



**CAPSTAR**<sup>TM</sup>

**FINANCIAL HOLDINGS, INC.**

**Third Quarter 2020**

**Earnings Call**

**October 23, 2020**

# Disclosures

## 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.

# 3Q20 Highlights

- **Strong quarter despite challenging operating environment**
  - Operating earnings per share of \$0.43
    - Includes \$1.9MM expense related to previously terminated swaps and \$394K gain on branch sale
    - \$0.48 adjusting for above items
    - 3Q operating PTPP / Assets, adjusted for above items, was 2.06%
  - Mortgage contributed approximately \$0.16 and provision expense totaled \$0.08 per share
  - A significant portion of TBVPS dilution earned back through strong mortgage and FCB's contribution
- **Solid revenue growth to include benefit of FCB acquisition**
  - Revenue per share, adjusted for above items, up 6.4% and 3.6% with and without mortgage
  - Net interest income increased due to higher average earning assets with minimal impact from rates
  - CapStar and FCB, on a combined basis, experienced deposit and loan growth during the quarter
  - Noninterest income benefited from record mortgage and SBA results as well as FCB's contribution
- **Disciplined expense control**
  - Operating efficiency ratio of 55.6%, excluding mortgage and adjusted for above items
  - FCB one-time and cost saves on track
- **Proactive risk management**
  - Continued low past dues, classified loans, and net-charge offs
  - Minimal loan deferrals to a small number of borrowers
  - Maintained significant on and off-balance sheet liquidity

# Financial Results

(Dollars in millions, except per share data)	GAAP			Operating <sup>(1)</sup>		
	3Q20	Favorable/(Unfavorable)		3Q20	Favorable/(Unfavorable)	
		2Q20	3Q19		2Q20	3Q19
<b>Net Interest Income</b>	\$19.66	11%	15%	\$19.66	11%	15%
<b>Noninterest Income</b>	\$14.80	37%	118%	\$14.80	37%	118%
<b>Revenue</b>	\$34.46	21%	44%	\$34.46	21%	44%
<b>Noninterest Expense</b>	\$22.74	(20%)	(46%)	\$20.19	(9%)	(32%)
<b>Pre-tax Pre-provision Income</b>	<b>\$11.72</b>	<b>23%</b>	<b>39%</b>	<b>\$14.27</b>	<b>43%</b>	<b>66%</b>
<b>Provision for Loan Losses</b>	\$2.12	(30%)	NM	\$2.12	(30%)	NM
<b>Net Income</b>	\$7.49	21%	16%	\$9.37	44%	42%
<b>Diluted EPS</b>	\$0.34	1%	(2%)	\$0.43	20%	20%

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

# Key Performance Indicators

(Dollars in millions, except for per share data)

	Operating Metrics <sup>(1)</sup>	3Q20 Adjusted <sup>(5)</sup>	3Q20	2Q20	3Q19
<b>Profitability</b>	Net Interest Margin <sup>(2)</sup> (tax equivalent basis)	2.98%	2.72%	3.23%	3.66%
	Efficiency Ratio <sup>(3)</sup>	56.12%	58.59%	64.87%	64.08%
	Pretax Preprovision Income / Assets <sup>(4)</sup>	2.06%	1.86%	1.71%	1.70%
	Return on Average Assets	1.38%	1.22%	1.11%	1.31%
	Return on Average Tangible Equity	15.49%	13.76%	11.02%	11.83%
<b>Growth</b>	Total Assets (Avg)		\$3,044	\$2,350	\$2,006
	Total Deposits (Avg)		\$2,648	\$2,032	\$1,705
	Total Loans HFI (Avg)		\$1,906	\$1,561	\$1,446
	Pre-tax Pre-provision Income	\$15.79	\$14.27	\$10.01	\$8.60
	Net Income	\$10.55	\$9.37	\$6.51	\$6.60
	Diluted EPS	\$0.48	\$0.43	\$0.36	\$0.36
	Tangible Book Value per Share		\$12.92	\$13.02	\$12.17
<b>Soundness</b>	Net Charge-Offs to Average Loans (Annualized)		0.00%	0.18%	-0.01%
	Non-Performing Assets / Loans + OREO		0.16%	0.20%	0.19%
	Allowance for Loan Losses / Loans Held for Investment		1.22%	1.32%	0.91%
	Tangible Common Equity / Tangible Assets		9.54%	9.92%	11.23%
	Total Risk Based Capital		15.96%	16.76%	13.46%

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(2) Calculated on a tax equivalent basis.

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

(4) Pre-tax Pre-provision Operating ROA calculated as ROA excluding the effect of income tax expense, provision expense and merger charges

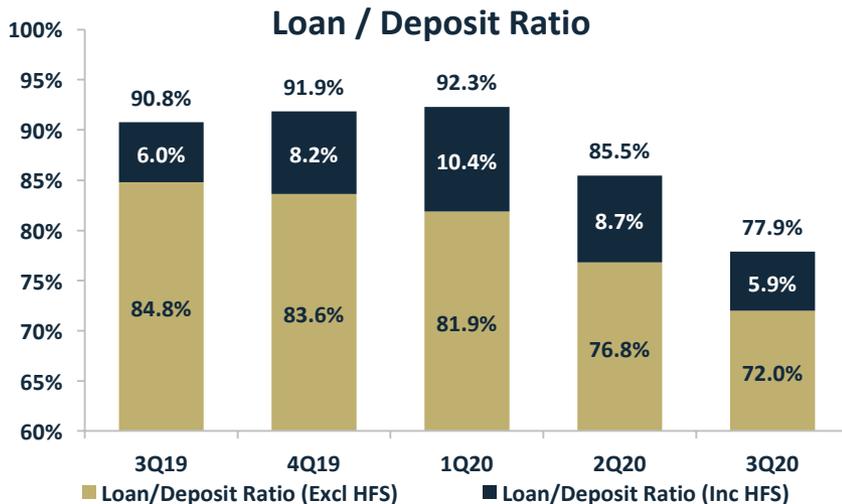
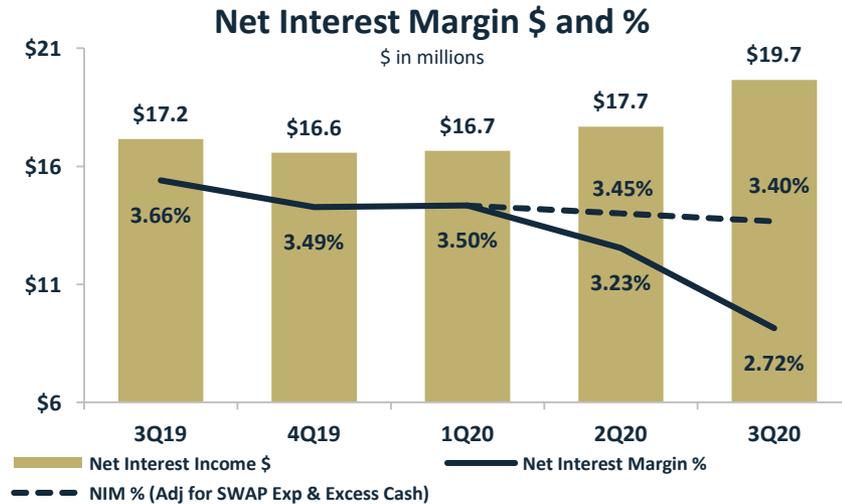
(5) Adjusted for \$1.9MM expense related to previously terminated swaps and \$394K gain on branch sale



# Financial Detail

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

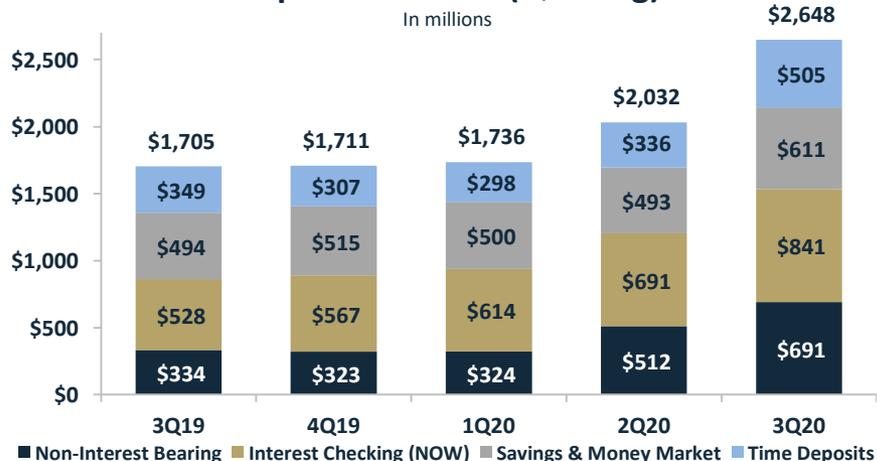
- NII increases over past three quarters
- NIM relatively stable, adjusting for 42 bps impact of significant excess deposits
  - 2Q20 \$30MM sub debt issuance, while bolstering capital ratios, adversely impacted the 3Q20 NIM by 5 bps
- 3Q20 includes \$1.9MM of expense related to previously terminated swaps
  - Adversely impacted current quarter NIM by 26 bps
  - Forward NII benefit of approximately \$700,000 annually; equivalent to 4-7 bps to the NIM



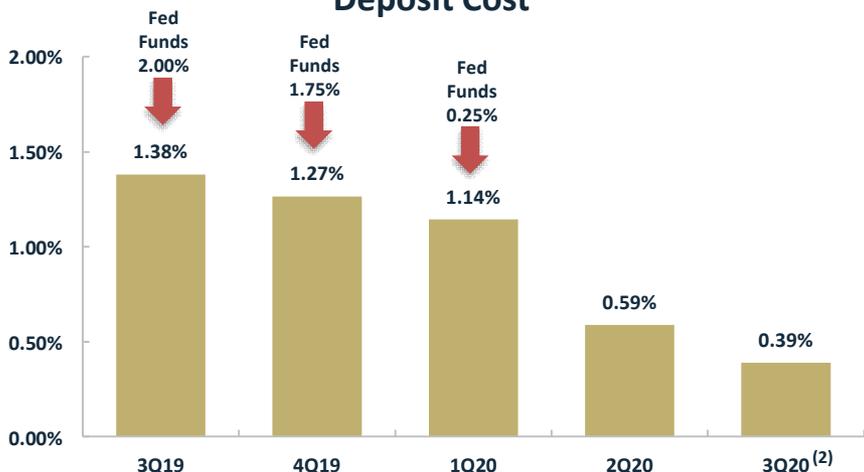
(1) Calculated on a tax equivalent basis.

# Deposit Growth and Costs

## Deposit Portfolio (QTR Avg)



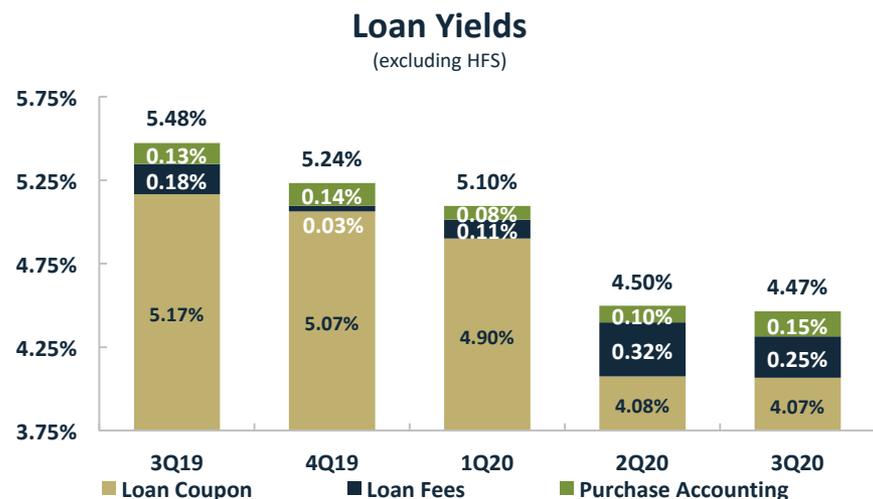
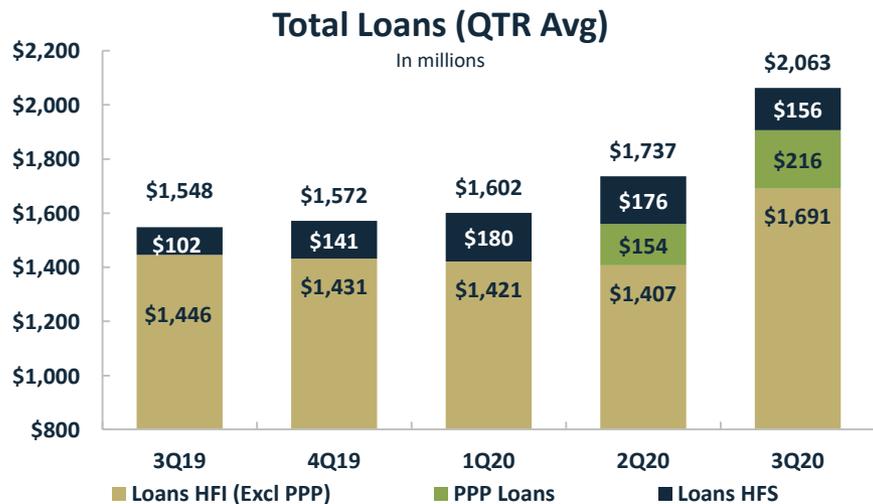
## Deposit Cost



- Avg Deposit balances increased \$617MM or 120.7% over 2Q20<sup>(1)</sup>
  - Includes FCB average balances of \$442.2MM
  - Additional deposit growth of \$174.3MM in core markets
- Deposit costs were 0.39%, excluding the acceleration of the amortization of swap expense
  - Lowered deposit rates late third quarter; anticipate further benefit in 4Q20
- Strategically addressing excess deposits
  - Continued pricing opportunities
  - Special loan programs
  - Prudent short-duration investments
  - Potential run-off methods

(1) Annualized % change from 2Q20 to 3Q20.  
 (2) 3Q20 excludes the amortization of swap expense.

# Loan Growth and Yields



- Avg Loans HFI less PPP increased \$284MM over 2Q20
  - Includes avg FCB balances of \$289MM
  - Line utilization has decreased \$45.6MM from 52.1% to 45.8% since 1Q20
- EOP loans increased \$17.5MM or 3.7% annualized including FCB's June 30 ending balances; working to strengthen internal capabilities
  - Strong and growing pipelines
  - Knoxville loans approaching \$100MM by year-end
  - New 4Q20 Rutherford/Williamson County team
  - Significant wins from PPP non-customers
- PPP loans were \$217MM at September 30
- Higher quality balance sheet with SNCs accounting for <5% of loans down from a high of 22%

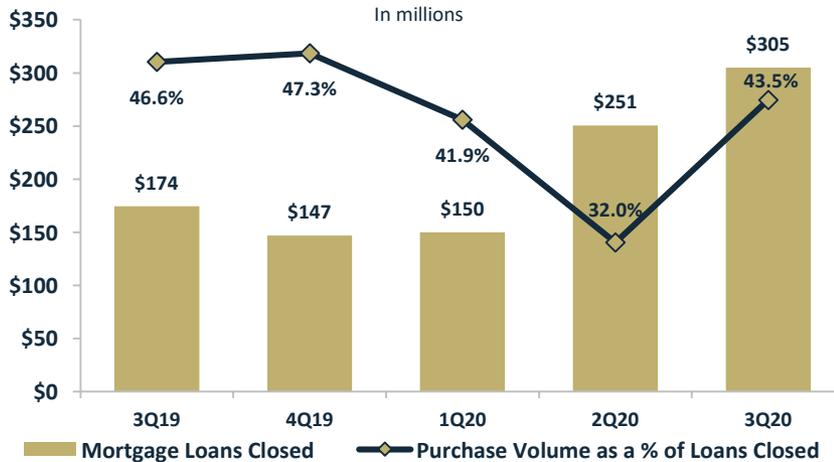
# Noninterest Income

(Dollars in thousands)	Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<b>Noninterest Income</b>					
Treasury Management and Other Deposit Service Charges	\$ 1,064	\$ 691	\$ 775	\$ 736	\$ 788
Net Gain (Loss) on Sale of Securities	34	13	27	9	0
Tri-Net Fees	668	1,260	599	274	847
Mortgage Banking	9,686	7,123	2,253	2,316	2,679
Wealth Management Fees	382	374	407	407	379
Gain on Sale of SBA Loans	476	13	35	0	462
Interchange and Debit Card Transaction Fees	936	729	724	928	754
Other	1,557	619	1,053	1,050	880
<b>Total Noninterest Income</b>	<b>\$ 14,804</b>	<b>\$ 10,823</b>	<b>\$ 5,874</b>	<b>\$ 5,719</b>	<b>\$ 6,788</b>
<b>Average Assets</b>	<b>3,043,847</b>	<b>2,350,021</b>	<b>2,059,306</b>	<b>2,030,231</b>	<b>2,005,950</b>
<b>Noninterest Income / Average Assets</b>	<b>1.93%</b>	<b>1.85%</b>	<b>1.15%</b>	<b>1.12%</b>	<b>1.34%</b>

- Includes \$467K of non-interest income from FCB
- Mortgage banking up from the prior year and quarter due to higher volumes and spreads
- Tri-Net in line with previous quarters following strong quarter which had 4Q19 carry over production
- Gain on sale of SBA loans totaled \$476K; an increase of \$463K vs 2Q20
- Other includes \$394K gain on sale of 2 dormant branches acquired in the Athens Federal acquisition

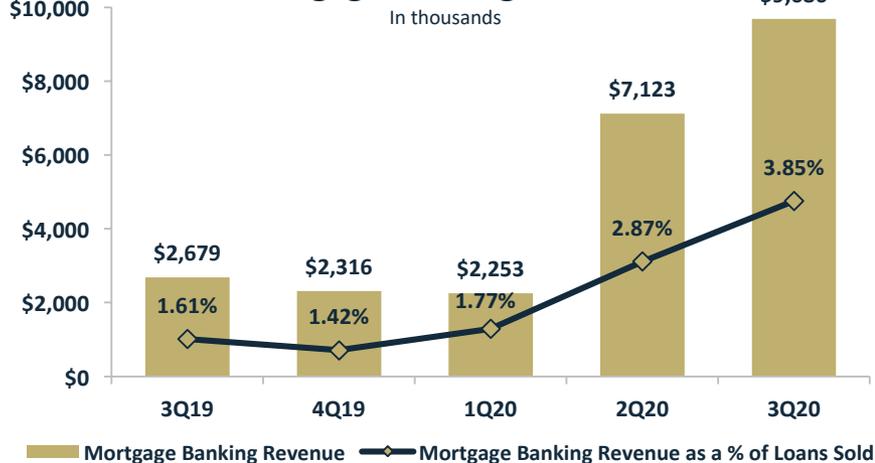
# Mortgage Banking Revenue

## Mortgage Loans Closed



- Residential mortgage loans closed increased \$54MM from 2Q20
- Refinance activity was 56% of the origination volume for the quarter compared to 68% in 2Q20 and 53% in 3Q19
- Mortgage banking revenue increased \$2.6MM due to an increase in volume and gain on sale % over 2Q20

## Mortgage Banking Revenue



# Noninterest Expense

(Dollars in thousands)	Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<b>Noninterest Expense</b>					
Salaries and Employee Benefits	\$ 12,949	\$ 12,305	\$ 8,002	\$ 9,318	\$ 9,229
Data Processing & Software	2,353	2,100	1,864	1,835	1,790
Professional Fees	638	581	636	531	528
Occupancy	999	797	820	795	858
Equipment	864	680	751	834	1,012
Regulatory Fees	397	333	163	28	18
Merger Related Expenses	2,548	448	290	163	187
Amortization of Intangibles	539	375	386	397	408
Other Operating	1,452	1,315	1,299	1,365	1,501
<b>Total Noninterest Expense</b>	<b>\$ 22,739</b>	<b>\$ 18,934</b>	<b>\$ 14,211</b>	<b>\$ 15,266</b>	<b>\$ 15,531</b>
<b>Efficiency Ratio</b>	<b>65.99%</b>	<b>66.44%</b>	<b>63.06%</b>	<b>68.46%</b>	<b>64.87%</b>
<b>Average Assets</b>	<b>\$ 3,043,847</b>	<b>\$ 2,350,021</b>	<b>\$ 2,059,306</b>	<b>\$ 2,030,231</b>	<b>\$ 2,005,950</b>
<b>Noninterest Expense / Average Assets</b>	<b>2.97%</b>	<b>3.24%</b>	<b>2.78%</b>	<b>2.98%</b>	<b>3.07%</b>
<b>FTE</b>	<b>403</b>	<b>286</b>	<b>288</b>	<b>289</b>	<b>290</b>
<b>Operating Noninterest Expense<sup>(1)</sup></b>	<b>\$ 20,191</b>	<b>\$ 18,486</b>	<b>\$ 13,921</b>	<b>\$ 15,103</b>	<b>\$ 15,344</b>
<b>Operating Efficiency Ratio<sup>(1)</sup></b>	<b>58.59%</b>	<b>64.87%</b>	<b>61.78%</b>	<b>67.73%</b>	<b>64.08%</b>
<b>Operating Noninterest Expense / Average Assets<sup>(1)</sup></b>	<b>2.64%</b>	<b>3.16%</b>	<b>2.72%</b>	<b>2.95%</b>	<b>3.04%</b>

- Operating Efficiency ratio improved for the quarter principally due to strong mortgage results and the benefit of the FCB acquisition
- Excluding mortgage and adjusting for the swap expense and branch gain on sale, the operating efficiency ratio was 55.6% due to strong operating leverage
  - Revenue increased \$5.0MM
  - Noninterest expense increased \$1.6MM

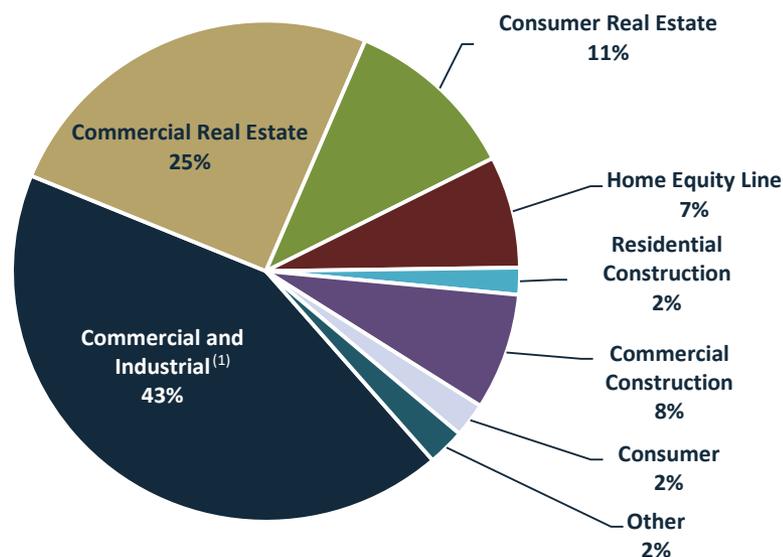
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# Risk Management

# Loan Portfolio Summary

## Loans Held for Investment as of 9/30/20 \$1.9 billion

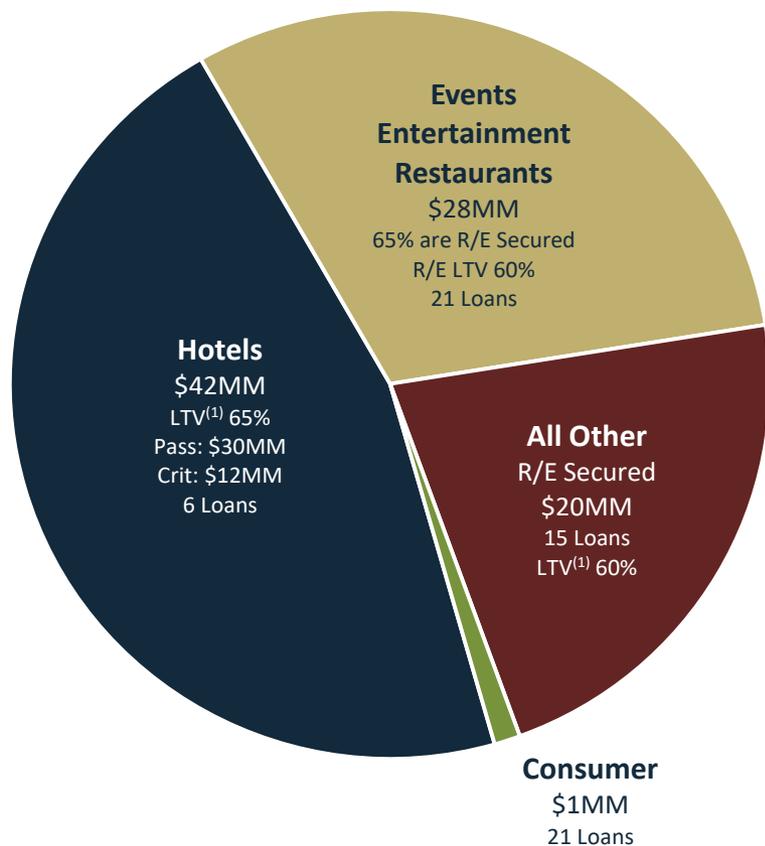


- Strong credit underwriting and portfolio management culture
  - Diversified portfolio in resilient markets; enhanced with recent acquisitions
  - Monthly asset quality reviews
  - 3Q20 successfully completed the second of three external loan reviews
  - Annual external stress test completed 4/20
- COVID-19 impact update
  - Continued low past dues, classified loans, and net-charge offs
  - Deferrals of 4.7% among 44 borrowers
  - Performing monthly review of each pandemic sensitive borrower assessing liquidity, cash flow trends and expectations

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

# Loan Deferrals

## Deferrals at 9/30/20 \$91MM



- Loan deferrals of 4.7%
  - *Includes any form of relief such as modifications that still require payments of interest only*
- 20% of deferred loans are on P&I deferral expiring in 4Q20; remaining on interest only deferral ranging from 4Q20 to 4Q21
- Approach is tailored to borrower situations generally granted in return for
  - Liquidity preservation covenants
  - Enhanced financial reporting
  - Enhanced guaranties

(1) Pre-Pandemic LTV

# Hotel Deferrals

(Dollars in millions)

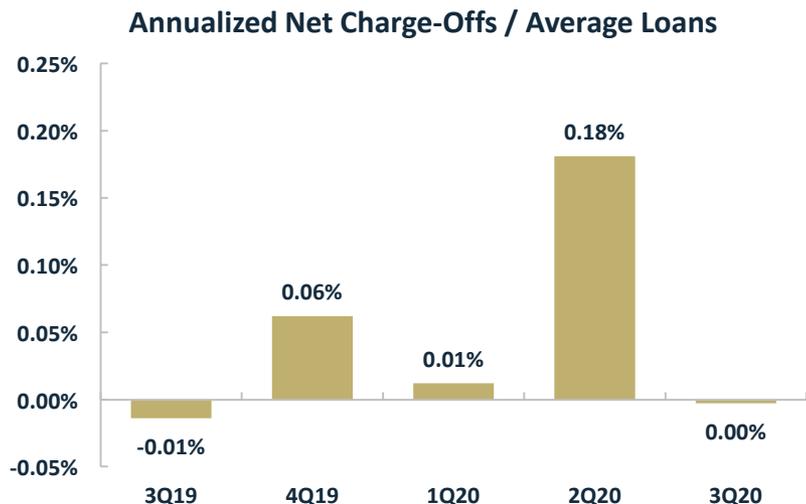
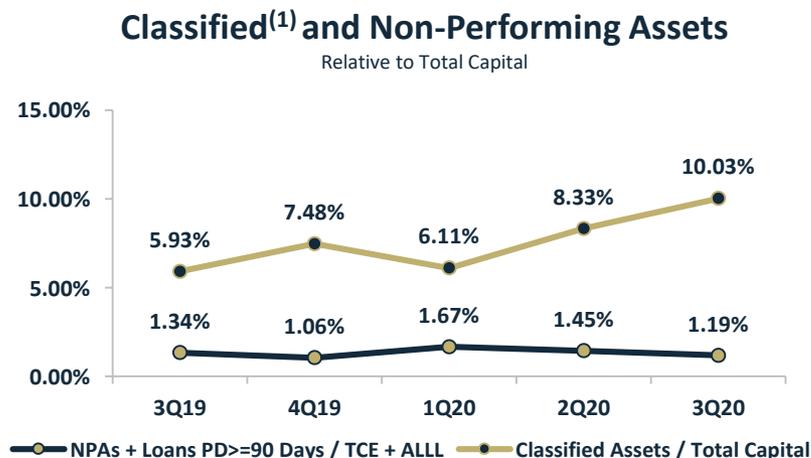
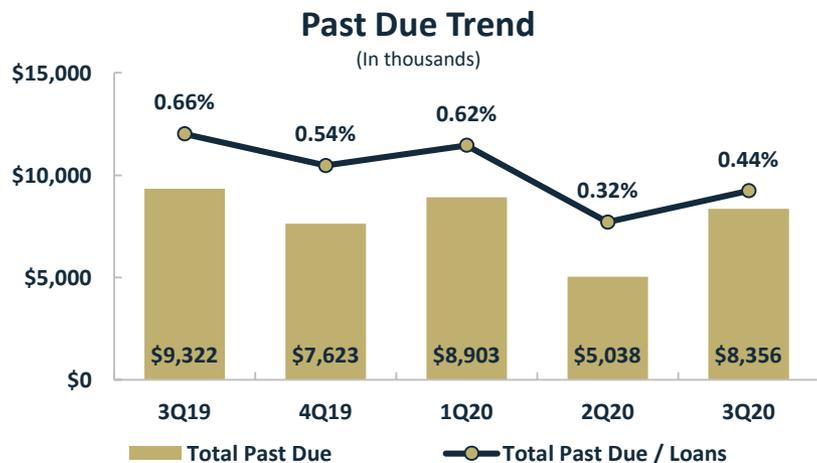
	Market	# of Projects	Choice Hotels	Hilton	Marriott	Wyndham	Non-Flag
Not Deferred	East TN	7	\$0.9	-	\$7.7	\$7.6	\$0.1
	Nashville	5	4.7	7.4	8.8	-	5.9
	MS	1	-	7.7	-	-	-
Deferred	East TN	3	-	7.4	8.8	-	-
	Nashville	2	-	-	17.8	-	-
	TX	1	-	-	6.7	-	-
<b>Total</b>		<b>19</b>	<b>\$5.6</b>	<b>\$22.6</b>	<b>\$49.8</b>	<b>\$7.6</b>	<b>\$6.0</b>

## LTV by Appraisal Year:

Prior to 2016:	55%
2016:	71%
2017:	73%
2018:	57%
2019:	54%

- Average Hotel LTV is 57%
- One Nashville project is recently completed and remains in the initial interest only phase
- One Nashville project is under construction with \$3MM remaining to be drawn
- MS and TX projects are with Tennessee borrowers

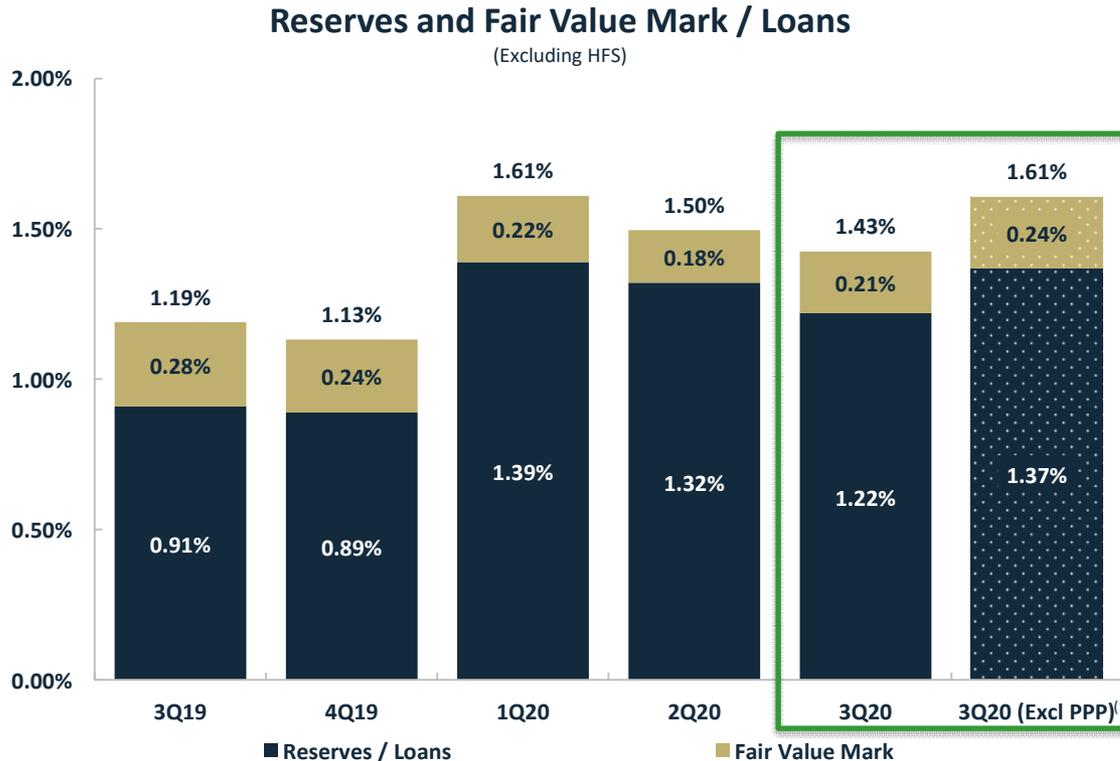
# Loan Portfolio Performance



- Delinquencies remain low and stable
- Classified and NPA levels remain at low levels
- Average net charge-offs equate to <\$200K/quarter for the last 5 quarters

(1) Classified Assets exclude purchased credit impaired loans.

# Allowance for Loan Losses

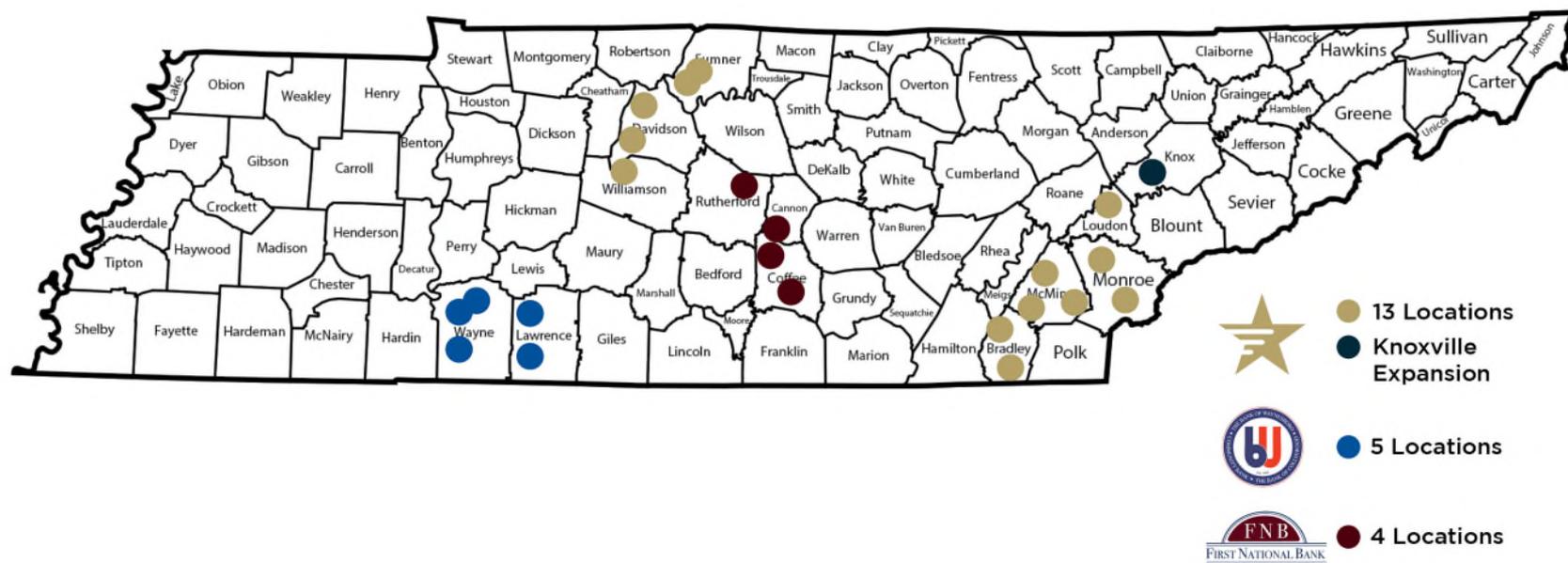


- Due to the uncertainty of the impact of COVID-19, proactively increased allowance for loan losses in 1Q and 2Q20
- In 3Q20, provision was influenced by growth and an increase in qualitative factors reflecting continued economic uncertainty
- The current reserve of \$23MM plus the \$4MM fair value mark on acquired loans equates to a 1.43% reserve/loans or 1.61% excluding PPP Loans

(1) PPP Loan balances net of unearned fees as of 9/30/2020.

# FCB Merger Update

# New CapStar Footprint





# **Project *New CapStar***

# Why New CapStar?

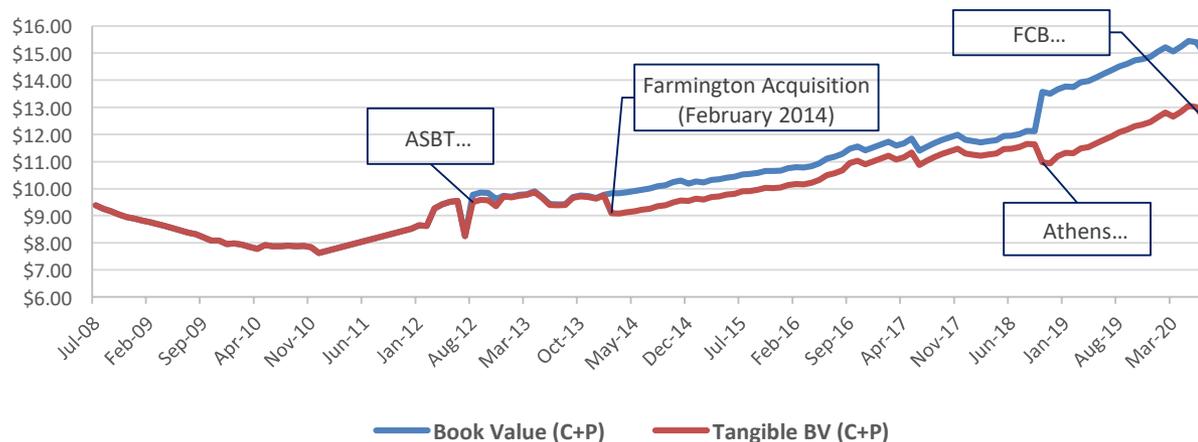
- CapStar has developed a highly successful customer-centric banking model in favorable banking markets
  - Recognized as a market leader by customers and Greenwich & Associates
  - Actively involved in our communities
  - Highly regarded by regulators
- However, historical operating results have not been as profitable and growth has not been at the level of industry averages
- Building on the momentum of the last 12 months and with a new competitive management team in place, we have just completed a new 3-year strategic plan, focused on:

**generating operating results and compound annual returns to common shareholders that exceed industry and market averages**

# Historical Operating Performance

	For the year ended,										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Net Interest margin</b>											
CapStar	2.03	2.45	2.72	3.32	3.45	3.19	3.18	3.17	3.19	3.52	3.63
Median of banks \$500mm - \$10b	3.65	3.76	3.80	3.71	3.60	3.60	3.56	3.59	3.62	3.72	3.67
<b>Efficiency ratio</b>											
CapStar	241.3	116.2	77.2	66.1	69.5	71.5	70.9	65.4	62.2	77.4	64.3
Median of banks \$500mm - \$10b	68.8	67.3	67.6	67.5	68.7	68.9	68.0	67.3	66.0	64.5	65.1
<b>PTPPAA (%)</b>											
CapStar	(3.11)	(0.41)	0.64	1.16	1.07	1.06	1.11	1.35	1.47	0.96	1.56
Median of banks \$500mm - \$10b	1.30	1.40	1.40	1.39	1.29	1.30	1.33	1.37	1.42	1.50	1.50
<b>ROAA (%)</b>											
CapStar	(4.24)	(0.79)	0.34	1.12	0.62	0.47	0.66	0.76	0.16	0.68	1.16
Median of banks \$500mm - \$10b	0.56	0.69	0.81	0.90	0.90	0.93	0.94	0.96	0.90	1.15	1.17

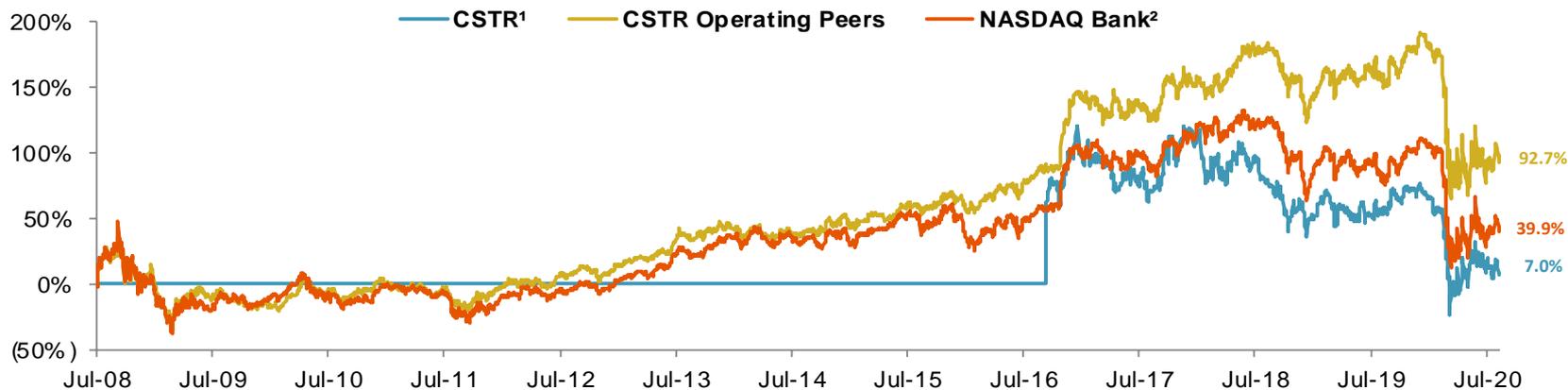
- NIM as been consistently lower and more volatile while efficiency has been at or above industry levels



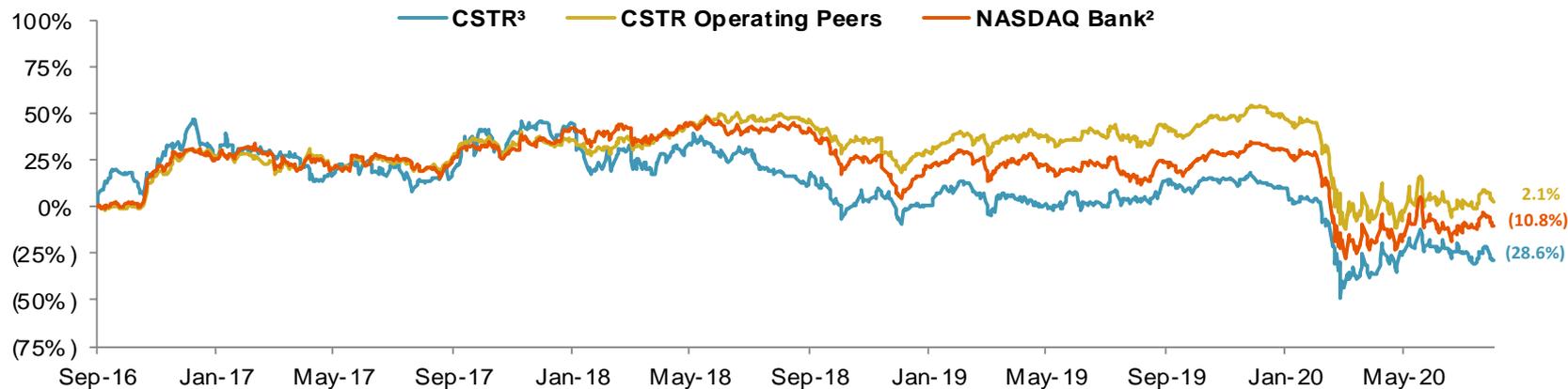
- 2.47% TBVPS CAGR since inception

# Historical Total Return to Shareholders

CapStar Inception to Present (July 14, 2008 – August 21, 2020)



CapStar IPO to Present (September 21, 2016 – August 21, 2020)



CSTR total return based on base per share value of \$10.00 from CapStar Bank's inception on July 14, 2008 until IPO

NASDAQ Bank Index stock price change shown

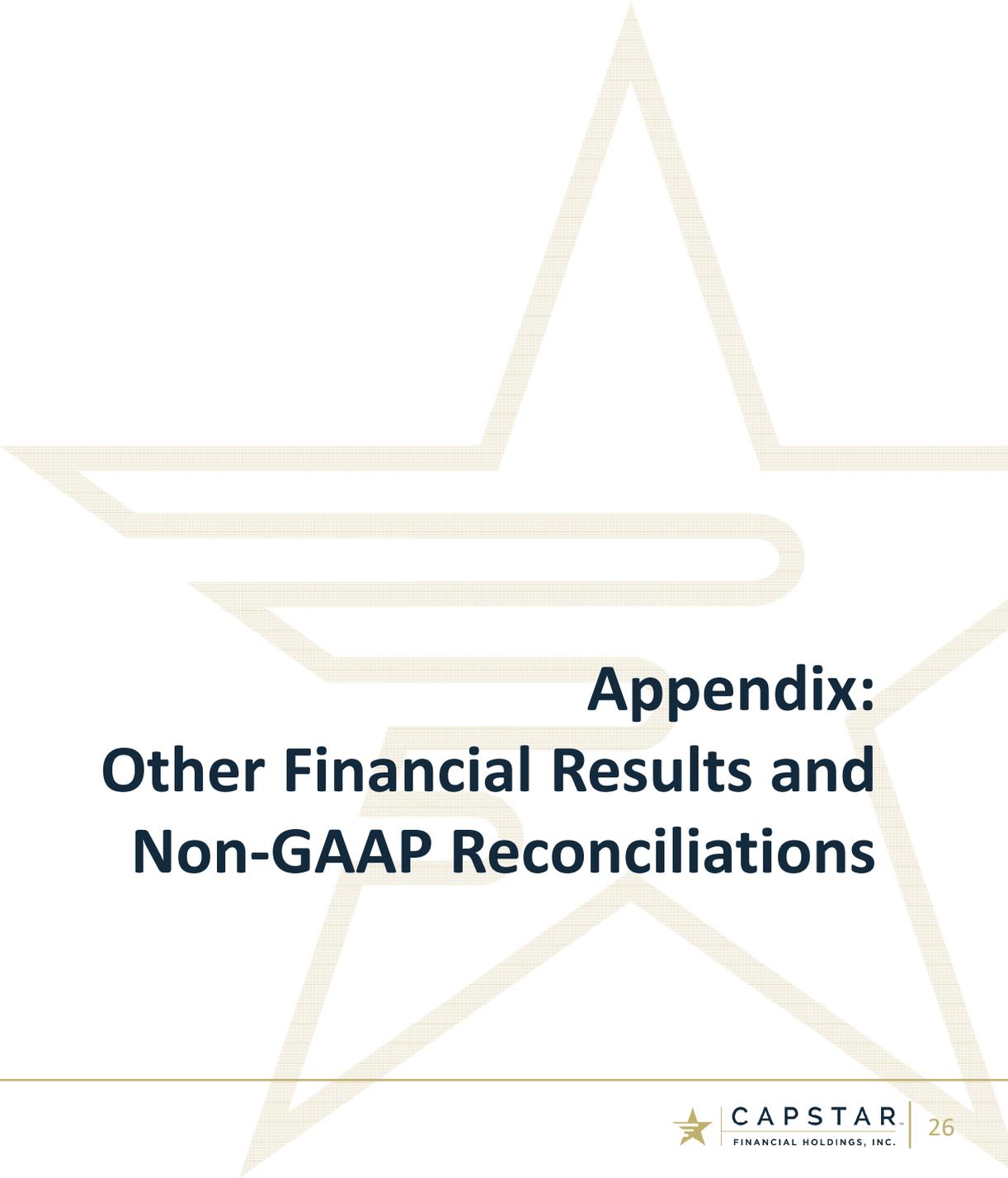
CSTR total return based on IPO price of \$15.00 per share

Note: Total return includes appreciation in share value and common stock dividends

Source: S&P Global Market Intelligence

# New CapStar Objectives

- In 4Q20, we are excited to roll out our new strategic plan across the company and initiate project **New CapStar** to fully engage each of our teammates and have organized tactics toward improving results
- Our approach will entail an orchestrated and disciplined review of sales processes, pricing discipline, workforce productivity, vendor arrangements, and capital utilization with the goal of:
  - Enhancing the level and consistency of our profitability, and
  - Expanding and accelerating our growth opportunities
- Successful execution will result in a stronger company for our customers, employees, communities, and shareholders



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

# Non-GAAP Financial Measures

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
(Dollars in thousands, except per share information)					
<b>TANGIBLE EQUITY</b>					
Total Shareholders' Equity	\$ 333,895	\$ 281,950	\$ 275,790	\$ 273,046	\$ 268,082
Less: Intangible Assets	50,222	43,633	44,008	44,393	44,790
Tangible Equity	283,673	238,317	231,782	228,653	223,292
<b>TANGIBLE COMMON EQUITY</b>					
Tangible Equity	\$ 283,673	\$ 238,317	\$ 231,782	\$ 228,653	\$ 223,292
Less: Preferred Equity	-	-	-	-	-
Tangible Common Equity	283,673	238,317	231,782	228,653	223,292
<b>TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS</b>					
Tangible Common Equity	\$ 283,673	\$ 238,317	\$ 231,782	\$ 228,653	\$ 223,292
Total Assets	3,024,348	2,445,172	2,072,585	2,037,201	2,033,911
Less: Intangible Assets	50,222	43,633	44,008	44,393	44,790
Tangible Assets	2,974,127	2,401,539	2,028,578	1,992,808	1,989,121
Tangible Common Equity to Tangible Assets	9.54%	9.92%	11.43%	11.47%	11.23%
<b>TANGIBLE BOOK VALUE PER SHARE, REPORTED</b>					
Tangible Common Equity	\$ 283,673	\$ 238,317	\$ 231,782	\$ 228,653	\$ 223,292
Shares of Common Stock Outstanding	21,947,805	18,302,188	18,307,802	18,361,922	18,343,403
Tangible Book Value Per Share, Reported	\$12.92	\$13.02	\$12.66	\$12.45	\$12.17

# Non-GAAP Financial Measures

	Three Months Ended				
(Dollars in thousands, except per share information)	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<b>RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Total Average Shareholders' Equity	\$ 321,505	\$ 281,614	\$ 278,550	\$ 271,568	\$ 266,441
Less: Average Intangible Assets	50,577	43,871	44,253	44,646	45,050
Average Tangible Equity	270,928	237,743	234,297	226,922	221,391
Net Income	7,487	6,181	1,346	5,421	6,466
Return on Average Tangible Equity (ROATE)	10.99%	10.46%	2.31%	9.48%	11.59%
<b>RETURN ON AVERAGE TANGIBLE COMMON EQUITY (ROATCE)</b>					
Average Tangible Equity	\$ 270,928	\$ 237,743	\$ 234,297	\$ 226,922	\$ 221,391
Less: Preferred Equity	-	-	-	-	7,043
Average Tangible Common Equity	270,928	237,743	234,297	226,922	214,347
Net Income	7,487	6,181	1,346	5,421	6,466
Return on Average Tangible Common Equity (ROATCE)	10.99%	10.46%	2.31%	9.48%	11.97%

# Non-GAAP Financial Measures

	Three Months Ended				
(Dollars in thousands, except per share information)	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<b>OPERATING NET INCOME</b>					
Net Income (Loss)	\$ 7,487	\$ 6,181	\$ 1,346	\$ 5,421	\$ 6,466
Add: Merger Related Expense	2,548	448	290	163	187
Less: Income Tax Impact	(666)	(117)	(76)	(43)	(49)
Operating Net Income	9,369	6,512	1,560	5,541	6,604
<b>OPERATING DILUTED NET INCOME PER SHARE</b>					
Operating Net Income	\$ 9,369	\$ 6,512	\$ 1,560	\$ 5,541	\$ 6,604
Average Diluted Shares Outstanding	21,960,490	18,320,006	18,443,725	18,443,916	18,532,479
Operating Diluted Net Income per Share	\$ 0.43	\$ 0.36	\$ 0.08	\$ 0.30	\$ 0.36
<b>OPERATING RETURN ON AVERAGE ASSETS (ROAA)</b>					
Operating Net Income	\$ 9,369	\$ 6,512	\$ 1,560	\$ 5,541	\$ 6,604
Total Average Assets	3,043,847	2,350,021	2,059,306	2,030,231	2,005,950
Operating Return on Average Assets (ROAA)	1.22%	1.11%	0.30%	1.08%	1.31%
<b>OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Average Tangible Equity	\$ 270,928	\$ 237,743	\$ 234,297	\$ 226,922	\$ 221,391
Operating Net Income	9,369	6,512	1,560	5,541	6,604
Operating Return on Average Tangible Equity (ROATE)	13.76%	11.02%	2.68%	9.69%	11.83%

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

# Non-GAAP Financial Measures

	Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
(Dollars in thousands, except per share information)					
<b>OPERATING NONINTEREST EXPENSE</b>					
Noninterest Expense	\$ 22,739	\$ 18,934	\$ 14,211	\$ 15,266	\$ 15,531
Less: Merger Related Expense	(2,548)	(448)	(290)	(163)	(187)
Operating Noninterest Expense	20,191	18,486	13,921	15,103	15,344
<b>OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS</b>					
Operating Noninterest Expense	\$ 20,191	\$ 18,486	\$ 13,921	\$ 15,103	\$ 15,344
Total Average Assets	3,043,847	2,350,021	2,059,306	2,030,231	2,005,950
Operating Noninterest Income / Average Assets	2.64%	3.16%	2.72%	2.95%	3.04%
<b>OPERATING EFFICIENCY RATIO</b>					
Operating Noninterest Expense	\$ 20,191	\$ 18,486	\$ 13,921	\$ 15,103	\$ 15,344
Net Interest Income	19,656	17,675	16,661	16,581	17,156
Noninterest Income	14,804	10,823	5,874	5,719	6,788
Total Revenues	34,460	28,498	22,535	22,300	23,944
Operating Efficiency Ratio	58.59%	64.87%	61.78%	67.73%	64.08%

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

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