

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): October 20, 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 October 20, 2022, CapStar Financial Holdings, Inc. (the “Company”) issued an earnings release announcing its financial results for the third quarter ended September 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 October 21, 2022 to discuss its financial results for the third quarter ended September 30, 2022. During the call, management will make reference to the presentation that is furnished as Exhibit 99.2 to this Current Report on form 8-K.

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Earnings release issued on October 20, 2022 by CapStar Financial Holdings, Inc.
99.2	Presentation for conference call to be conducted by CapStar Financial Holdings, Inc. on October 21, 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/ Michael J. Fowler
Michael J. Fowler
Chief Financial Officer

Date: October 20, 2022

EARNINGS RELEASE

CONTACT

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



CapStar Reports Third Quarter 2022 Results

NASHVILLE, TN, October 20, 2022 (GLOBE NEWSWIRE) - CapStar Financial Holdings, Inc. ("CapStar") (NASDAQ:CSTR) today reported net income of \$8.2 million or \$0.37 per diluted share, for the quarter ended September 30, 2022, compared with net income of \$10.0 million or \$0.45 per diluted share, for the quarter ended June 30, 2022, and net income of \$13.1 million or \$0.59 per diluted share, for the quarter ended September 30, 2021. Annualized return on average assets and return on average equity for the quarter ended September 30, 2022 were 1.03 percent and 8.93 percent, respectively. Third quarter results include \$2.1 million in losses related to Tri-Net loans, \$2.2 million in two operational loss incidents, which occurred during the quarter and for which the bank is seeking a potential recovery, and \$0.8 million of voluntary executive incentive reversals.

For the nine months ended September 30, 2022, the Company reported net income of \$28.8 million or \$1.30 per diluted share, compared with \$36.2 million or \$1.63 per diluted share, for the same period of 2021. Year to date 2022 annualized return on average assets and return on average equity were 1.23 percent and 10.47 percent, respectively.

Four Key Drivers	Targets	3Q22	2Q22	3Q21
Annualized revenue growth	> 5%	-19.51%	1.15%	20.49%
Net interest margin	≥ 3.60%	3.50%	3.41%	3.12%
Efficiency ratio	≤ 55%	61.53%	56.32%	53.06%
Annualized net charge-offs to average loans	≤ 0.25%	0.02%	0.00%	0.05%

"CapStar's third quarter earnings did not meet our expectations nor represent CapStar's continued strong performance," said Timothy K. Schools, CapStar President and Chief Executive Officer. "As we previously communicated, loans produced in our Tri-Net division since the spring have proved challenging to achieve a gain on sale. Additional production was ceased in early July, and this quarter the Company experienced realized and unrealized losses totaling \$2.1 million related to the remaining loans in process. Currently, no further Tri-Net loans exist in loans held for sale and of the \$2.3 million of related losses recorded since second quarter, \$900,000 are unrealized where there is a high probability that it will be recovered over time through accretion. Additionally, the Company experienced a \$1.5 million wire fraud and \$0.7 million operational loss for which the Company is pursuing possible recoveries."

"Whereas the current market has proved challenging for Tri-Net and we are disappointed in these operational losses, the underlying quarterly performance of the bank was outstanding. Adjusting for these items, we experienced strong operating leverage with revenue rising \$600,000 and expenses declining \$800,000, our net interest margin expanded to 3.50%, efficiency ratio improved to 52.81%, and charge-offs remained low at 0.02%, resulting in a return on assets of 1.39% all with no contribution from our mortgage or Tri-Net divisions. While the current interest rate environment is presenting certain challenges to industry loan demand, mortgage banking, and deposits, we are proactively managing our loan portfolio for a potential economic slowdown and remain excited about our improved profitability, expanded high-growth markets, and strengthened sales teams."

Revenue

Total revenue, defined as net interest income plus noninterest income, was \$28.8 million in the third quarter. Second and third quarter revenues were negatively impacted by \$0.2 million and \$2.1 million, respectively, as the Company liquidated and transferred the remaining balance of its Tri-Net loans held for sale to loans held for investment. Adjusting for the impact of the \$2.1 million Tri-Net loss, net interest income and noninterest income totaled \$25.6 million and \$5.4 million, an increase of \$1.1 million and a decrease of \$0.7 million, respectively, from the second 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 Tri-Net and mortgage division revenues.

Third quarter 2022 average earning assets remained flat at \$2.91 billion compared to June 30, 2022 as strong loan growth was principally funded from cash. Average loans held for investment, excluding Tri-Net loan transfers from held for sale, increased \$48.2 million, or 9.2 percent linked-quarter annualized. The current commercial loan pipeline remains strong, exceeding \$550 million; however, during the quarter, the Company limited commercial real estate lending to established, existing customers as a result of a softening economic outlook and in an effort to balance loan demand with an increasingly challenging deposit environment.

For the third quarter of 2022, the net interest margin increased 9 basis points from the prior quarter to 3.50 percent primarily resulting from continued increases in interest rates and the positive mix shift in average earning assets.

The Company's average deposits totaled \$2.66 billion in the third quarter of 2022, flat compared to the second quarter of 2022. During the quarter, the Company experienced a \$39.4 million increase in average savings and money market accounts and a \$111.1 million increase in higher cost average time deposits, primarily a result of brokered deposit issuances. These increases were partially offset by a \$94.3 million decrease in interest-bearing transaction accounts, creating an overall net increase of \$56.3 million in average interest-bearing deposits when compared to the second quarter of 2022. During the quarter, the Company's lowest cost deposit category, noninterest-bearing, decreased 2.3 percent to 25.0 percent of total average deposits as of September 30, 2022. Total deposit costs increased 39 basis points to 0.62 percent compared to 0.23 percent 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 for the third quarter was \$3.3 million. Noninterest income when adjusted for the Tri-Net losses during the quarter, decreased \$0.5 million from the second quarter ended June 30, 2022. This decrease was attributable to a \$0.9 million decline in mortgage revenue partially offset by a \$0.3 million improvement in the Company's SBA division. The Company's mortgage division experienced a reduction in demand due to higher market rates and anticipates a difficult environment at least until the 2023 buying season returns. Tri-Net production remains halted until interest rates and the associated market stabilizes.

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 expense was \$17.7 million for the third quarter. Noninterest expense when adjusted for the previously discussed \$2.2 million in operational losses and \$0.8 million executive incentive reversal, decreased \$0.8 million from the second quarter of 2022 to \$16.3 million in the third quarter of 2022. Additionally, as a result of the challenging mortgage environment, annualized mortgage expenses were reduced by approximately \$0.4 million in the third quarter with the majority of the benefit to begin in fourth quarter of 2022.

For the quarter ended September 30, 2022, the efficiency ratio was 61.53%. The efficiency ratio adjusted for the operational losses, executive incentive reversal, and Tri-Net losses, was 52.81% percent, an improvement from 56.32 percent in the second quarter of 2022. Annualized noninterest expense, adjusted for the operational losses and executive incentive reversal, as a percentage of average assets decreased 13 basis points to 2.06 percent for the quarter ended September 30, 2022 compared to 2.19 percent for the quarter ended June 30, 2022. Assets per employee improved to \$8.2 million as of September 30, 2022 compared to \$7.9 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. Sound risk management led to continued low net charge-offs and strong credit metrics. Annualized net charge-offs to average loans for the three months ended September 30, 2022 were 0.02 percent. Criticized and classified loans continued to improve to \$41.1 million or 1.79 percent of total loans at September 30, 2022, a \$6.3 million or 33 basis point improvement from June 30, 2022, and included an upgrade of the Company's largest substandard shared national credit of \$11.5 million. Past due loans increased to \$14.4 million or 0.63 percent of total loans held for investment at September 30, 2022 compared to a record \$2.6 million or 0.12 percent of total loans held for investment at June 30, 2022. The increase in past dues is principally related to two relationships totaling \$8.3 million, of which the Company feels the risk of loss is nominal, \$1.6 million of matured loans, which were not renewed by quarter end, and \$0.4 million for three PPP loans, which are fully guaranteed. Non-performing assets to total loans and OREO increased to 0.30 percent at September 30, 2022 compared to 0.11 percent at June 30, 2022. The increase in non-performing assets is solely related to one of the two previously cited relationships.

The Company recorded a provision for loan losses of \$0.9 million during the quarter as a result of continued strong loan growth and other qualitative factors. The allowance for loan losses plus the fair value mark on acquired loans to total loans, less PPP loans, was flat at 1.09 percent as of September 30, 2022 compared to June 30, 2022.

Asset Quality Data:	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Annualized net charge-offs to average loans	0.02 %	0.00 %	0.01 %	0.04 %	0.05 %
Criticized and classified loans to total loans	1.79 %	2.12 %	2.49 %	2.64 %	2.85 %
Loans- past due to total end of period loans	0.63 %	0.12 %	0.17 %	0.25 %	0.31 %
Loans- over 90 days past due to total end of period loans	0.27 %	0.02 %	0.05 %	0.11 %	0.12 %
Non-performing assets to total loans held for investment and OREO	0.30 %	0.11 %	0.18 %	0.18 %	0.20 %
Allowance for loan losses plus fair value marks / Non-PPP Loans	1.09 %	1.09 %	1.16 %	1.27 %	1.41 %
Allowance for loan losses to non-performing loans	333 %	974 %	596 %	666 %	657 %

Income Tax Expense

The Company's third quarter effective income tax rate remained flat at 20 percent when compared to the prior quarter ended June 30, 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 \$302.1 million at September 30, 2022. Tangible book value per share of common stock for the quarter ended September 30, 2022 was \$13.73 compared to \$14.17 and \$14.53 for the quarters ended June 30, 2022 and September 30, 2021, respectively, with the changes 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 September 30, 2022 was \$16.22 compared to \$15.86 and \$14.59 for the quarters ended June 30, 2022 and September 30, 2021, respectively.

Capital ratios:	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Total risk-based capital	14.59 %	14.79 %	15.60 %	16.29 %	16.23 %
Common equity tier 1 capital	12.70 %	12.87 %	13.58 %	14.11 %	13.95 %
Leverage	11.22 %	11.10 %	10.99 %	10.69 %	10.28 %

The Company did not repurchase common stock in the third quarter of 2022. The total remaining authorization for future purchases was \$23.9 million as of September 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 October 19, 2022, the Board of Directors of the Company approved a quarterly dividend of \$0.10 per common share payable on November 23, 2022 to shareholders of record of CapStar's common stock as of the close of business on November 9, 2022.

Conference Call and Webcast Information

CapStar will host a conference call and webcast at 9:00 a.m. Central Time on Friday, October 21, 2022. During the call, management will review the third 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 September 30, 2022, on a consolidated basis, CapStar had total assets of \$3.2 billion, total loans of \$2.3 billion, total deposits of \$2.6 billion, and shareholders' equity of \$347.5 million. Visit www.capstarbank.com for more information.

NON-GAAP MEASURES

Certain releases may 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", "Tangible common equity to tangible assets" or other measures.

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)
Third quarter 2022 Earnings Release

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest income:				
Loans, including fees	\$ 27,335	\$ 22,350	\$ 71,476	\$ 66,936
Securities:				
Taxable	1,966	1,655	5,643	4,900
Tax-exempt	314	344	958	1,065
Federal funds sold	7	9	31	12
Restricted equity securities	215	161	544	482
Interest-bearing deposits in financial institutions	617	171	1,076	405
Total interest income	<u>30,454</u>	<u>24,690</u>	<u>79,728</u>	<u>73,800</u>
Interest expense:				
Interest-bearing deposits	1,205	390	2,279	1,216
Savings and money market accounts	1,603	288	2,401	896
Time deposits	1,332	654	2,271	2,317
Federal funds purchased	2	—	2	—
Federal Home Loan Bank advances	365	—	461	12
Subordinated notes	394	394	1,181	1,181
Total interest expense	<u>4,901</u>	<u>1,726</u>	<u>8,595</u>	<u>5,622</u>
Net interest income	<u>25,553</u>	<u>22,964</u>	<u>71,133</u>	<u>68,178</u>
Provision for loan losses	867	—	926	(415)
Net interest income after provision for loan losses	<u>24,686</u>	<u>22,964</u>	<u>70,207</u>	<u>68,593</u>
Noninterest income:				
Deposit service charges	1,251	1,187	3,575	3,398
Interchange and debit card transaction fees	1,245	1,236	3,803	3,555
Mortgage banking	765	4,693	4,436	13,318
Tri-Net	(2,059)	1,939	39	4,618
Wealth management	385	481	1,284	1,412
SBA lending	560	911	1,054	1,781
Net gain on sale of securities	7	7	8	20
Other noninterest income	1,118	1,197	4,038	3,446
Total noninterest income	<u>3,272</u>	<u>11,651</u>	<u>18,237</u>	<u>31,548</u>
Noninterest expense:				
Salaries and employee benefits	8,235	10,980	27,713	31,210
Data processing and software	2,861	2,632	8,355	8,530
Occupancy	1,092	1,028	3,266	3,193
Equipment	743	760	2,235	2,640
Professional services	468	469	1,653	1,634
Regulatory fees	269	279	814	746
Acquisition related expenses	—	—	—	323
Amortization of intangibles	415	477	1,291	1,478
Other operating	3,652	1,741	7,218	5,105
Total noninterest expense	<u>17,735</u>	<u>18,366</u>	<u>52,545</u>	<u>54,859</u>
Income before income taxes	<u>10,223</u>	<u>16,249</u>	<u>35,899</u>	<u>45,282</u>
Income tax expense	2,030	3,147	7,060	9,075
Net income	<u>\$ 8,193</u>	<u>\$ 13,102</u>	<u>\$ 28,839</u>	<u>\$ 36,207</u>
Per share information:				
Basic net income per share of common stock	<u>\$ 0.37</u>	<u>\$ 0.59</u>	<u>\$ 1.31</u>	<u>\$ 1.64</u>
Diluted net income per share of common stock	<u>\$ 0.37</u>	<u>\$ 0.59</u>	<u>\$ 1.30</u>	<u>\$ 1.63</u>
Weighted average shares outstanding:				
Basic	<u>21,938,259</u>	<u>22,164,278</u>	<u>22,051,950</u>	<u>22,114,948</u>
Diluted	<u>21,988,085</u>	<u>22,218,402</u>	<u>22,104,687</u>	<u>22,165,130</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)
Third quarter 2022 Earnings Release

	Five Quarter Comparison				
	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Income Statement Data:					
Net interest income	\$ 25,553	\$ 24,440	\$ 21,140	\$ 22,992	\$ 22,964
Provision for loan losses	867	843	(784)	(651)	—
Net interest income after provision for loan losses	24,686	23,597	21,924	23,643	22,964
Deposit service charges	1,251	1,182	1,142	1,117	1,187
Interchange and debit card transaction fees	1,245	1,336	1,222	1,261	1,236
Mortgage banking	765	1,705	1,966	2,740	4,693
Tri-Net	(2,059)	(73)	2,171	3,996	1,939
Wealth management	385	459	440	438	481
SBA lending	560	273	222	279	911
Net gain (loss) on sale of securities	7	—	—	8	7
Other noninterest income	1,118	994	1,926	1,295	1,197
Total noninterest income	3,272	5,876	9,089	11,134	11,651
Salaries and employee benefits	8,235	9,209	10,269	10,549	10,980
Data processing and software	2,861	2,847	2,647	2,719	2,632
Occupancy	1,092	1,076	1,099	1,012	1,028
Equipment	743	783	709	867	760
Professional services	468	506	679	521	469
Regulatory fees	269	265	280	284	279
Acquisition related expenses	—	—	—	—	—
Amortization of intangibles	415	430	446	461	477
Other noninterest expense	3,652	1,959	1,607	2,269	1,741
Total noninterest expense	17,735	17,075	17,736	18,682	18,366
Net income before income tax expense	10,223	12,398	13,277	16,095	16,249
Income tax expense	2,030	2,426	2,604	3,625	3,147
Net income	\$ 8,193	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102
Weighted average shares - basic	21,938,259	22,022,109	22,198,339	22,166,410	22,164,278
Weighted average shares - diluted	21,988,085	22,074,260	22,254,644	22,221,989	22,218,402
Net income per share, basic	\$ 0.37	\$ 0.45	\$ 0.48	\$ 0.56	\$ 0.59
Net income per share, diluted	0.37	0.45	0.48	0.56	0.59
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 199,913	\$ 113,825	\$ 355,981	\$ 415,125	\$ 359,267
Securities available-for-sale	401,345	437,420	460,558	459,396	483,778
Securities held-to-maturity	1,762	1,769	1,775	1,782	1,788
Loans held for sale	43,122	85,884	106,895	83,715	176,488
Loans held for investment	2,292,781	2,234,833	2,047,555	1,965,769	1,894,249
Allowance for loan losses	(22,431)	(21,684)	(20,857)	(21,698)	(22,533)
Total assets	3,166,687	3,096,537	3,190,749	3,133,046	3,112,127
Non-interest-bearing deposits	629,556	717,167	702,172	725,171	718,299
Interest-bearing deposits	2,004,827	1,913,320	2,053,823	1,959,110	1,956,093
Federal Home Loan Bank advances and other borrowings	149,633	74,599	29,566	29,532	29,499
Total liabilities	2,819,169	2,738,802	2,821,832	2,752,952	2,741,799
Shareholders' equity	\$ 347,518	\$ 357,735	\$ 368,917	\$ 380,094	\$ 370,328
Total shares of common stock outstanding	21,931,624	21,934,554	22,195,071	22,166,129	22,165,760
Book value per share of common stock	\$ 15.85	\$ 16.31	\$ 16.62	\$ 17.15	\$ 16.71
Tangible book value per share of common stock*	13.73	14.17	14.49	14.99	14.53
Tangible book value per share of common stock less after-tax unrealized available for sale investment (gains) losses*	16.17	15.86	15.53	15.13	14.59
Market value per share of common stock	\$ 18.53	\$ 19.62	\$ 21.08	\$ 21.03	\$ 21.24
Capital ratios:					
Total risk-based capital	14.59 %	14.79 %	15.60 %	16.29 %	16.23 %
Tangible common equity to tangible assets*	9.65 %	10.19 %	10.23 %	10.77 %	10.51 %
Tangible common equity to tangible assets less after-tax unrealized available for sale investment (gains) losses*	11.17 %	11.27 %	10.88 %	10.86 %	10.55 %
Common equity tier 1 capital	12.70 %	12.87 %	13.58 %	14.11 %	13.95 %
Leverage	11.22 %	11.10 %	10.99 %	10.69 %	10.28 %

*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)
Third quarter 2022 Earnings Release

	Five Quarter Comparison				
	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Average Balance Sheet Data:					
Cash and cash equivalents	\$ 154,543	\$ 189,542	\$ 380,262	\$ 470,963	\$ 411,101
Investment securities	450,933	473,167	483,339	491,135	515,877
Loans held for sale	94,811	114,223	90,163	123,962	173,402
Loans held for investment	2,241,382	2,147,750	2,001,740	1,888,094	1,884,935
Assets	3,146,852	3,128,864	3,153,320	3,159,308	3,171,182
Interest bearing deposits	1,993,172	1,936,910	1,976,803	1,964,641	1,980,304
Deposits	2,659,275	2,664,614	2,704,938	2,713,314	2,732,165
Federal Home Loan Bank advances and other borrowings	88,584	70,516	29,547	29,514	29,495
Liabilities	2,782,712	2,767,714	2,773,281	2,781,951	2,803,375
Shareholders' equity	364,140	361,150	380,039	377,357	367,807
Performance Ratios:					
Annualized return on average assets	1.03 %	1.28 %	1.37 %	1.57 %	1.64 %
Annualized return on average equity	8.93 %	11.08 %	11.39 %	13.11 %	14.13 %
Net interest margin (1)	3.50 %	3.41 %	2.97 %	3.14 %	3.12 %
Annualized noninterest income to average assets	0.41 %	0.75 %	1.17 %	1.40 %	1.46 %
Efficiency ratio	61.53 %	56.32 %	58.67 %	54.74 %	53.06 %
Loans by Type (at period end):					
Commercial and industrial	\$ 499,048	\$ 510,987	\$ 499,719	\$ 497,615	\$ 478,279
Commercial real estate - owner occupied	235,519	241,461	231,933	209,261	193,139
Commercial real estate - non-owner occupied	833,686	786,610	652,936	616,023	579,857
Construction and development	198,869	205,573	208,513	214,310	210,516
Consumer real estate	386,628	357,849	327,416	326,412	328,262
Consumer	52,715	53,227	48,790	46,811	45,669
Other	86,316	79,126	78,248	55,337	58,527
Asset Quality Data:					
Allowance for loan losses to total loans	0.98 %	0.97 %	1.02 %	1.10 %	1.19 %
Allowance for loan losses to non-performing loans	974 %	974 %	596 %	666 %	657 %
Nonaccrual loans	\$ 6,734	\$ 2,225	\$ 3,502	\$ 3,258	\$ 3,431
Troubled debt restructurings	344	86	1,847	1,832	1,859
Loans - over 90 days past due	6,096	494	1,076	2,120	2,333
Total non-performing loans	6,734	2,225	3,502	3,258	3,431
OREO and repossessed assets	165	165	178	266	349
Total non-performing assets	6,899	2,390	3,680	3,524	3,780
Non-performing loans to total loans held for investment	0.29 %	0.10 %	0.17 %	0.17 %	0.18 %
Non-performing assets to total assets	0.22 %	0.08 %	0.12 %	0.11 %	0.12 %
Non-performing assets to total loans held for investment and OREO	0.30 %	0.11 %	0.18 %	0.18 %	0.20 %
Annualized net charge-offs to average loans	0.02 %	0.00 %	0.01 %	0.04 %	0.05 %
Net charge-offs	\$ 120	\$ 16	\$ 59	\$ 184	\$ 221
Interest Rates and Yields:					
Loans	4.62 %	4.25 %	3.97 %	4.47 %	4.41 %
Securities (1)	2.29 %	2.11 %	1.92 %	1.84 %	1.75 %
Total interest-earning assets (1)	4.17 %	3.69 %	3.20 %	3.36 %	3.35 %
Deposits	0.62 %	0.23 %	0.19 %	0.19 %	0.19 %
Borrowings and repurchase agreements	3.41 %	2.79 %	5.40 %	5.29 %	5.30 %
Total interest-bearing liabilities	0.93 %	0.41 %	0.33 %	0.33 %	0.34 %
Other Information:					
Full-time equivalent employees	387	391	397	397	392

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)
Third quarter 2022 Earnings Release

	For the Three Months Ended September 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)	\$ 2,241,382	\$ 26,128	4.62 %	\$ 1,884,935	\$ 20,942	4.41 %
Loans held for sale	94,811	1,207	5.05 %	173,402	1,408	3.22 %
Securities:						
Taxable investment securities (2)	396,358	2,181	2.20 %	455,583	1,816	1.59 %
Investment securities exempt from federal income tax (3)	54,575	314	2.92 %	60,294	344	2.90 %
Total securities	450,933	2,495	2.29 %	515,877	2,160	1.75 %
Cash balances in other banks	120,624	617	2.03 %	337,011	171	0.20 %
Funds sold	755	7	3.65 %	19,909	9	0.18 %
Total interest-earning assets	2,908,505	30,454	4.17 %	2,931,134	24,690	3.35 %
Noninterest-earning assets	238,347			240,048		
Total assets	<u>\$ 3,146,852</u>			<u>\$ 3,171,182</u>		
Interest-Bearing Liabilities						
Interest-bearing deposits:						
Interest-bearing transaction accounts	\$ 821,545	1,205	0.58 %	\$ 984,874	390	0.16 %
Savings and money market deposits	709,591	1,603	0.90 %	589,101	288	0.19 %
Time deposits	462,036	1,332	1.14 %	406,329	654	0.64 %
Total interest-bearing deposits	1,993,172	4,140	0.82 %	1,980,304	1,332	0.27 %
Borrowings and repurchase agreements	88,584	761	3.41 %	29,495	394	5.30 %
Total interest-bearing liabilities	2,081,756	4,901	0.93 %	2,009,799	1,726	0.34 %
Noninterest-bearing deposits	666,104			751,862		
Total funding sources	2,747,860			2,761,661		
Noninterest-bearing liabilities	34,852			41,714		
Shareholders' equity	364,140			367,807		
Total liabilities and shareholders' equity	<u>\$ 3,146,852</u>			<u>\$ 3,171,182</u>		
Net interest spread (4)			3.23 %			3.01 %
Net interest income/margin (5)		<u>\$ 25,553</u>	3.50 %		<u>\$ 22,964</u>	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)
Third quarter 2022 Earnings Release

	Five Quarter Comparison				
	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Operating net income:					
Net income	\$ 8,193	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102
Add: acquisition related expenses	—	—	—	—	—
Less: income tax impact of acquisition related expenses	—	—	—	—	—
Operating net income	<u>\$ 8,193</u>	<u>\$ 9,972</u>	<u>\$ 10,673</u>	<u>\$ 12,470</u>	<u>\$ 13,102</u>
Operating diluted net income per share of common stock:					
Operating net income	\$ 8,193	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102
Weighted average shares - diluted	21,988,085	22,074,260	22,254,644	22,221,989	22,218,402
Operating diluted net income per share of common stock	<u>\$ 0.37</u>	<u>\$ 0.45</u>	<u>\$ 0.48</u>	<u>\$ 0.56</u>	<u>\$ 0.59</u>
Operating annualized return on average assets:					
Operating net income	\$ 8,193	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102
Average assets	3,146,852	3,128,864	3,153,320	3,159,308	3,171,182
Operating annualized return on average assets	<u>1.03%</u>	<u>1.28%</u>	<u>1.37%</u>	<u>1.57%</u>	<u>1.64%</u>
Operating annualized return on average tangible equity:					
Average total shareholders' equity	\$ 364,140	\$ 361,150	\$ 380,039	\$ 377,357	\$ 367,807
Less: average intangible assets	(46,737)	(47,160)	(47,604)	(48,054)	(48,527)
Average tangible equity	317,403	313,990	332,435	329,303	319,280
Operating net income	\$ 8,193	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102
Operating annualized return on average tangible equity	<u>10.24%</u>	<u>12.74%</u>	<u>13.02%</u>	<u>15.02%</u>	<u>16.28%</u>
Operating efficiency ratio:					
Total noninterest expense	\$ 17,735	\$ 17,075	\$ 17,736	\$ 18,682	\$ 18,366
Less: acquisition related expenses	—	—	—	—	—
Total operating noninterest expense	17,735	17,075	17,736	18,682	18,366
Net interest income	25,553	24,440	21,140	22,992	22,964
Total noninterest income	3,272	5,876	9,089	11,134	11,651
Total revenues	\$ 28,825	\$ 30,316	\$ 30,229	\$ 34,126	\$ 34,615
Operating efficiency ratio:	<u>61.53%</u>	<u>56.32%</u>	<u>58.67%</u>	<u>54.74%</u>	<u>53.06%</u>
Operating annualized pre-tax pre-provision income to average assets:					
Income before income taxes	\$ 10,223	\$ 12,398	\$ 13,277	\$ 16,095	\$ 16,249
Add: acquisition related expenses	—	—	—	—	—
Add: provision for loan losses	867	843	(784)	(651)	—
Operating pre-tax pre-provision income	11,090	13,241	12,493	15,444	16,249
Average assets	\$ 3,146,852	\$ 3,128,864	\$ 3,153,320	\$ 3,159,308	\$ 3,171,182
Operating annualized pre-tax pre-provision income to average assets:	<u>1.40%</u>	<u>1.70%</u>	<u>1.61%</u>	<u>1.94%</u>	<u>2.03%</u>

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

	Five Quarter Comparison				
	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Tangible Equity:					
Total shareholders' equity	\$ 347,518	\$ 357,735	\$ 368,917	\$ 380,094	\$ 370,328
Less: intangible assets	(46,468)	(46,883)	(47,313)	(47,759)	(48,220)
Tangible equity	<u>\$ 301,050</u>	<u>\$ 310,852</u>	<u>\$ 321,604</u>	<u>\$ 332,335</u>	<u>\$ 322,108</u>
Tangible book value per share of common stock:					
Tangible equity	\$ 301,050	\$ 310,852	\$ 321,604	\$ 332,335	\$ 322,108
Total shares of stock outstanding	21,931,624	21,934,554	22,195,071	22,166,129	22,165,760
Tangible book value per share of common stock	<u>\$ 13.73</u>	<u>\$ 14.17</u>	<u>\$ 14.49</u>	<u>\$ 14.99</u>	<u>\$ 14.53</u>
Tangible book value per share of common stock less after-tax unrealized available for sale investment (gains) losses:					
Total shareholders' equity	\$ 347,518	\$ 357,735	\$ 368,917	\$ 380,094	\$ 370,328
Less: intangible assets	(46,468)	(46,883)	(47,313)	(47,759)	(48,220)
Add: after-tax unrealized available for sale investment (gains) losses	53,488	37,034	23,041	2,978	1,209
Tangible equity less after-tax unrealized available for sale investment (gains) losses	<u>\$ 354,538</u>	<u>\$ 347,886</u>	<u>\$ 344,645</u>	<u>\$ 335,313</u>	<u>\$ 323,317</u>
Total shares of common stock outstanding	21,931,624	21,934,554	22,195,071	22,166,129	22,165,760
Tangible book value per share of common stock less after-tax unrealized available for sale investment (gains) losses	<u>\$ 16.17</u>	<u>\$ 15.86</u>	<u>\$ 15.53</u>	<u>\$ 15.13</u>	<u>\$ 14.59</u>
Tangible common equity to tangible assets:					
Tangible equity	\$ 301,050	\$ 310,852	\$ 321,604	\$ 332,335	\$ 322,108
Assets	\$ 3,166,687	\$ 3,096,537	\$ 3,190,749	\$ 3,133,046	\$ 3,112,127
Less: intangible assets	(46,468)	(46,883)	(47,313)	(47,759)	(48,220)
Tangible assets	<u>\$ 3,120,219</u>	<u>\$ 3,049,654</u>	<u>\$ 3,143,436</u>	<u>\$ 3,085,287</u>	<u>\$ 3,063,907</u>
Tangible common equity to tangible assets	<u>9.65%</u>	<u>10.19%</u>	<u>10.23%</u>	<u>10.77%</u>	<u>10.51%</u>
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	\$ 354,538	\$ 347,886	\$ 344,645	\$ 335,313	\$ 323,317
Tangible assets	\$ 3,120,219	\$ 3,049,654	\$ 3,143,436	\$ 3,085,287	\$ 3,063,907
Add: after-tax unrealized available for sale investment (gains) losses	53,488	37,034	23,041	2,978	1,209
Tangible assets less after-tax unrealized available for sale investment (gains) losses	<u>\$ 3,173,707</u>	<u>\$ 3,086,688</u>	<u>\$ 3,166,477</u>	<u>\$ 3,088,265</u>	<u>\$ 3,065,116</u>
Tangible common equity to tangible assets less after-tax unrealized available for sale investment (gains) losses	<u>11.17%</u>	<u>11.27%</u>	<u>10.88%</u>	<u>10.86%</u>	<u>10.55%</u>

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

	Nine Months Ended	
	9/30/2022	9/30/2021
Operating net income:		
Net income	\$ 28,839	\$ 36,207
Add: acquisition related expenses	—	323
Less: income tax impact of acquisition related expenses	—	(84)
Operating net income	<u>\$ 28,839</u>	<u>\$ 36,446</u>
Operating diluted net income per share of common stock:		
Operating net income	\$ 28,839	\$ 36,446
Weighted average shares - diluted	22,104,687	22,165,130
Operating diluted net income per share of common stock	<u>\$ 1.30</u>	<u>\$ 1.64</u>
Operating annualized return on average assets:		
Operating net income	\$ 28,839	\$ 36,446
Average assets	\$ 3,142,988	\$ 3,109,897
Operating annualized return on average assets	<u>1.23 %</u>	<u>1.57 %</u>
Operating annualized return on average tangible equity:		
Average total shareholders' equity	\$ 368,385	\$ 359,176
Less: average intangible assets	(47,164)	(49,014)
Average tangible equity	321,221	310,162
Operating net income	\$ 28,839	\$ 36,446
Operating annualized return on average tangible equity	<u>12.00 %</u>	<u>15.71 %</u>
Operating efficiency ratio:		
Total noninterest expense	\$ 52,545	\$ 54,859
Less: acquisition related expenses	—	(323)
Total operating noninterest expense	52,545	54,536
Net interest income	71,133	68,178
Total noninterest income	18,237	31,548
Total revenues	\$ 89,370	\$ 99,726
Operating efficiency ratio:	<u>58.79 %</u>	<u>54.69 %</u>

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

	<u>9/30/2022</u>	<u>6/30/2022</u>			
Average loans held for investment	\$ 2,241,382	\$ 2,147,750			
Less: Average PPP Loans	(834)	(3,337)			
Less: Average Tri-Net transfers from held for sale to held for investment	(106,590)	(58,757)			
Loans held for investment excluding PPP loans and Tri-Net transfers	<u>2,133,958</u>	<u>2,085,656</u>			
Annualized loans held for investment growth excluding PPP and Tri-Net transfers	<u>9.2 %</u>				
		<u>9/30/2022</u>			
Net interest income	\$ 25,553				
Noninterest income	3,272				
Less: Tri-Net losses	2,059				
Noninterest income excluding Tri-Net losses	<u>5,331</u>				
Total income excluding Tri-Net losses	30,884				
Noninterest expense	17,735				
Less: Operational losses	(2,197)				
Less: Executive incentive reversal	770				
Noninterest expense excluding operational losses and incentive reversal	<u>16,308</u>				
Efficiency ratio excluding Tri-Net losses, operational losses, and executive incentive reversal	52.81 %				
	Five Quarter Comparison				
	<u>9/30/2022</u>	<u>6/30/2022</u>	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>9/30/2021</u>
Allowance for loan losses	\$ 22,431	\$ 21,684	\$ 20,857	\$ 21,698	\$ 22,533
Purchase accounting marks	2,535	2,717	2,838	3,003	3,288
Allowance for loan losses and purchase accounting fair value marks	<u>24,966</u>	<u>24,401</u>	<u>23,695</u>	<u>24,701</u>	<u>25,821</u>
Loans held for investment	2,292,781	2,234,833	2,047,555	1,965,769	1,894,249
Less: PPP Loans net of deferred fees	748	921	6,529	26,539	64,188
Non-PPP Loans	<u>2,292,033</u>	<u>2,233,912</u>	<u>2,041,026</u>	<u>1,939,230</u>	<u>1,830,061</u>
Allowance for loan losses plus fair value marks / Non-PPP Loans	<u>1.09 %</u>	<u>1.09 %</u>	<u>1.16 %</u>	<u>1.27 %</u>	<u>1.41 %</u>

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



CAPSTARTM
FINANCIAL HOLDINGS, INC.

Third Quarter 2022

Earnings Call

October 21, 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 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", "Tangible common equity to tangible assets" or other measures.

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.

3Q22 Highlights

Executing on strategic objectives

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

Third quarter results

- Earnings per share of \$0.37
- Average loan growth of 9.2% annualized, NIM of 3.50% and net charge-offs of 0.02%
- Unusual items include:
 - \$2.1 million loss related to disposition or transfer of remaining Tri-Net loans
 - \$2.2 million related to two operational losses for which the bank is seeking possible recovery
 - (\$0.8) million of voluntary executive incentive reversal

Adjusted for unusual items

- Earnings per share of \$0.50
- Positive operating leverage with \$0.6 million of revenue growth and \$0.8 million of expense reduction resulting in \$1.3 million of pretax preprovision growth
- Efficiency ratio of 52.81% and ROA of 1.39%

Investments

- Additional Asheville and Knoxville Commercial Relationship Managers
- Additional Correspondent Banker

3Q22 Financial Results

Financial Results

	GAAP		
	3Q22	Favorable/(Unfavorable)	
		2Q22	3Q21
Net Interest Income	\$25.55	5%	11%
Noninterest Income	\$3.27	-44%	-72%
Revenue	\$28.82	-5%	-17%
Noninterest Expense	\$17.74	-4%	3%
Pre-tax Pre-provision Income	\$11.08	-16%	-32%
Provision for Loan Losses	\$0.87	-3%	100%
Net Income	\$8.19	-18%	-37%
Diluted Earnings per Share	\$0.37	-18%	-37%

(Dollars in millions,
except per share data)

Key Performance Indicators

(Dollars in millions, except for per share data)		3Q22	2Q22	3Q21
Profitability	Net Interest Margin ⁽¹⁾	3.50%	3.41%	3.12%
	Efficiency Ratio ⁽²⁾	61.53%	56.32%	53.06%
	Pretax Preprovision Income / Assets ⁽³⁾	1.40%	1.70%	2.03%
	Return on Average Assets	1.03%	1.28%	1.64%
	Return on Average Tangible Equity	10.24%	12.74%	16.28%
Growth	Total Assets (Avg)	\$3,147	\$3,129	\$3,171
	Total Deposits (Avg)	\$2,659	\$2,665	\$2,732
	Total Loans HFI (Avg) (Excl PPP)	\$2,240	\$2,144	\$1,790
	Diluted Earnings per Share	\$0.37	\$0.45	\$0.59
	Tangible Book Value per Share	\$13.73	\$14.17	\$14.53
Soundness	Net Charge-Offs to Average Loans (Annualized)	0.02%	0.00%	0.05%
	Non-Performing Assets / Loans + OREO	0.30%	0.11%	0.20%
	Allowance for Loan Losses + Fair Value Mark / Loans Excl PPP	1.09%	1.09%	1.41%
	Common Equity Tier 1 Capital	12.70%	12.87%	13.95%
	Total Risk Based Capital	14.59%	14.79%	16.23%

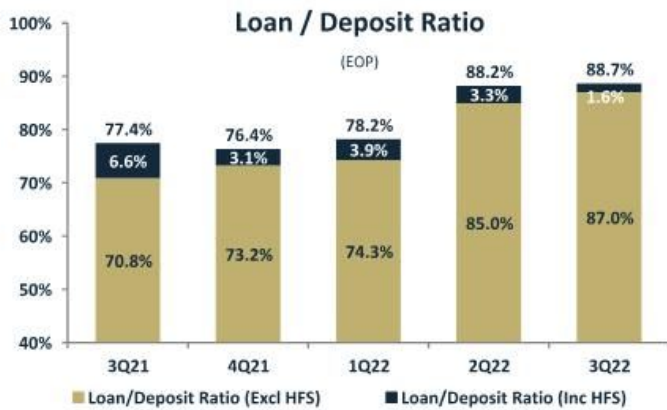
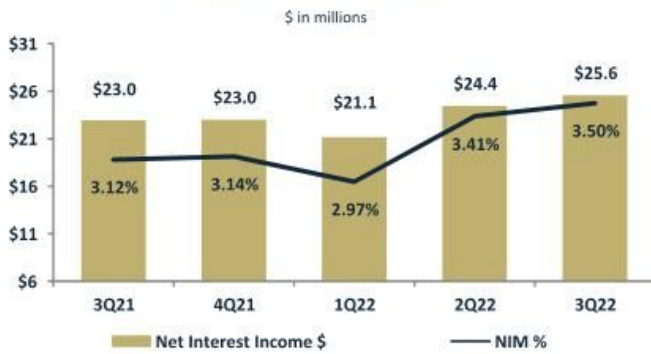
(1) Calculated on a tax equivalent basis.

(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.

Net Interest Income / Margin⁽¹⁾

Net Interest Margin \$ and %



- Net interest income was \$25.6MM, an increase of \$1.1MM.
 - Favorable impact:
 - Loan rate increases \$2.5MM
 - Loan growth \$0.8MM
 - Cash and Investments volumes and rates \$0.3MM
 - One additional day's interest \$0.2MM
 - Unfavorable impact:
 - Deposit rate increases \$2.5MM
 - Deposit and borrowing growth \$0.2MM
- NIM was 3.50% and increased 9 bps vs 2Q22 primarily related to loan growth and market rate increases
- NII and NIM outlook
 - Earning asset mix shift in recent quarters has boosted net interest income
 - Essentially neutral to further rate hikes
 - Loan pricing headwind as competitor pricing lags recent market rate increases
 - Deposit pricing pressure has increased
 - Strong loan pipeline and production provide opportunity for continued NII growth

[1] Calculated on a tax equivalent basis.

Deposit Growth and Costs

Deposit Portfolio (QTR Avg)



Deposit Cost



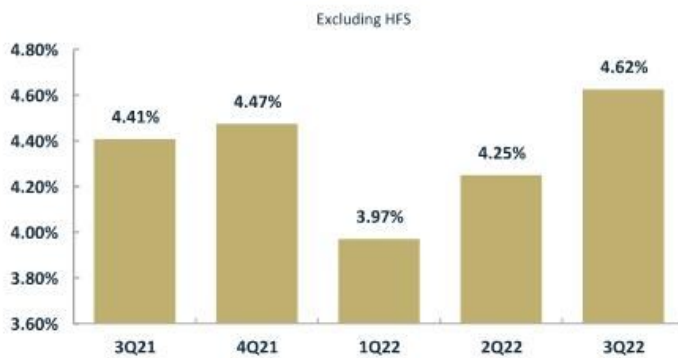
- Deposit pricing pressure has risen as cumulative Fed rate hikes increase and more rate sensitive customers explore options
- Total average deposits declined \$5.3MM during the quarter
 - \$69MM Correspondent decline
 - \$36MM bank customer decline
 - \$100MM brokered CD increase
- Total deposit cost was 0.62%, up 39 bps vs. 2Q22
- Disciplined pricing of deposits, focused on optimizing profitability while remaining competitive to retain and attract core relationships

Loan Growth and Yields

Total Loans (QTR Avg)



Loan Yields



- Average HFI loan growth (excluding PPP and the Tri-Net transfer) of 9.2% and 6.3% EOP
- 3Q22 production of \$191MM (annualized \$758MM) in HFI loans
 - 2021 - \$674MM
 - 2020 - \$445MM
 - 2019 - \$296MM
- Commercial loan pipeline exceeds \$550MM
 - Strong contribution across markets
 - Limiting CRE due to softening economy and to better align loan and deposit growth
- 3Q22 loan yield increased 37 bps vs 2Q22
 - 39 bps due to loan coupon
 - Offset slightly by 2 bps due to loan fees and higher cost accretion
 - Disciplined pricing with 3Q22 matched funding spread of ~1.88% at time of funding
 - originations lower than targeted spreads given lagged competitor response to market rates
 - spread lower than term sheet date due to market rate increases prior to close

Noninterest Income

(Dollars in thousands)	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Noninterest Income					
Deposit Service Charges	\$ 1,251	\$ 1,182	\$ 1,142	\$ 1,117	\$ 1,187
Interchange and Debit Transaction Fees	1,245	1,336	1,222	1,261	1,236
Mortgage Banking	765	1,705	1,966	2,740	4,693
Tri-Net	(2,059)	(73)	2,171	3,996	1,939
Wealth Management	385	459	440	438	481
SBA Lending	560	273	222	279	911
Net Gain on Sale of Securities	7	0	0	8	7
Other	1,118	994	1,926	1,295	1,197
Total Noninterest Income	\$ 3,272	\$ 5,876	\$ 9,089	\$ 11,134	\$ 11,651
Average Assets	\$ 3,146,852	\$ 3,128,864	\$ 3,153,320	\$ 3,159,308	\$ 3,171,182
Noninterest Income / Average Assets	0.41%	0.75%	1.17%	1.40%	1.46%
Revenue	28,825	\$ 30,316	\$ 30,229	\$ 34,126	\$ 34,615
% of Revenue	11.35%	19.38%	30.07%	32.63%	33.66%

- Stable deposit and interchange revenue
- Mortgage revenue impacted by limited supply and increased rates
- \$2.1MM Tri-Net loss related to the sale and transfer of remaining Tri-Net loans
- SBA progress and positive outlook with additional hires

Noninterest Expense

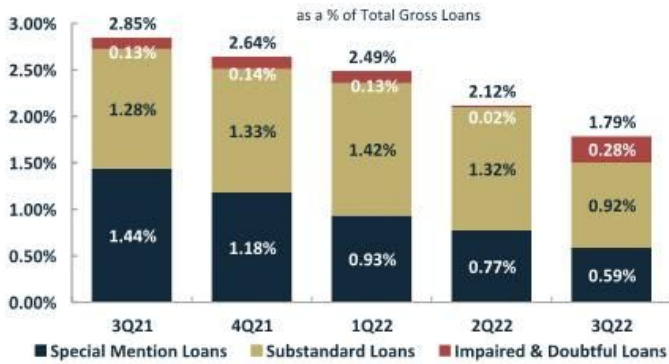
(Dollars in thousands)	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Noninterest Expense					
Salaries and Employee Benefits	\$ 8,235	\$ 9,209	\$ 10,269	\$ 10,549	\$ 10,980
Data Processing and Software	2,861	2,847	2,647	2,719	2,632
Occupancy	1,092	1,076	1,099	1,012	1,028
Equipment	743	783	709	867	760
Professional Services	468	506	679	521	469
Regulatory Fees	269	265	280	284	279
Acquisition Related Expenses	-	-	-	-	-
Amortization of Intangibles	415	430	446	461	477
Other	3,652	1,959	1,607	2,269	1,741
Total Noninterest Expense	\$ 17,735	\$ 17,075	\$ 17,736	\$ 18,682	\$ 18,366
<i>Efficiency Ratio</i>	<i>61.53%</i>	<i>56.32%</i>	<i>58.67%</i>	<i>54.74%</i>	<i>53.06%</i>
<i>Average Assets</i>	<i>\$ 3,146,852</i>	<i>\$ 3,128,864</i>	<i>\$ 3,153,320</i>	<i>\$ 3,159,308</i>	<i>\$ 3,171,182</i>
<i>Noninterest Expense / Average Assets</i>	<i>2.24%</i>	<i>2.19%</i>	<i>2.28%</i>	<i>2.35%</i>	<i>2.30%</i>
<i>FTE</i>	<i>387</i>	<i>391</i>	<i>397</i>	<i>397</i>	<i>392</i>

- Strong expense discipline with adoption of productivity mindset across the organization
- Quarter includes \$2.2MM of operational losses and \$0.8MM of executive incentive reversal
- Other expenses declined \$0.5MM from 2Q22
- Reduced Mortgage support staff positions which will result in approximately \$400K of annualized savings

Risk Management

Loan Portfolio Performance

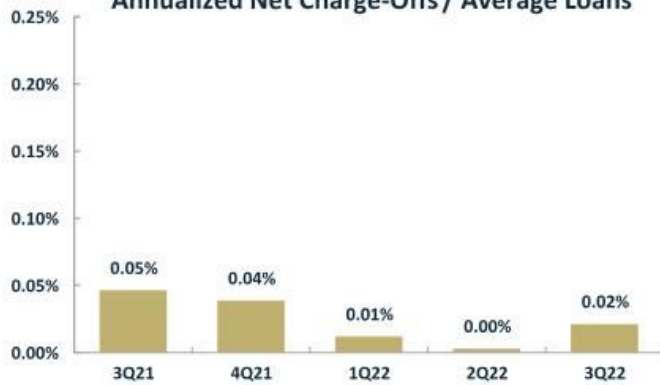
Criticized & Classified Loan Trends



Past Due Trend

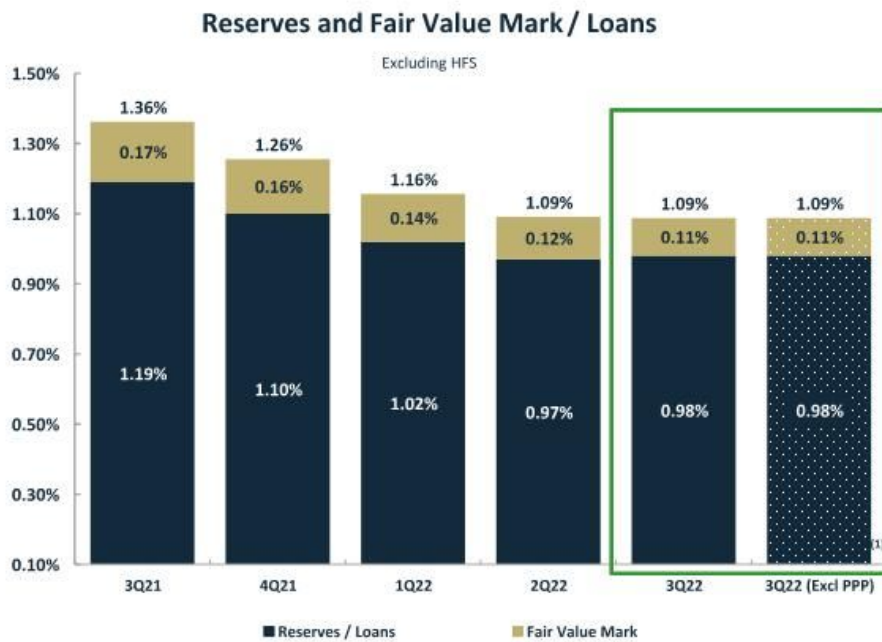


Annualized Net Charge-Offs / Average Loans



- Net charge-offs remained low and have averaged less than \$98K over the last 8 quarters
- Past Due increase related to:
 - two credits totaling \$8.3MM for which the Company feels the risk of loss is minimal
 - matured loans not renewed totaling \$1.6MM
 - three fully guaranteed PPP loans totaling \$0.4MM
- 15% improvement in Criticized and Classified loans

Allowance for Loan Losses



- Provision of \$867K for the quarter comprised of:
 - \$0.5MM provision assigned to loan growth
 - \$0.6MM reduction in qualitative pandemic assessment related primarily to upgrade of one credit
 - \$1.0MM additional qualitative reserve related to current economic environment
 - \$0.1MM reduction in historical loss factors
- The Allowance for Loan Losses at 3Q22 of \$22.4MM plus the \$2.5MM fair value mark on acquired loans was 1.09% of non-PPP Loans
- As expected, given ongoing PPP loan forgiveness, PPP loans had no material Q3 impact on these ratios.

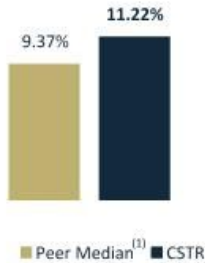
(1) PPP Loan balances net of unearned fees as of 9/30/2022.

Profitability & Capital Management

Capital Allocation Strategies

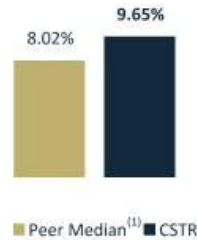
Leverage

As of 9/30/22



Tangible Common Equity / Tangible Assets

As of 9/30/22



Common Equity Tier 1 Capital

As of 9/30/22



Total Risk Based Capital

As of 9/30/22



1 Internal Investment

- Primary Focus – investing in our core business
- Seeking organic growth that meets or exceeds our cost of capital
- Chattanooga, Knoxville, and Rutherford/Williamson markets current loan outstandings ~\$630MM

2 Dividends

- Targeting 20-30% payout ratio
- Paid \$0.10 dividend per share in 2Q22, an increase from \$0.06

3 Share Repurchase

- At times, our stock is our best investment
- \$30MM authorization
- 299,206 shares purchased year-to-date
- \$23.9MM 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 2022.

Looking Forward

4Q22 Outlook

As of October 2022

Economy	<ul style="list-style-type: none"> • Increase in the Fed Funds rate over the next year with further yield curve inversion • A potential for slower economic growth or recession
Loan Growth	<ul style="list-style-type: none"> • Targeting high single digit loan growth with appropriate spreads to align with funding trends
Deposit Growth	<ul style="list-style-type: none"> • Continuing to develop deposit capabilities to provide an improved long-term funding base • Disciplined use of alternative funding such as brokered CDs and wholesale funding
Net Interest Income	<ul style="list-style-type: none"> • Strong loan pipeline and production provide opportunity for continued NII growth • Deposit pricing pressure has increased as more rate sensitive customers are more aggressively exploring options • Loan pricing headwind as competitors have not fully responded to market rate increases • Anticipate our net interest margin to be flat or in this range
Provision Expense	<ul style="list-style-type: none"> • Continued low net charge-offs and stable credit trends though not immune to economic conditions • Adoption of CECL 1/1/23
Non-Interest Income	<ul style="list-style-type: none"> • Challenging near-term Mortgage environment. Reduced support staff positions approximately \$400K annualized in late 3Q22. Favorable long-term outlook given strong markets, strength of Mortgage team, and purchase money focus. • Tri-Net production paused pending market stabilization. • 4Q22 SBA fees of \$750,000 to \$1MM. Actively recruiting additional SBA team.
Non-Interest Expense	<ul style="list-style-type: none"> • Bank-only expense of approximately \$16.5MM per quarter
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

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 capital levels available to support balance sheet growth or share repurchases
- Opportunity to lever expenses from bankers added in 2021 and 2022
- Specialty Banking fee businesses provided limited contribution YTD

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 consolidation

Attractive Valuation

- Strong operating performance and franchise scarcity value
- Opportunity for superior shareholder returns through multiple expansion and earnings growth

Appendix: Other Financial Results and Non-GAAP Reconciliations

Non-GAAP Financial Measures

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
(Dollars in thousands, except per share information)					
TANGIBLE EQUITY					
Total Shareholders' Equity	\$ 347,518	\$ 357,735	\$ 368,917	\$ 380,094	\$ 370,328
Less: Intangible Assets	46,468	46,883	47,313	47,759	48,220
Tangible Equity	301,050	310,852	321,604	332,335	322,108
TANGIBLE EQUITY TO TANGIBLE ASSETS					
Tangible Equity	\$ 301,050	\$ 310,852	\$ 321,604	\$ 332,335	\$ 322,108
Total Assets	3,166,687	3,096,537	3,190,749	3,133,046	3,112,127
Less: Intangible Assets	46,468	46,883	47,313	47,759	48,220
Tangible Assets	3,120,219	3,049,654	3,143,436	3,085,287	3,063,907
Tangible Equity to Tangible Assets	9.65%	10.19%	10.23%	10.77%	10.51%
TANGIBLE BOOK VALUE PER SHARE, REPORTED					
Tangible Equity	\$ 301,050	\$ 310,852	\$ 321,604	\$ 332,335	\$ 322,108
Shares of Common Stock Outstanding	21,931,624	21,934,554	22,195,071	22,166,129	22,165,760
Tangible Book Value Per Share, Reported	\$13.73	\$14.17	\$14.49	\$14.99	\$14.53

Non-GAAP Financial Measures

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
(Dollars in thousands, except per share information)					
RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Total Average Shareholders' Equity	\$ 364,140	\$ 361,150	\$ 380,039	\$ 377,357	\$ 367,807
Less: Average Intangible Assets	46,737	47,160	47,604	48,054	48,527
Average Tangible Equity	317,403	313,990	332,435	329,303	319,280
Net Income	8,193	9,972	10,673	12,470	13,102
Return on Average Tangible Equity (ROATE)	10.24%	12.74%	13.02%	15.02%	16.28%

Non-GAAP Financial Measures

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
(Dollars in thousands, except per share information)					
ADJUSTED NET INCOME					
Net Income	\$ 8,193	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102
Add: Operational Losses	2,197	-	-	-	-
Add: Tri-Net Losses	2,059	-	-	-	-
Less: Executive Incentive Reversal	(770)	-	-	-	-
Less: Income Tax Impact	(680)	-	-	-	-
Adjusted Net Income	\$ 10,999	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102
ADJUSTED DILUTED NET INCOME PER SHARE					
Adjusted Net Income	\$ 10,999	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102
Average Diluted Shares Outstanding	21,988,085	22,074,260	22,254,644	22,221,989	22,218,402
Adjusted Diluted Net Income per Share	\$0.50	\$0.45	\$0.48	\$0.56	\$0.59
ADJUSTED RETURN ON AVERAGE ASSETS (ROAA)					
Adjusted Net Income	\$ 10,999	\$ 9,972	\$ 10,673	\$ 12,470	\$ 13,102
Total Average Assets	3,146,852	3,128,864	3,153,320	3,159,308	3,171,182
Adjusted Return on Average Assets (ROAA)	1.39%	1.28%	1.37%	1.57%	1.64%

Adjusted 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 an income tax rate of 19.50%.

Non-GAAP Financial Measures

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
(Dollars in thousands, except per share information)					
ADJUSTED NONINTEREST EXPENSE					
Noninterest Expense	\$ 17,735	\$ 17,075	\$ 17,736	\$ 18,682	\$ 18,366
Less: Operational Losses	(2,197)	-	-	-	-
Add: Executive Incentive Reversal	770	-	-	-	-
Adjusted Noninterest Expense	\$ 16,308	\$ 17,075	\$ 17,736	\$ 18,682	\$ 18,366
ADJUSTED NONINTEREST INCOME					
Noninterest Income	\$ 3,272	\$ 5,876	\$ 9,089	\$ 11,134	\$ 11,651
Add: Tri-Net Loss	2,059	-	-	-	-
Adjusted Noninterest Income	\$ 5,331	\$ 5,876	\$ 9,089	\$ 11,134	\$ 11,651
ADJUSTED EFFICIENCY RATIO					
Adjusted Noninterest Expense	\$ 16,308	\$ 17,075	\$ 17,736	\$ 18,682	\$ 18,366
Net Interest Income	25,553	24,440	21,140	22,992	22,964
Adjusted Noninterest Income	5,331	5,876	9,089	11,134	11,651
Adjusted Total Revenues	30,884	30,316	30,229	34,126	34,615
Adjusted Efficiency Ratio	52.81%	56.32%	58.67%	54.74%	53.06%

Adjusted 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 an income tax rate of 19.50%.

Non-GAAP Financial Measures

	September 30, 2022	June 30, 2022
(Dollars in thousands, except per share information)		
ANNUALIZED LOANS HELD FOR INVESTMENT GROWTH EXCLUDING PPP AND TRI-NET TRANSFERS		
Average loans held for investment	\$ 2,241,382	\$ 2,147,750
Less: Average PPP Loans	(834)	(3,337)
Less: Average Tri-Net transfers from held for sale to held for investment	(106,590)	(58,757)
Loans held for investment excluding PPP loans and Tri-Net transfers	2,133,958	2,085,656
Annualized loans held for investment growth excluding PPP and Tri-Net transfers	9.2%	

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

Executive Leadership

Mike Fowler

Chief Financial Officer

CapStar Financial Holdings, Inc.
(615) 732-7404

Email: mike.fowler@capstarbank.com

Investor Relations

(615) 732-6455

Email: ir@capstarbank.com



CAPSTAR™

FINANCIAL HOLDINGS, INC.