

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 21, 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 July 21, 2022, CapStar Financial Holdings, Inc. (the “Company”) issued an earnings release announcing its financial results for the second quarter ended June 30, 2022. 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 22, 2022 to discuss its financial results for the second quarter ended June 30, 2022.

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Earnings release issued on July 21, 2022 by CapStar Financial Holdings, Inc.
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/ Michael J. Fowler
Michael J. Fowler
Chief Financial Officer

Date: July 21, 2022

EARNINGS RELEASE

CONTACT

Michael J. Fowler
Chief Financial Officer
(615) 732-7404



CapStar Reports Second Quarter 2022 Results

NASHVILLE, TN, July 21, 2022 (GLOBE NEWSWIRE) -- CapStar Financial Holdings, Inc. (“CapStar”) (NASDAQ:CSTR) today reported net income of \$10.0 million or \$0.45 per diluted share, for the quarter ended June 30, 2022, compared with net income of \$10.7 million or \$0.48 per diluted share, for the quarter ended March 31, 2022, and net income of \$12.1 million or \$0.54 per diluted share, for the quarter ended June 30, 2021. Annualized return on average assets and return on average equity for the quarter ended June 30, 2022 were 1.28 percent and 11.08 percent, respectively.

For the six months ended June 30, 2022, the Company reported net income of \$20.6 million or \$0.93 per diluted share, compared with \$23.1 million or \$1.04 per diluted share, for the same period of 2021. Year to date 2022 annualized return on average assets and return on average equity were 1.33 percent and 11.24 percent, respectively.

Four Key Drivers	Targets	2Q22	1Q22	2Q21
Annualized revenue growth	> 5%	1.15%	-46.31%	8.96%
Net interest margin	≥ 3.60%	3.41%	2.97%	3.26%
Efficiency ratio	≤ 55%	56.32%	58.67%	57.97%
Annualized net charge-offs to average loans	≤ 0.25%	0.00%	0.01%	0.01%

“CapStar’s associates delivered outstanding customer service and performance in the second quarter,” said Timothy K. Schools, CapStar President and Chief Executive Officer. “Each of our Four Key Drivers are progressing: 1) Outside of our specialty banking businesses, core bank revenue grew mid double digits compared to the prior year benefiting from robust loan growth, 2) our net interest margin expanded due to a favorable earning asset mix shift and modest benefit from rising rates, 3) we are working more productively, improving our efficiency ratio to 56%, and 4) net-charge offs were \$0 and our past dues reached their second consecutive record low. Our positive results are attracting the attention of bankers seeking an environment where they and their customers can have a bigger voice. Last week, we were excited to announce additions to our Chattanooga and Nashville teams and entry into Asheville – our fourth dynamic metro market.”

“While rising rates benefited our core bank earnings, they slowed our mortgage and Tri-Net businesses. Mortgage results were near break-even. Tri-Net has been an outstanding business having contributed more than \$25 million of revenue to CapStar over its life. However, Tri-Net did not produce a gain on sale during the quarter as the sharp increase in market rates and overall slowdown in demand reduced the value of Tri-Net’s funded loans. We are pursuing hedging strategies to mitigate this risk in the future. We expect each of these businesses to experience headwinds in the near-term until the rate environment stabilizes. We are proud of the strength of our earnings this quarter. We remain excited about the increasing contribution of our investments in new markets.”

Revenue

Total revenue, defined as net interest income plus noninterest income, was \$30.3 million in the second quarter. This represents an increase of \$0.1 million from the previous quarter. Net interest income and noninterest income totaled \$24.4 million and \$5.9 million, an increase of \$3.3 and a decrease of \$3.2 million, respectively, from the first quarter of 2022. Rising interest rates and a positive mix shift in average earning assets contributed to the increase in net interest income, while noninterest income declined due to lower mortgage and Tri-Net division revenues and one-time BOLI income in the previous quarter.

Second quarter 2022 average earning assets remained flat at \$2.90 billion compared to March 31, 2022 as strong loan growth was principally funded from cash. During the quarter, \$106.9 million of Tri-Net loans were transferred from loans held for sale to loans held for investment. Excluding PPP balances and the Tri-Net transfer, average loans held for investment increased \$98.1 million from the prior quarter, or 19.8 percent linked-quarter annualized. End of period loans held for investment, excluding PPP balances and the Tri-Net transfer, increased \$85.9 million, or 16.9 percent linked-quarter annualized, including \$47.5 million in loan production from the Company's recent Chattanooga expansion. The current commercial loan pipeline remains strong, exceeding \$500 million and continues to present the Company a tremendous opportunity in combination with the recent Asheville, Chattanooga, and Nashville hires to leverage capital to grow revenue and earnings per share.

For the second quarter of 2022, the net interest margin increased 44 basis points from the prior quarter to 3.41 percent primarily resulting from continued increases in interest rates and the positive mix shift in average earning assets. While the Company is managing to a more neutral interest rate risk profile over time in order to enhance earnings consistency, net interest income is expected to continue to benefit modestly from rising rates in 2022.

The Company's average deposits totaled \$2.66 billion in the second quarter of 2022, a \$40.3 million decline from the first quarter of 2022. During the quarter, the Company experienced a \$15.8 million reduction in higher cost average time deposits and \$33.5 million decrease in average interest-bearing transaction accounts. These decreases were partially offset by a \$9.4 million increase in average savings and money market deposits, creating an overall net decrease of \$39.9 million in average interest-bearing deposits when compared to the first quarter of 2022. During the quarter, the Company's lowest cost deposit category, noninterest bearing, improved 40 basis points to 27.3 percent of total average deposits as of June 30, 2022. Total deposit costs increased 4 basis points to 0.23 percent compared to 0.19 for the prior quarter. A key longer-term strategic initiative is to create a stronger deposit-led culture with an emphasis on lower cost relationship-based deposits.

Noninterest income during the quarter decreased \$3.2 million from the first quarter ended March 31, 2022. This decrease was attributable to a \$0.3 million decline in mortgage revenue, a \$2.2 million decline in Tri-Net revenue and \$0.9 million of one-time BOLI income recorded in the previous quarter. During the quarter, \$106.9 million of Tri-Net loans were transferred from loans held for sale to loans held for investment to mitigate potential losses related to the adverse impact of rapidly rising interest rates on pricing and investor demand. The Company's mortgage and Tri-Net divisions have been strong contributors in the past, but it is anticipated that they will continue to face challenges in the volatile rate environment.

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 decreased \$0.7 million from the first quarter of 2022 to \$17.1 million in the second quarter of 2022. This decrease was primarily attributable to a decline in nonrecurring first quarter items and no mortgage incentive expense.

For the quarter ended June 30, 2022, the efficiency ratio was 56.32 percent, an improvement from 58.67 percent in the first quarter of 2022. Annualized noninterest expense as a percentage of average assets improved 9 basis points to 2.19 percent for the quarter ended June 30, 2022 compared to 2.28 percent for the quarter ended March 31, 2022. Assets per employee was \$7.9 million as of June 30, 2022 compared to \$8.0 million in 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 June 30, 2022 were 0.00 percent. Past due loans as a percentage of total loans held for investment improved to a record 0.12 percent at June 30, 2022 compared to 0.17 percent at March 31, 2022. Within this amount, loans greater than 90 days past due totaled \$0.5 million, or 0.02 percent of loans held for investment at June 30, 2022, an improvement from 0.05 percent at March 31, 2022. Non-performing assets to total loans and OREO improved to 0.11 percent at June 30, 2022 compared to 0.18 percent at March 31, 2022. Criticized and classified loans to total loans, which were elevated during the pandemic, continued to improve to 2.12 percent at June 30, 2022, a 37 basis point improvement from March 31, 2022.

The Company recorded a provision for loan losses of \$0.8 million during the quarter as a result of continued strong loan growth. Due to improved credit trends, the allowance for loan losses plus the fair value mark on acquired loans to total loans, less PPP loans, declined 7 basis points to 1.09 percent at June 30, 2022 from 1.16 percent at March 31, 2022.

Asset Quality Data:	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
Annualized net charge-offs to average loans	0.00 %	0.01 %	0.04 %	0.05 %	0.01 %
Criticized and classified loans to total loans	2.12 %	2.49 %	2.64 %	2.85 %	3.95 %
Loans- past due to total end of period loans	0.12 %	0.17 %	0.25 %	0.31 %	0.49 %
Loans- over 90 days past due to total end of period loans	0.02 %	0.05 %	0.11 %	0.12 %	0.13 %
Non-performing assets to total loans held for investment and OREO	0.11 %	0.18 %	0.18 %	0.20 %	0.22 %
Allowance for loan losses plus fair value marks / Non-PPP Loans	1.09 %	1.16 %	1.27 %	1.41 %	1.47 %
Allowance for loan losses to non-performing loans	974 %	596 %	666 %	657 %	571 %

Income Tax Expense

The Company's second quarter effective income tax rate remained flat at 19.6 percent when compared to the prior quarter ended March 31, 2022. The Company anticipates its effective tax rate for 2022 to be approximately 20 percent.

Capital

The Company continues to be well capitalized with tangible equity of \$310.9 million at June 30, 2022. Tangible book value per share of common stock for the quarter ended June 30, 2022 was \$14.17 compared to \$14.49 and \$14.03 for the quarters ended March 31, 2022 and June 30, 2021, respectively, with the change from March 31, 2022 being attributable to a decline in the value of the investment portfolio related to an increase in market interest rates, partially offset by ongoing earnings. Excluding the impact of after-tax gain or loss within the available for sale investment portfolio, tangible book value per share of common stock for the quarter ended June 30, 2022 was \$15.86 compared to \$15.53 and \$14.02 for the quarters ended March 31, 2022 and June 30, 2021, respectively.

Capital ratios:	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
Total risk-based capital	14.79 %	15.60 %	16.29 %	16.23 %	16.13 %
Common equity tier 1 capital	12.87 %	13.58 %	14.11 %	13.95 %	13.78 %
Leverage	11.10 %	10.99 %	10.69 %	10.28 %	10.17 %

In the second quarter of 2022, the Company repurchased \$5.4 million in common stock under its share repurchase program. The total remaining authorization for future purchases was \$23.9 million as of June 30, 2022. 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 July 20, 2022, the Board of Directors of the Company approved a quarterly dividend of \$0.10 per common share payable on August 24, 2022 to shareholders of record of CapStar's common stock as of the close of business on August 10, 2022.

Conference Call and Webcast Information

CapStar will host a conference call and webcast at 9:00 a.m. Central Time on Friday, July 22, 2022. During the call, management will review the second quarter results and operational highlights. Interested parties may listen to the call by registering here to access the live call, including for participants who plan to ask a question during the call. A simultaneous webcast may be accessed on CapStar's website at ir.capstarbank.com by clicking on "News & Events." An archived version of the webcast will be available in the same location shortly after the live call has ended.

About CapStar Financial Holdings, Inc.

CapStar Financial Holdings, Inc. is a bank holding company headquartered in Nashville, Tennessee and operates primarily through its wholly owned subsidiary, CapStar Bank, a Tennessee-chartered state bank. CapStar Bank is a commercial bank that seeks to establish and maintain comprehensive relationships with its clients by delivering customized and creative banking solutions and superior client service. As of June 30, 2022, on a consolidated basis, CapStar had total assets of \$3.1 billion, total loans of \$2.2 billion, total deposits of \$2.6 billion, and shareholders' equity of \$357.7 million. Visit www.capstarbank.com for more information.

NON-GAAP MEASURES

Certain releases include financial information determined by methods other than in accordance with generally accepted accounting principles (“GAAP”). This financial information may include certain operating performance measures, which exclude merger-related and other charges that are not considered part of recurring operations. Such measures may 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 may include these non-GAAP measures because it believes these measures may provide useful supplemental information for evaluating CapStar’s underlying performance trends. Further, management uses these measures in managing and evaluating CapStar’s business and intends to refer to them in discussions about our operations and performance. Operating performance measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP, and are not necessarily comparable to non-GAAP measures that may be presented by other companies. To the extent applicable, reconciliations of these non-GAAP measures to the most directly comparable GAAP measures can be found in the ‘Non-GAAP Reconciliation Tables’ included in the exhibits to this presentation.

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Consolidated Statements of Income (unaudited) (dollars in thousands, except share data)
Second quarter 2022 Earnings Release

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Interest income:				
Loans, including fees	\$ 23,775	\$ 22,572	\$ 44,141	\$ 44,586
Securities:				
Taxable	1,922	1,640	3,677	3,244
Tax-exempt	319	356	644	722
Federal funds sold	14	3	24	3
Restricted equity securities	173	160	329	321
Interest-bearing deposits in financial institutions	286	101	458	234
Total interest income	<u>26,489</u>	<u>24,832</u>	<u>49,273</u>	<u>49,110</u>
Interest expense:				
Interest-bearing deposits	638	379	1,074	826
Savings and money market accounts	467	295	797	608
Time deposits	454	732	938	1,663
Federal Home Loan Bank advances	96	—	96	12
Subordinated notes	394	394	788	788
Total interest expense	<u>2,049</u>	<u>1,800</u>	<u>3,693</u>	<u>3,897</u>
Net interest income	24,440	23,032	45,580	45,213
Provision for loan losses	843	(1,065)	59	(415)
Net interest income after provision for loan losses	<u>23,597</u>	<u>24,097</u>	<u>45,521</u>	<u>45,628</u>
Noninterest income:				
Deposit service charges	1,182	1,109	2,324	2,211
Interchange and debit card transaction fees	1,336	1,227	2,558	2,318
Mortgage banking	1,705	3,910	3,671	8,625
Tri-Net	(73)	1,536	2,098	2,679
Wealth management	459	471	899	931
SBA lending	273	377	494	870
Net gain on sale of securities	—	(13)	—	13
Other noninterest income	994	1,266	2,921	2,250
Total noninterest income	<u>5,876</u>	<u>9,883</u>	<u>14,965</u>	<u>19,897</u>
Noninterest expense:				
Salaries and employee benefits	9,209	10,803	19,478	20,229
Data processing and software	2,847	3,070	5,494	5,898
Occupancy	1,076	1,057	2,174	2,165
Equipment	783	980	1,492	1,880
Professional services	506	460	1,185	1,165
Regulatory fees	265	211	545	467
Acquisition related expenses	—	256	—	323
Amortization of intangibles	430	493	876	1,001
Other operating	1,959	1,750	3,566	3,364
Total noninterest expense	<u>17,075</u>	<u>19,080</u>	<u>34,810</u>	<u>36,492</u>
Income before income taxes	12,398	14,900	25,676	29,033
Income tax expense	2,426	2,824	5,031	5,927
Net income	<u>\$ 9,972</u>	<u>\$ 12,076</u>	<u>\$ 20,645</u>	<u>\$ 23,106</u>
Per share information:				
Basic net income per share of common stock	\$ 0.45	\$ 0.55	\$ 0.93	\$ 1.05
Diluted net income per share of common stock	\$ 0.45	\$ 0.54	\$ 0.93	\$ 1.04
Weighted average shares outstanding:				
Basic	<u>22,022,109</u>	<u>22,133,759</u>	<u>22,109,737</u>	<u>22,089,874</u>
Diluted	<u>22,074,260</u>	<u>22,198,829</u>	<u>22,163,954</u>	<u>22,138,052</u>

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

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Selected Quarterly Financial Data (unaudited) (dollars in thousands, except share data)
Second quarter 2022 Earnings Release

	Five Quarter Comparison				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
Income Statement Data:					
Net interest income	\$ 24,440	\$ 21,140	\$ 22,992	\$ 22,964	\$ 23,032
Provision for loan losses	843	(784)	(651)	—	(1,065)
Net interest income after provision for loan losses	23,597	21,924	23,643	22,964	24,097
Deposit service charges	1,182	1,142	1,117	1,187	1,109
Interchange and debit card transaction fees	1,336	1,222	1,261	1,236	1,227
Mortgage banking	1,705	1,966	2,740	4,693	3,910
Tri-Net	(73)	2,171	3,996	1,939	1,536
Wealth management	459	440	438	481	471
SBA lending	273	222	279	911	377
Net gain (loss) on sale of securities	—	—	8	7	(13)
Other noninterest income	994	1,926	1,295	1,197	1,266
Total noninterest income	5,876	9,089	11,134	11,651	9,883
Salaries and employee benefits	9,209	10,269	10,549	10,980	10,803
Data processing and software	2,847	2,647	2,719	2,632	3,070
Occupancy	1,076	1,099	1,012	1,028	1,057
Equipment	783	709	867	760	980
Professional services	506	679	521	469	460
Regulatory fees	265	280	284	279	211
Acquisition related expenses	—	—	—	—	256
Amortization of intangibles	430	446	461	477	493
Other noninterest expense	1,959	1,607	2,269	1,741	1,750
Total noninterest expense	17,075	17,736	18,682	18,366	19,080
Net income before income tax expense	12,398	13,277	16,095	16,249	14,900
Income tax expense	2,426	2,604	3,625	3,147	2,824
Net income	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102	\$ 12,076
Weighted average shares - basic	22,022,109	22,198,339	22,166,410	22,164,278	22,133,759
Weighted average shares - diluted	22,074,260	22,254,644	22,221,989	22,218,402	22,198,829
Net income per share, basic	\$ 0.45	\$ 0.48	\$ 0.56	\$ 0.59	\$ 0.55
Net income per share, diluted	0.45	0.48	0.56	0.59	0.54
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 113,825	\$ 355,981	\$ 415,125	\$ 359,267	\$ 449,267
Securities available-for-sale	437,420	460,558	459,396	483,778	500,339
Securities held-to-maturity	1,769	1,775	1,782	1,788	2,395
Loans held for sale	85,884	106,895	83,715	176,488	158,234
Loans held for investment	2,234,833	2,047,555	1,965,769	1,894,249	1,897,838
Allowance for loan losses	(21,684)	(20,857)	(21,698)	(22,533)	(22,754)
Total assets	3,096,537	3,190,749	3,133,046	3,112,127	3,212,390
Non-interest-bearing deposits	717,167	702,172	725,171	718,299	782,170
Interest-bearing deposits	1,913,320	2,053,823	1,959,110	1,956,093	1,998,024
Federal Home Loan Bank advances and other borrowings	74,599	29,566	29,532	29,499	29,487
Total liabilities	2,738,802	2,821,832	2,752,952	2,741,799	2,852,639
Shareholders' equity	\$ 357,735	\$ 368,917	\$ 380,094	\$ 370,328	\$ 359,752
Total shares of common stock outstanding	21,934,554	22,195,071	22,166,129	22,165,760	22,165,547
Book value per share of common stock	\$ 16.31	\$ 16.62	\$ 17.15	\$ 16.71	\$ 16.23
Tangible book value per share of common stock*	14.17	14.49	14.99	14.53	14.03
Tangible book value per share of common stock less after-tax unrealized available for sale investment (gains) losses*	15.86	15.53	15.13	14.59	14.02
Market value per share of common stock	\$ 19.62	\$ 21.08	\$ 21.03	\$ 21.24	\$ 20.50
Capital ratios:					
Total risk-based capital	14.79 %	15.60 %	16.29 %	16.23 %	16.13 %
Tangible common equity to tangible assets*	10.19 %	10.23 %	10.77 %	10.51 %	9.83 %
Tangible common equity to tangible assets less after-tax unrealized available for sale investment (gains) losses*	11.27 %	10.88 %	10.86 %	10.55 %	9.82 %
Common equity tier 1 capital	12.87 %	13.58 %	14.11 %	13.95 %	13.78 %
Leverage	11.10 %	10.99 %	10.69 %	10.28 %	10.17 %

*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 2022 Earnings Release

	Five Quarter Comparison				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
Average Balance Sheet Data:					
Cash and cash equivalents	\$ 189,542	\$ 380,262	\$ 470,963	\$ 411,101	\$ 301,773
Investment securities	473,167	483,339	491,135	515,877	508,595
Loans held for sale	114,223	90,163	123,962	173,402	147,912
Loans held for investment	2,147,750	2,001,740	1,888,094	1,884,935	1,938,818
Assets	3,128,864	3,153,320	3,159,308	3,171,182	3,078,748
Interest bearing deposits	1,936,910	1,976,803	1,964,641	1,980,304	1,940,442
Deposits	2,664,614	2,704,938	2,713,314	2,732,165	2,662,192
Federal Home Loan Bank advances and other borrowings	70,516	29,547	29,514	29,495	29,467
Liabilities	2,767,714	2,773,281	2,781,951	2,803,375	2,719,898
Shareholders' equity	361,150	380,039	377,357	367,807	358,850
Performance Ratios:					
Annualized return on average assets	1.28 %	1.37 %	1.57 %	1.64 %	1.57 %
Annualized return on average equity	11.08 %	11.39 %	13.11 %	14.13 %	13.50 %
Net interest margin (1)	3.41 %	2.97 %	3.14 %	3.12 %	3.26 %
Annualized noninterest income to average assets	0.75 %	1.17 %	1.40 %	1.46 %	1.29 %
Efficiency ratio	56.32 %	58.67 %	54.74 %	53.06 %	57.97 %
Loans by Type (at period end):					
Commercial and industrial	\$ 510,987	\$ 499,719	\$ 497,615	\$ 478,279	\$ 536,279
Commercial real estate - owner occupied	241,461	231,933	209,261	193,139	200,725
Commercial real estate - non-owner occupied	786,610	652,936	616,023	579,857	538,520
Construction and development	205,573	208,513	214,310	210,516	198,448
Consumer real estate	357,849	327,416	326,412	328,262	331,580
Consumer	53,227	48,790	46,811	45,669	45,898
Other	79,126	78,248	55,337	58,527	46,387
Asset Quality Data:					
Allowance for loan losses to total loans	0.97 %	1.02 %	1.10 %	1.19 %	1.20 %
Allowance for loan losses to non-performing loans	974 %	596 %	666 %	657 %	571 %
Nonaccrual loans	\$ 2,225	\$ 3,502	\$ 3,258	\$ 3,431	\$ 3,985
Troubled debt restructurings	86	1,847	1,832	1,859	1,895
Loans - over 90 days past due	494	1,076	2,120	2,333	2,389
Total non-performing loans	2,225	3,502	3,258	3,431	3,985
OREO and repossessed assets	165	178	266	349	184
Total non-performing assets	2,390	3,680	3,524	3,780	4,169
Non-performing loans to total loans held for investment	0.10 %	0.17 %	0.17 %	0.18 %	0.21 %
Non-performing assets to total assets	0.08 %	0.12 %	0.11 %	0.12 %	0.13 %
Non-performing assets to total loans held for investment and OREO	0.11 %	0.18 %	0.18 %	0.20 %	0.22 %
Annualized net charge-offs to average loans	0.00 %	0.01 %	0.04 %	0.05 %	0.01 %
Net charge-offs	\$ 16	\$ 59	\$ 184	\$ 221	\$ 59
Interest Rates and Yields:					
Loans	4.25 %	3.97 %	4.47 %	4.41 %	4.43 %
Securities (1)	2.11 %	1.92 %	1.84 %	1.75 %	1.77 %
Total interest-earning assets (1)	3.69 %	3.20 %	3.36 %	3.35 %	3.51 %
Deposits	0.23 %	0.19 %	0.19 %	0.19 %	0.21 %
Borrowings and repurchase agreements	2.79 %	5.40 %	5.29 %	5.30 %	5.36 %
Total interest-bearing liabilities	0.41 %	0.33 %	0.33 %	0.34 %	0.37 %
Other Information:					
Full-time equivalent employees	391	397	397	392	383

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 2022 Earnings Release

	For the Three Months Ended June 30,					
	2022			2021		
	Average Outstanding Balance	Interest Income/Expense	Average Yield/Rate	Average Outstanding Balance	Interest Income/Expense	Average Yield/Rate
Interest-Earning Assets						
Loans (1)	\$ 2,147,750	\$ 22,755	4.25 %	\$ 1,938,819	\$ 21,412	4.43 %
Loans held for sale	114,223	1,020	3.58 %	147,912	1,160	3.14 %
Securities:						
Taxable investment securities (2)	417,526	2,095	2.01 %	446,696	1,800	1.61 %
Investment securities exempt from federal income tax (3)	55,641	319	2.92 %	61,899	356	2.91 %
Total securities	473,167	2,414	2.11 %	508,595	2,156	1.77 %
Cash balances in other banks	144,533	286	0.80 %	235,212	101	0.17 %
Funds sold	7,950	14	0.70 %	18,319	3	0.06 %
Total interest-earning assets	2,887,623	26,489	3.69 %	2,848,857	24,832	3.51 %
Noninterest-earning assets	241,241			229,891		
Total assets	<u>\$ 3,128,864</u>			<u>\$ 3,078,748</u>		
Interest-Bearing Liabilities						
Interest-bearing deposits:						
Interest-bearing transaction accounts	\$ 915,837	638	0.28 %	\$ 927,210	379	0.16 %
Savings and money market deposits	670,144	467	0.28 %	589,006	295	0.20 %
Time deposits	350,929	454	0.52 %	424,226	732	0.69 %
Total interest-bearing deposits	1,936,910	1,559	0.32 %	1,940,442	1,406	0.29 %
Borrowings and repurchase agreements	70,516	490	2.79 %	29,467	394	5.36 %
Total interest-bearing liabilities	2,007,426	2,049	0.41 %	1,969,909	1,800	0.37 %
Noninterest-bearing deposits	727,705			721,751		
Total funding sources	2,735,131			2,691,660		
Noninterest-bearing liabilities	32,583			28,238		
Shareholders' equity	361,150			358,850		
Total liabilities and shareholders' equity	<u>\$ 3,128,864</u>			<u>\$ 3,078,748</u>		
Net interest spread (4)			3.28 %			3.14 %
Net interest income/margin (5)		<u>\$ 24,440</u>	3.41 %		<u>\$ 23,032</u>	3.26 %

- (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 2022 Earnings Release

	Five Quarter Comparison				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
Operating net income:					
Net income	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102	\$ 12,076
Add: acquisition related expenses	—	—	—	—	256
Less: income tax impact of acquisition related expenses	—	—	—	—	(67)
Operating net income	<u>\$ 9,972</u>	<u>\$ 10,673</u>	<u>\$ 12,470</u>	<u>\$ 13,102</u>	<u>\$ 12,265</u>
Operating diluted net income per share of common stock:					
Operating net income	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102	\$ 12,265
Weighted average shares - diluted	22,074,260	22,254,644	22,221,989	22,218,402	22,198,829
Operating diluted net income per share of common stock	<u>\$ 0.45</u>	<u>\$ 0.48</u>	<u>\$ 0.56</u>	<u>\$ 0.59</u>	<u>\$ 0.55</u>
Operating annualized return on average assets:					
Operating net income	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102	\$ 12,265
Average assets	3,128,864	3,153,320	3,159,308	3,171,182	3,078,748
Operating annualized return on average assets	<u>1.28%</u>	<u>1.37%</u>	<u>1.57%</u>	<u>1.64%</u>	<u>1.60%</u>
Operating annualized return on average tangible equity:					
Average total shareholders' equity	\$ 361,150	\$ 380,039	\$ 377,357	\$ 367,807	\$ 358,850
Less: average intangible assets	(47,160)	(47,604)	(48,054)	(48,527)	(49,012)
Average tangible equity	313,990	332,435	329,303	319,280	309,838
Operating net income	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102	\$ 12,265
Operating annualized return on average tangible equity	<u>12.74%</u>	<u>13.02%</u>	<u>15.02%</u>	<u>16.28%</u>	<u>15.88%</u>
Operating efficiency ratio:					
Total noninterest expense	\$ 17,075	\$ 17,736	\$ 18,682	\$ 18,366	\$ 19,080
Less: acquisition related expenses	—	—	—	—	(256)
Total operating noninterest expense	17,075	17,736	18,682	18,366	18,824
Net interest income	24,440	21,140	22,992	22,964	23,032
Total noninterest income	5,876	9,089	11,134	11,651	9,883
Total revenues	\$ 30,316	\$ 30,229	\$ 34,126	\$ 34,615	\$ 32,915
Operating efficiency ratio:	<u>56.32%</u>	<u>58.67%</u>	<u>54.74%</u>	<u>53.06%</u>	<u>57.19%</u>
Operating annualized pre-tax pre-provision income to average assets:					
Income before income taxes	\$ 12,398	\$ 13,277	\$ 16,095	\$ 16,249	\$ 14,900
Add: acquisition related expenses	—	—	—	—	256
Add: provision for loan losses	843	(784)	(651)	—	(1,065)
Operating pre-tax pre-provision income	13,241	12,493	15,444	16,249	14,091
Average assets	\$ 3,128,864	\$ 3,153,320	\$ 3,159,308	\$ 3,171,182	\$ 3,078,748
Operating annualized pre-tax pre-provision income to average assets:	<u>1.70%</u>	<u>1.61%</u>	<u>1.94%</u>	<u>2.03%</u>	<u>1.84%</u>

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)
Second quarter 2022 Earnings Release

	Five Quarter Comparison				
	<u>6/30/2022</u>	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>9/30/2021</u>	<u>6/30/2021</u>
Tangible Equity:					
Total shareholders' equity	\$ 357,735	\$ 368,917	\$ 380,094	\$ 370,328	\$ 359,752
Less: intangible assets	(46,883)	(47,313)	(47,759)	(48,220)	(48,697)
Tangible equity	<u>\$ 310,852</u>	<u>\$ 321,604</u>	<u>\$ 332,335</u>	<u>\$ 322,108</u>	<u>\$ 311,055</u>
Tangible book value per share of common stock:					
Tangible equity	\$ 310,852	\$ 321,604	\$ 332,335	\$ 322,108	\$ 311,055
Total shares of common stock outstanding	21,934,554	22,195,071	22,166,129	22,165,760	22,165,547
Tangible book value per share of common stock	<u>\$ 14.17</u>	<u>\$ 14.49</u>	<u>\$ 14.99</u>	<u>\$ 14.53</u>	<u>\$ 14.03</u>
Tangible book value per share of common stock less after-tax unrealized available for sale investment (gains) losses:					
Total shareholders' equity	\$ 357,735	\$ 368,917	\$ 380,094	\$ 370,328	\$ 359,752
Less: intangible assets	(46,883)	(47,313)	(47,759)	(48,220)	(48,697)
Add: after-tax unrealized available for sale investment (gains) losses	37,034	23,041	2,978	1,209	(374)
Tangible equity less after-tax unrealized available for sale investment (gains) losses	<u>\$ 347,886</u>	<u>\$ 344,645</u>	<u>\$ 335,313</u>	<u>\$ 323,317</u>	<u>\$ 310,681</u>
Total shares of common stock outstanding	21,934,554	22,195,071	22,166,129	22,165,760	22,165,547
Tangible book value per share of common stock less after-tax unrealized available for sale investment (gains) losses	<u>\$ 15.86</u>	<u>\$ 15.53</u>	<u>\$ 15.13</u>	<u>\$ 14.59</u>	<u>\$ 14.02</u>
Tangible common equity to tangible assets:					
Tangible equity	\$ 310,852	\$ 321,604	\$ 332,335	\$ 322,108	\$ 311,055
Assets	\$ 3,096,537	\$ 3,190,749	\$ 3,133,046	\$ 3,112,127	\$ 3,212,390
Less: intangible assets	(46,883)	(47,313)	(47,759)	(48,220)	(48,697)
Tangible assets	<u>\$ 3,049,654</u>	<u>\$ 3,143,436</u>	<u>\$ 3,085,287</u>	<u>\$ 3,063,907</u>	<u>\$ 3,163,693</u>
Tangible common equity to tangible assets	10.19 %	10.23 %	10.77 %	10.51 %	9.83 %
Tangible common equity to tangible assets less after-tax unrealized available for sale investment (gains) losses:					
Tangible equity less after-tax unrealized available for sale investment (gains) losses	\$ 347,886	\$ 344,645	\$ 335,313	\$ 323,317	\$ 310,681
Tangible assets	\$ 3,049,654	\$ 3,143,436	\$ 3,085,287	\$ 3,063,907	\$ 3,163,693
Add: after-tax unrealized available for sale investment (gains) losses	37,034	23,041	2,978	1,209	(374)
Tangible assets less after-tax unrealized available for sale investment (gains) losses	<u>\$ 3,086,688</u>	<u>\$ 3,166,477</u>	<u>\$ 3,088,265</u>	<u>\$ 3,065,116</u>	<u>\$ 3,163,319</u>
Tangible common equity to tangible assets less after-tax unrealized available for sale investment (gains) losses	11.27 %	10.88 %	10.86 %	10.55 %	9.82 %

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)
Second quarter 2022 Earnings Release

	Six Months Ended	
	6/30/2022	6/30/2021
Operating net income:		
Net income	\$ 20,645	\$ 23,106
Add: acquisition related expenses	—	323
Less: income tax impact of acquisition related expenses	—	(84)
Operating net income	<u>\$ 20,645</u>	<u>\$ 23,345</u>
Operating diluted net income per share of common stock:		
Operating net income	\$ 20,645	\$ 23,345
Weighted average shares - diluted	<u>22,163,954</u>	<u>22,138,052</u>
Operating diluted net income per share of common stock	<u>\$ 0.93</u>	<u>\$ 1.05</u>
Operating annualized return on average assets:		
Operating net income	\$ 20,645	\$ 23,345
Average assets	\$ 3,141,024	\$ 3,078,746
Operating annualized return on average assets	<u>1.33%</u>	<u>1.53%</u>
Operating annualized return on average tangible equity:		
Average total shareholders' equity	\$ 370,542	\$ 354,788
Less: average intangible assets	(49,014)	(49,262)
Average tangible equity	<u>321,528</u>	<u>305,526</u>
Operating net income	\$ 20,645	\$ 23,345
Operating annualized return on average tangible equity	<u>12.95%</u>	<u>15.41%</u>
Operating efficiency ratio:		
Total noninterest expense	\$ 34,810	\$ 36,492
Less: acquisition related expenses	—	(323)
Total operating noninterest expense	<u>34,810</u>	<u>36,169</u>
Net interest income	45,580	45,213
Total noninterest income	<u>14,965</u>	<u>19,897</u>
Total revenues	\$ 60,545	\$ 65,110
Operating efficiency ratio:	<u>57.49%</u>	<u>55.55%</u>

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)
Second quarter 2022 Earnings Release

	Five Quarter Comparison				
	<u>6/30/2022</u>	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>9/30/2021</u>	<u>6/30/2021</u>
Allowance for loan losses	\$ 21,684	\$ 20,857	\$ 21,698	\$ 22,533	\$ 22,754
Purchase accounting marks	2,717	2,838	3,003	3,288	3,533
Allowance for loan losses and purchase accounting fair value marks	<u>24,401</u>	<u>23,695</u>	<u>24,701</u>	<u>25,821</u>	<u>26,287</u>
Loans held for investment	2,234,833	2,047,555	1,965,769	1,894,249	1,897,838
Less: PPP Loans net of deferred fees	921	6,529	26,539	64,188	109,940
Non-PPP Loans	<u>2,233,912</u>	<u>2,041,026</u>	<u>1,939,230</u>	<u>1,830,061</u>	<u>1,787,898</u>
Allowance for loan losses plus fair value marks / Non-PPP Loans	<u>1.09 %</u>	<u>1.16 %</u>	<u>1.27 %</u>	<u>1.41 %</u>	<u>1.47 %</u>

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



CAPSTARTM
FINANCIAL HOLDINGS, INC.

First Quarter 2022

Earnings Call

April 22, 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.

1Q22 Highlights

Executing on strategic objectives

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

Unusual items

- \$858,000 BOLI death benefit; \$545,000 prior period adjustment for loan origination deferred costs; \$385,000 severance/retirement

Delivering high performance

- Earnings per share of \$0.48
- PTPPA and ROAA of 1.61% and 1.37%, respectively, despite ~\$350MM of excess liquidity
- ROATCE of 13.02%, despite ~200 basis points of excess capital

Proactively managing risk

- Record low past due ratio of 0.17%
- Modestly asset sensitive balance sheet

Deploying capital in a disciplined manner

- Investments in loan capabilities produced 31% average and 21% EOP annualized loan growth
- Increased quarterly dividend 67% from \$0.06 to \$0.10 per share
- Repurchased 36,608 shares during the quarter; 120,370 shares through April 21, 2022

Financial Results

(Dollars in millions, except per share data)

	GAAP		
	1Q22	Favorable/(Unfavorable)	
		4Q21	1Q21
Net Interest Income	\$21.14	-8%	-5%
Noninterest Income	\$9.09	-18%	-9%
Revenue	\$30.23	-11%	-6%
Noninterest Expense	\$17.74	5%	2%
Pre-tax Pre-provision Income	\$12.49	-19%	-16%
Provision for Loan Losses	(\$0.78)	-20%	221%
Net Income	\$10.67	-14%	-3%
Diluted Earnings per Share	\$0.48	-15%	-4%

Key Performance Indicators

(Dollars in millions, except for per share data)		1Q22	4Q21	1Q21
Profitability	Net Interest Margin ⁽¹⁾	2.97%	3.14%	3.13%
	Efficiency Ratio ⁽²⁾	58.67%	54.74%	54.08%
	Pretax Preprovision Income / Assets ⁽³⁾	1.61%	1.94%	1.95%
	Return on Average Assets	1.37%	1.57%	1.45%
	Return on Average Tangible Common Equity	13.02%	15.02%	14.85%
Growth	Total Assets (Avg)	\$3,153	\$3,159	\$3,079
	Total Deposits (Avg)	\$2,705	\$2,713	\$2,664
	Total Loans HFI (Avg) (Excl PPP)	\$1,988	\$1,846	\$1,725
	Diluted Earnings per Share	\$0.48	\$0.56	\$0.50
	Tangible Book Value per Share	\$14.49	\$14.99	\$13.34
Soundness	Net Charge-Offs to Average Loans (Annualized)	0.01%	0.04%	0.00%
	Non-Performing Assets / Loans + OREO	0.18%	0.18%	0.30%
	Allowance for Loan Losses + Fair Value Mark / Loans Excl PPP	1.16%	1.27%	1.59%
	Common Equity Tier 1 Capital	13.58%	14.11%	13.79%
	Total Risk Based Capital	15.60%	16.29%	16.29%

(1) Calculated on a tax equivalent basis.

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

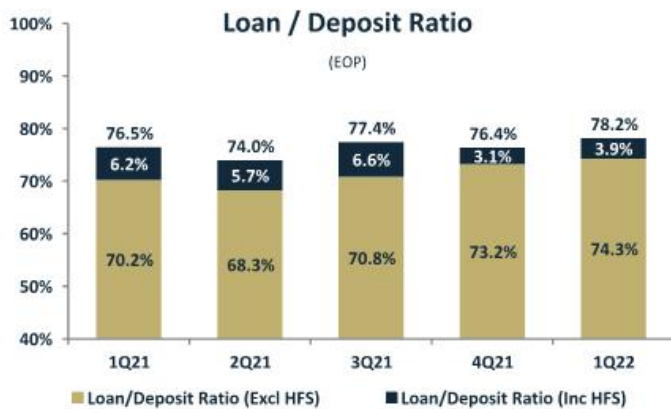
(3) Pre-tax Pre-provision ROA calculated as ROA excluding the effect of income tax expense and provision expense.

Financial Detail



Net Interest Income / Margin⁽¹⁾

Net Interest Margin \$ and %

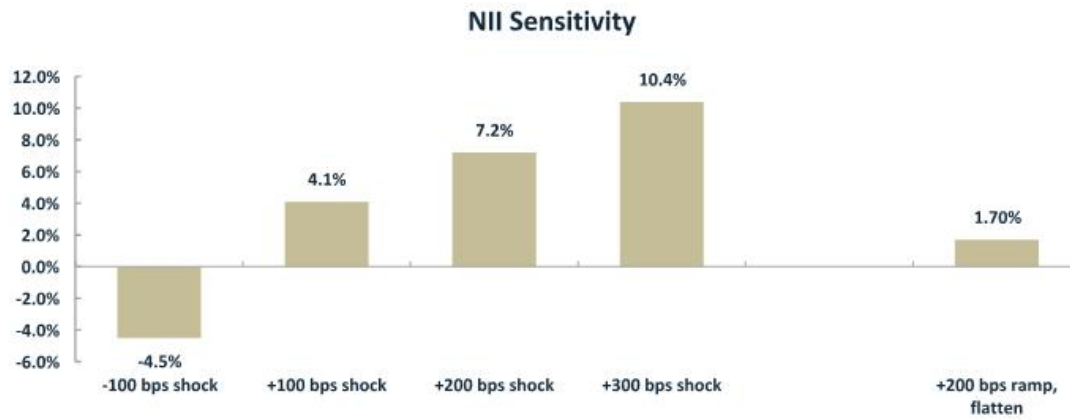


- Net interest income was \$21MM.
 - Loan growth favorably impacted NII \$0.7MM
 - Decline in PPP interest and fees of \$1.2MM
 - One-time deferred cost adjustment of \$0.5MM
 - Two fewer days interest in the quarter of \$0.4MM
 - Lower loan HFS interest of \$0.2MM
- NIM was 2.97% and declined 17 bps vs. 4Q21
 - Excluding deferred cost adjustment, less PPP and excess liquidity NIM declined 8 bps to 3.32%
- Loan/Deposit ratio improvement from further deployment of excess liquidity into loans.
- NII and NIM expected to improve
 - Strong loan pipeline and production provide opportunity to redeploy excess levels of low yielding cash and securities to higher yielding loans
 - Loan pricing tailwind as competitor pricing responds to dramatic recent market rate increases.
 - Remain asset sensitive in both a rising parallel shift of the yield curve as well as a scenario of rising short-term rates with the yield curve flattening

(1) Calculated on a tax equivalent basis.
 (2) Adjusted for excess liquidity, PPP Loan impact and One-time deferred cost adjustment.

Interest Rate Risk Sensitivity

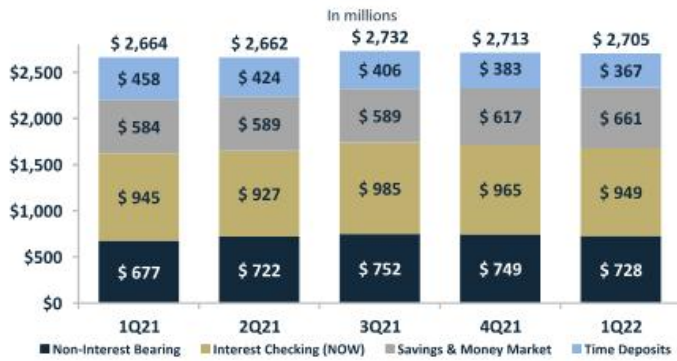
- Refreshed deposit repricing beta assumptions.
- Balance sheet remains asset sensitive.
- Modeled net interest income sensitivity to market rate changes is as follows:



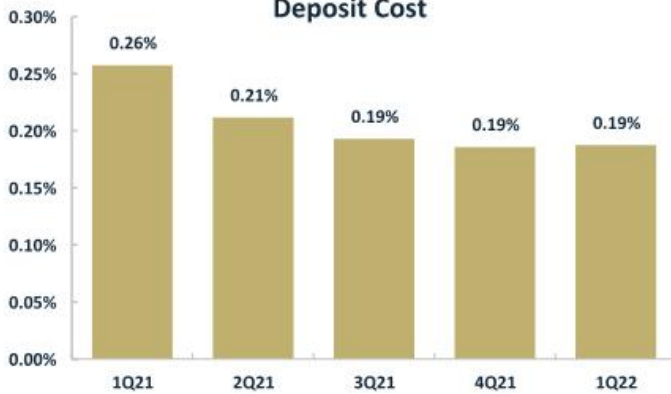
- Net interest income increases 4.1% and 7.2% for immediate parallel yield curve increases of 100 basis points and 200 basis points, respectively.
- The Fed is expected to aggressively raise short term rates. However, following significant yield curve steepening in recent months, yield curve flattening is a likely scenario.
- In a scenario where fed funds rises 200 basis points over 12 months and 5 year rates rise by 45 basis points, net interest income is projected to increase by 1.7%.

Deposit Growth and Costs

Deposit Portfolio (QTR Avg)



Deposit Cost



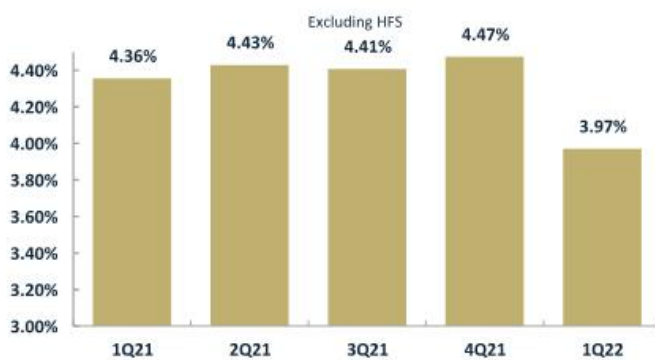
- Total deposits and non-interest bearing deposits remained near record levels
- Total deposit cost held flat at 0.19%
- Excess liquidity of ~\$350MM
 - Slightly earnings positive as cash investment yields were slightly higher than average deposit costs
 - Negatively impacts key ratios – NIM, PTPPA, 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
- Disciplined pricing of deposits as the Fed raises short-term rates, focused on optimizing profitability while remaining competitive to retain and attract core relationships

Loan Growth and Yields

Total Loans (QTR Avg)



Loan Yields



- Total HFI loan growth (excluding PPP) of 31.1% on average and 21.3% EOP.
 - Remaining PPP loans totaled \$6.5MM at 3/31/22
- 1Q22 production of \$186MM in HFI loans (annualized \$755MM)
 - 2021 - \$674MM
 - 2020 - \$445MM
 - 2019 - \$296MM
- Commercial loan pipeline exceeds \$500MM
 - Strong contribution across all markets
- 1Q22 loan yield decreased from 50 bps vs. 4Q21
 - 24 bps due to PPP
 - 11 bps due to deferred cost adjustment
 - Remaining 15 bps due to loan coupon, other loan fees and purchase accounting accretion
 - Disciplined pricing with 1Q22 matched funding spread of ~2.11%, though select originations at lower than targeted spreads given lagged competitor response to market rate increases.

Noninterest Income

(Dollars in thousands)	Three Months Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Noninterest Income					
Deposit Service Charges	\$ 1,142	\$ 1,117	\$ 1,187	\$ 1,109	\$ 1,102
Interchange and Debit Transaction Fees	1,222	1,261	1,236	1,227	1,092
Mortgage Banking	1,966	2,740	4,693	3,910	4,716
Tri-Net	2,171	3,996	1,939	1,536	1,143
Wealth Management	440	438	481	471	459
SBA Lending	228	279	911	377	492
Net Gain on Sale of Securities	0	8	7	(13)	26
Other	1,919	1,295	1,197	1,266	984
Total Noninterest Income	\$ 9,089	\$ 11,134	\$ 11,651	\$ 9,883	\$ 10,014
<i>Average Assets</i>	<i>3,153,320</i>	<i>3,159,308</i>	<i>\$ 3,171,182</i>	<i>\$ 3,078,748</i>	<i>\$ 3,078,745</i>
<i>Noninterest Income / Average Assets</i>	<i>1.17%</i>	<i>1.40%</i>	<i>1.46%</i>	<i>1.29%</i>	<i>1.32%</i>
<i>Revenue</i>	<i>30,229</i>	<i>34,126</i>	<i>\$ 34,615</i>	<i>\$ 32,915</i>	<i>\$ 32,196</i>
<i>% of Revenue</i>	<i>30.07%</i>	<i>32.63%</i>	<i>33.66%</i>	<i>30.03%</i>	<i>31.10%</i>

- Unique fee businesses contributed to noninterest income as % of revenue > 30% over the past eight quarters
- Mortgage income normalizing coming off record highs in prior quarters.
- One-time BOLI income of \$858K for the quarter.

Noninterest Expense

(Dollars in thousands)	Three Months Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Noninterest Expense					
Salaries and Employee Benefits	\$ 10,269	\$ 10,549	\$ 10,980	\$ 10,803	\$ 9,427
Data Processing and Software	2,647	2,719	2,632	3,070	2,827
Occupancy	1,099	1,012	1,028	1,057	1,108
Equipment	709	867	760	980	899
Professional Services	679	521	469	460	704
Regulatory Fees	280	284	279	211	257
Acquisition Related Expenses	-	-	-	256	67
Amortization of Intangibles	446	461	477	493	508
Other	1,607	2,268	1,741	1,750	1,616
Total Noninterest Expense	\$ 17,736	\$ 18,682	\$ 18,366	\$ 19,080	\$ 17,413
Efficiency Ratio	58.67%	54.74%	53.06%	57.97%	54.08%
Average Assets	\$ 3,153,320	\$ 3,159,308	\$ 3,171,182	\$ 3,078,748	\$ 3,078,745
Noninterest Expense / Average Assets	2.28%	2.35%	2.30%	2.49%	2.29%
FTE	397	397	392	383	379
Operating Noninterest Expense⁽¹⁾	\$ 17,736	\$ 18,682	\$ 18,366	\$ 18,824	\$ 17,346
Operating Efficiency Ratio⁽¹⁾	58.67%	54.74%	53.06%	57.19%	53.88%
Operating Noninterest Expense/Average Assets⁽¹⁾	2.28%	2.35%	2.30%	2.45%	2.28%

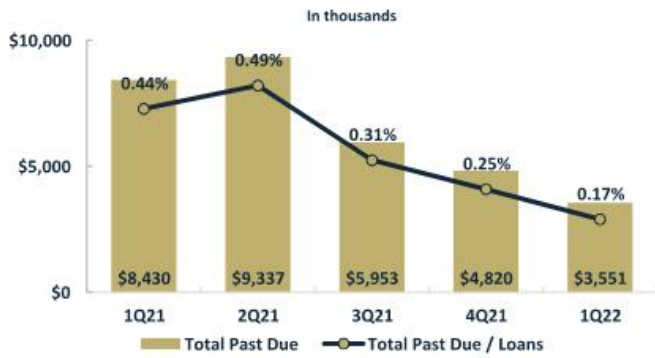
- Strong expense discipline with adoption of productivity mindset across the organization
- Excluding \$385K of severance/retirement expense in the first quarter, non-interest expenses declined \$1.3MM due to lower incentive accruals and recruiting expenses

(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.

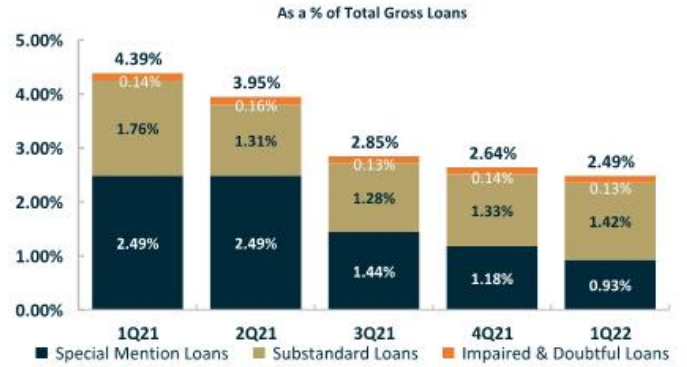
Risk Management

Loan Portfolio Performance

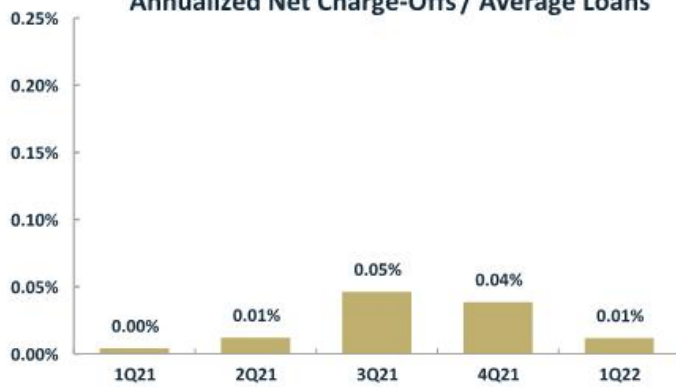
Past Due Trend



Criticized & Classified Loan Trends



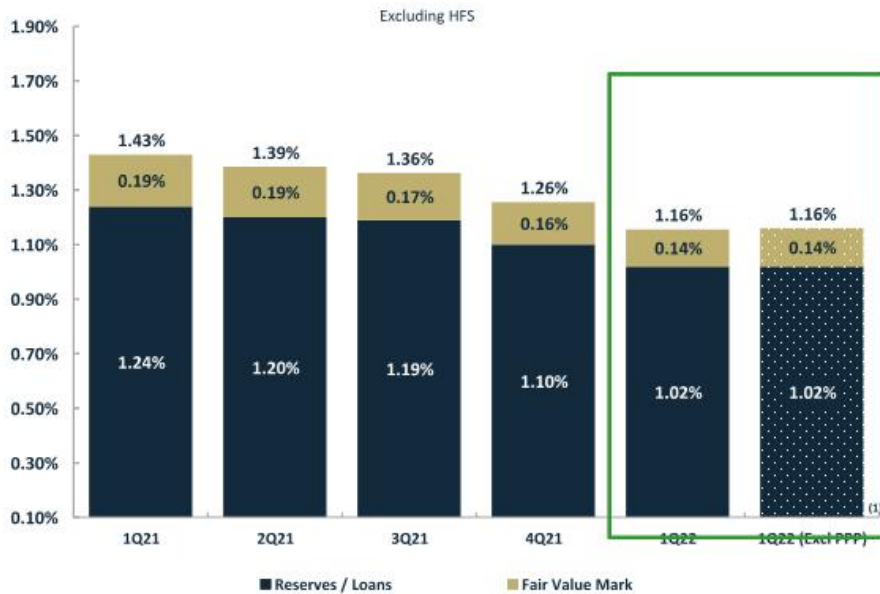
Annualized Net Charge-Offs / Average Loans



- Criticized and classified loan level at pre-pandemic level
- Proforma for acquisitions, record past due level
- Net charge-offs remained low and have averaged less than \$167K over the last 8 quarters

Allowance for Loan Losses

Reserves and Fair Value Mark/ Loans



- Our allowance for the quarter pursuant to our pre-pandemic model include the following:
 - Provided above average allocation for new loan growth
 - Reductions in qualitative pandemic assessments resulting from:
 - Reductions in credits with residual impact from the pandemic
 - Improvements in overall criticized and classified asset trends
 - Resumption of payments for credits with payment deferrals
 - Continued improvement in past dues
- The Allowance for Loan Losses at 1Q22 of \$20.9MM plus the \$2.8MM fair value mark on acquired loans was 1.16% of non-PPP Loans
- As expected, given ongoing PPP loan forgiveness, PPP loans had no material Q1 impact on these ratios.

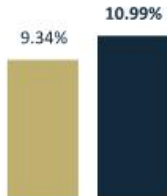
(1) PPP Loan balances net of unearned fees as of 03/31/2022.

Profitability & Capital Management

Capital Allocation Strategies

Leverage

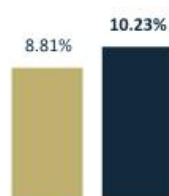
As of 3/31/22



■ Peer Median ⁽¹⁾ ■ CSTR

Tangible Common Equity / Tangible Assets

As of 3/31/22



■ Peer Median ⁽¹⁾ ■ CSTR

Common Equity Tier 1 Capital

As of 3/31/22



■ Peer Median ⁽¹⁾ ■ CSTR

Total Risk Based Capital

As of 3/31/22



■ Peer Median ⁽¹⁾ ■ CSTR

1 Internal Investment

- Primary Focus – investing in our core business
- Seeking organic growth that meets or exceeds our cost of capital
- Knoxville, Chattanooga and Rutherford/Williamson markets current loan outstandings ~\$500MM in 24 months

2 Dividends

- Targeting 10-35% payout ratio
- Announced \$0.10 dividend in 1Q22, an increase of \$0.04/share or 67%

3 Share Repurchase

- At times, our stock is our best investment
- \$30MM authorization
- 120,370 shares purchased year-to-date through April 21, 2022
- \$27.5MM remaining

4 M&A

- Must have strong strategic rationale
- Disciplined pricing

(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 4Q21.

Looking Forward

2022 Outlook

As of April 2022	
Economy	<ul style="list-style-type: none"> • Increase in the Fed Funds rate through 2023 with a flattening of the yield curve • A potential for slower economic growth
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
Net Interest Income	<ul style="list-style-type: none"> • Loan pricing tailwind as competitors respond to dramatic recent market rate increases • Opportunities to improve NII and NIM by redeploying excess liquidity into loans • NIM (excluding PPP) benefiting modestly from rising rates with a parallel or flattening curve • \$172K remaining of PPP fees with anticipated forgiveness
Provision Expense	<ul style="list-style-type: none"> • Continued low net charge-offs • Modest decline in allowance for loan loss percentage with continued economic improvement • Adoption of CECL 1/1/23
Non-Interest Income	<ul style="list-style-type: none"> • Near-term headwinds on Mortgage spreads and volume due to slowing refis and tight housing inventory. Favorable long-term outlook given strong demand/markets, strength of Mortgage team and purchase money focus. • TriNet volumes expected to return to more normalized levels. Near-term margins under pressure and market lull as borrowers and investors assess recent market rate increases. Expect full year revenue closer to 2019. • SBA activity trending up including transaction which closed in early Q2.
Non-Interest Expense	<ul style="list-style-type: none"> • Bank-only expense of approximately \$16MM 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, in-market and new market lift-outs, increased dividends, and 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

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
(Dollars in thousands, except per share information)					
TANGIBLE COMMON EQUITY					
Total Shareholders' Equity	\$ 368,917	\$ 380,094	\$ 370,328	\$ 359,752	\$ 343,944
Less: Intangible Assets	47,313	47,759	48,220	48,697	49,190
Tangible Common Equity	321,604	332,335	322,108	311,055	294,754
TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS					
Tangible Common Equity	\$ 321,604	\$ 332,335	\$ 322,108	\$ 311,055	\$ 294,754
Total Assets	3,190,749	3,133,046	3,112,127	3,212,390	3,150,457
Less: Intangible Assets	47,313	47,759	48,220	48,697	49,190
Tangible Assets	3,143,436	3,085,287	3,063,907	3,163,693	3,101,268
Tangible Common Equity to Tangible Assets	10.23%	10.77%	10.51%	9.83%	9.50%
TANGIBLE BOOK VALUE PER SHARE, REPORTED					
Tangible Common Equity	\$ 321,604	\$ 332,335	\$ 322,108	\$ 311,055	\$ 294,754
Shares of Common Stock Outstanding	22,195,071	22,166,129	22,165,760	22,165,547	22,089,873
Tangible Book Value Per Share, Reported	\$ 14.49	\$14.99	\$14.53	\$14.03	\$13.34

Non-GAAP Financial Measures

	Three Months Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
(Dollars in thousands, except per share information)					
RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Total Average Shareholders' Equity	\$ 380,039	\$ 377,357	\$ 367,807	\$ 358,850	\$ 350,681
Less: Average Intangible Assets	47,604	48,054	48,527	49,012	49,514
Average Tangible Equity	332,435	329,303	319,280	309,838	301,167
Net Income	10,673	12,470	13,102	12,076	11,030
Return on Average Tangible Equity (ROATE)	13.02%	15.02%	16.28%	15.63%	14.85%

Non-GAAP Financial Measures

(Dollars in thousands, except per share information)	Three Months Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
OPERATING NET INCOME					
Net Income	\$ 10,673	\$ 12,470	\$ 13,102	\$ 12,076	\$ 11,030
Add: Merger Related Expense	-	-	-	256	67
Less: Income Tax Impact	-	-	-	(67)	(18)
Operating Net Income	10,673	12,470	13,102	12,265	11,079
OPERATING DILUTED NET INCOME PER SHARE					
Operating Net Income	\$ 10,673	\$ 12,470	\$ 13,102	\$ 12,265	\$ 11,079
Average Diluted Shares Outstanding	22,254,644	22,221,989	22,218,402	22,198,829	22,076,600
Operating Diluted Net Income per Share	\$ 0.48	\$ 0.56	\$ 0.59	\$ 0.55	\$ 0.50
OPERATING RETURN ON AVERAGE ASSETS (ROAA)					
Operating Net Income	\$ 10,673	\$ 12,470	\$ 13,102	\$ 12,265	\$ 11,079
Total Average Assets	3,153,320	3,159,308	3,171,182	3,078,748	3,078,745
Operating Return on Average Assets (ROAA)	1.37%	1.57%	1.64%	1.60%	1.46%
OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Average Tangible Equity	\$ 332,435	\$ 329,303	\$ 319,280	\$ 309,838	\$ 301,167
Operating Net Income	10,673	12,470	13,102	12,265	11,079
Operating Return on Average Tangible Equity (ROATE)	13.02%	15.02%	16.28%	15.88%	14.92%

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

	Three Months Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
(Dollars in thousands, except per share information)					
OPERATING NONINTEREST EXPENSE					
Noninterest Expense	\$ 17,736	\$ 18,682	\$ 18,366	\$ 19,080	\$ 17,413
Less: Merger Related Expense	-	-	-	(256)	(67)
Operating Noninterest Expense	17,736	18,682	18,366	18,824	17,346
OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS					
Operating Noninterest Expense	\$ 17,736	\$ 18,682	\$ 18,366	\$ 18,824	\$ 17,346
Total Average Assets	3,153,320	3,159,308	3,171,182	3,078,748	3,078,745
Operating Noninterest Expense / Average Assets	2.28%	2.35%	2.30%	2.45%	2.28%
OPERATING EFFICIENCY RATIO					
Operating Noninterest Expense	\$ 17,736	\$ 18,682	\$ 18,366	\$ 18,824	\$ 17,346
Net Interest Income	21,140	22,992	22,964	23,032	22,182
Noninterest Income	9,089	11,134	11,651	9,883	10,014
Total Revenues	30,229	34,126	34,615	32,915	32,196
Operating Efficiency Ratio	58.67%	54.74%	53.06%	57.19%	53.88%

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.

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