, excess liquidity and capital, and asset sensitivity provide earnings momentum



Appendix: Other Financial Results and Non-GAAP Reconciliations

Non-GAAP Financial Measures

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
(Dollars in thousands, except per share information)					
TANGIBLE COMMON EQUITY					
Total Shareholders' Equity	\$ 380,094	\$ 370,328	\$ 359,752	\$ 343,944	\$ 343,486
Less: Intangible Assets	47,759	48,220	48,697	49,190	49,698
Tangible Common Equity	332,335	322,108	311,055	294,754	293,788
TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS					
Tangible Common Equity	\$ 332,335	\$ 322,108	\$ 311,055	\$ 294,754	\$ 293,788
Total Assets	3,133,046	3,112,127	3,212,390	3,150,457	2,987,006
Less: Intangible Assets	47,759	48,220	48,697	49,190	49,698
Tangible Assets	3,085,287	3,063,907	3,163,693	3,101,268	2,934,404
Tangible Common Equity to Tangible Assets	10.77%	10.51%	9.83%	9.50%	10.01%
TANGIBLE BOOK VALUE PER SHARE, REPORTED					
Tangible Common Equity	\$ 332,335	\$ 322,108	\$ 311,055	\$ 294,754	\$ 293,788
Shares of Common Stock Outstanding	22,166,129	22,165,760	22,165,547	22,089,873	21,988,803
Tangible Book Value Per Share, Reported	\$14.99	\$14.53	\$14.03	\$13.34	\$13.36

Non-GAAP Financial Measures

	Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
(Dollars in thousands, except per share information)					
RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Total Average Shareholders' Equity	\$ 377,357	\$ 367,807	\$ 358,850	\$ 350,681	\$ 340,709
Less: Average Intangible Assets	48,054	48,527	49,012	49,514	50,038
Average Tangible Equity	329,303	319,280	309,838	301,167	290,671
Net Income	12,470	13,102	12,076	11,030	9,681
Return on Average Tangible Equity (ROATE)	15.02%	16.28%	15.63%	14.85%	13.25%

Non-GAAP Financial Measures

(Dollars in thousands, except per share information)	Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
OPERATING NET INCOME					
Net Income	\$ 12,470	\$ 13,102	\$ 12,076	\$ 11,030	\$ 9,681
Add: Merger Related Expense	-	-	256	67	2,105
Less: Income Tax Impact	-	-	(67)	(18)	(550)
Operating Net Income	12,470	13,102	12,265	11,079	11,236
OPERATING DILUTED NET INCOME PER SHARE					
Operating Net Income	\$ 12,470	\$ 13,102	\$ 12,265	\$ 11,079	\$ 11,236
Average Diluted Shares Outstanding	22,221,989	22,218,402	22,198,829	22,076,600	21,978,925
Operating Diluted Net Income per Share	\$ 0.56	\$ 0.59	\$ 0.55	\$ 0.50	\$ 0.51
OPERATING RETURN ON AVERAGE ASSETS (ROAA)					
Operating Net Income	\$ 12,470	\$ 13,102	\$ 12,265	\$ 11,079	\$ 11,236
Total Average Assets	3,159,308	3,171,182	3,078,748	3,078,745	3,028,225
Operating Return on Average Assets (ROAA)	1.57%	1.64%	1.60%	1.46%	1.48%
OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Average Tangible Equity	\$ 329,303	\$ 319,280	\$ 309,838	\$ 301,167	\$ 290,671
Operating Net Income	12,470	13,102	12,265	11,079	11,236
Operating Return on Average Tangible Equity (ROATE)	15.02%	16.28%	15.88%	14.92%	15.38%

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

Non-GAAP Financial Measures

(Dollars in thousands, except per share information)	Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
OPERATING NONINTEREST EXPENSE					
Noninterest Expense	\$ 18,682	\$ 18,366	\$ 19,080	\$ 17,413	\$ 21,478
Less: Merger Related Expense	-	-	(256)	(67)	(2,105)
Operating Noninterest Expense	18,682	18,366	18,824	17,346	19,373
OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS					
Operating Noninterest Expense	\$ 18,682	\$ 18,366	\$ 18,824	\$ 17,346	\$ 19,373
Total Average Assets	3,159,308	3,171,182	3,078,748	3,078,745	3,028,225
Operating Noninterest Expense / Average Assets	2.35%	2.30%	2.45%	2.28%	2.55%
OPERATING EFFICIENCY RATIO					
Operating Noninterest Expense	\$ 18,682	\$ 18,366	\$ 18,824	\$ 17,346	\$ 19,373
Net Interest Income	22,992	22,964	23,032	22,182	22,331
Noninterest Income	11,134	11,651	9,883	10,014	11,748
Total Revenues	34,126	34,615	32,915	32,196	34,079
Operating Efficiency Ratio	54.74%	53.06%	57.19%	53.88%	56.85%

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 merger related items.

Contact Information

Corporate Headquarters

CapStar Financial Holdings, Inc.
1201 Demonbreun Street, Suite 700
Nashville, TN 37203

Mail: P.O. Box 305065
Nashville, TN 37230-5065

(615) 732-6400 Telephone
www.capstarbank.com

Investor Relations

(615) 732-6455
Email: ir@capstarbank.com

Executive Leadership

Denis J. Duncan

Chief Financial Officer

CapStar Financial Holdings, Inc.
(615) 732-7492

Email: denis.duncan@capstarbank.com



CAPSTAR™

FINANCIAL HOLDINGS, INC.