

EARNINGS RELEASE

CONTACT

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CapStar Reports Fully Diluted EPS of \$0.29 and Fully Diluted Operating EPS of \$0.30 for Q4 2019

NASHVILLE, TN, January 23, 2020/GlobeNewswire/ -- CapStar Financial Holdings, Inc. ("CapStar") (NASDAQ:CSTR) reported net income of \$5.42 million, or \$0.29 per share on a fully diluted basis, for the three months ended December 31, 2019, compared to a net loss of (\$0.71) million, or (\$0.04) per share on a fully diluted basis, for the three months ended December 31, 2018. Operating⁽¹⁾ net income was \$5.54 million, or \$0.30 per share on a fully diluted basis, for the three months ended December 31, 2019, compared to \$6.24 million, or \$0.33 per share on a fully diluted basis, for the three months ended December 31, 2018. Included in the fourth quarter 2019 results is a one-time charge of \$289K associated with the early retirement of four employees, which reduces annualized non-interest expense by \$582K.

Net income was \$22.42 million, or \$1.20 per share on a fully diluted basis, for the twelve months ended December 31, 2019, compared to net income of \$9.66 million, or \$0.67 per share on a fully diluted basis, for the twelve months ended December 31, 2018. Operating net income was \$24.38 million, or \$1.31 per share on a fully diluted basis, for the twelve months ended December 31, 2019, compared to \$17.25 million, or \$1.19 per share on a fully diluted basis, for the twelve months ended December 31, 2018.

"I am pleased with everything that the CapStar team was able to accomplish in 2019 and am excited about the outlook for 2020," said Timothy K. Schools, CapStar's president and CEO. "We believe we are in a good position from a credit perspective and have improved the quality of our loan portfolio, by reducing the percentage of shared national credits and highly leveraged loans in our portfolio," continued Mr. Schools. "In addition, both our Tri-Net and Mortgage teams had record years and we successfully integrated Athens Federal."

"Further, we are thrilled to enter the Knoxville market under the leadership of King Purnell and Amy Pangelinan and look forward to demonstrating our differentiated delivery of financial services and establishing ourselves as a leader in Knoxville" said Mr. Schools.

Soundness

- Non-performing assets as a percentage of total assets were 0.12% at December 31, 2019 compared to 0.16% at December 31, 2018.
- Annualized net charge-offs to average loans were 0.06% for the three months ended December 31, 2019 compared to 1.27% for the same period in 2018.
- The total risk based capital ratio was 13.45% at December 31, 2019 compared to 12.84% at December 31, 2018.

Profitability

- Operating annualized return on average assets for the three months ended December 31, 2019 was 1.08% compared to 1.27% for the same period in 2018.
- Operating annualized return on average tangible equity for the three months ended December 31, 2019 was 9.69% compared to 12.36% for the same period in 2018.

(1) For a discussion and reconciliation of the Non-GAAP operating measures that exclude merger-related costs unrelated to CapStar's normal operations, see the section titled "Non-GAAP Disclaimer" and the Non-GAAP financial measures section of the financial statements.

- Net interest margin for the three months ended December 31, 2019 was 3.49% compared to 3.89% for the same period in 2018.
- The operating efficiency ratio for the three months ended December 31, 2019 was 67.73% compared to 61.83% for the same period in 2018.

“While fourth quarter profitability metrics were less than the prior year, we took a one-time charge of \$289K associated with the early retirement of four employees, which reduces annualized non-interest expense by \$582K. Additionally, a flattening yield curve and the three rate cuts that the FOMC made in the second half of 2019 also impacted the quarter,” said Rob Anderson, chief financial officer and chief administrative officer of CapStar.

Growth

- Average gross loans for the quarter ended December 31, 2019 fell 0.60% to \$1.43 billion, compared to \$1.44 billion for the same period in 2018.
- Average deposits for the quarter ended December 31, 2019 increased 8.34% to \$1.71 billion, compared to \$1.58 billion for the same period in 2018.

Dividend

On January 23, 2020, the board of directors of CapStar approved a quarterly dividend of \$0.05 per common share that will be paid on February 21, 2020 to shareholders of record of CapStar’s common stock as of the close of business on February 7, 2020.

Conference Call and Webcast Information

CapStar will host a conference call and webcast at 8:30 a.m. Central Time on Friday January 24, 2020. During the call, management will review the fourth quarter results and operational highlights. Interested parties may listen to the call by dialing (844) 412-1002. The conference ID number is 6275611. A simultaneous webcast may be accessed on CapStar’s website at ir.capstarbank.com by clicking on “News & Events.” An archived version of the webcast will be available in the same location shortly after the live call has ended.

About CapStar Financial Holdings, Inc.

CapStar Financial Holdings, Inc. is a bank holding company headquartered in Nashville, Tennessee and operates primarily through its wholly owned subsidiary, CapStar Bank, a Tennessee-chartered state bank. CapStar Bank is a commercial bank that seeks to establish and maintain comprehensive relationships with its clients by delivering customized and creative banking solutions and superior client service. As of December 31, 2019, on a consolidated basis, CapStar had total assets of \$2.04 billion, gross loans of \$1.42 billion, total deposits of \$1.73 billion, and shareholders’ equity of \$273.05 million. Visit www.capstarbank.com for more information.

Forward-Looking Statements

Certain statements in this earnings release are forward-looking statements that reflect CapStar’s current views with respect to, among other things, CapStar’s assets, business, cash flows, condition (financial or otherwise), credit quality, financial performance, liquidity, short and long-term performance goals, prospects, results of operations, strategic initiatives and the timing, benefits, costs and synergies of recently completed and future acquisition, disposition and other growth opportunities, including, without limitation, those relating to a projected increase in liquidity for our shareholders, improvements in our loan production and deposit gathering capabilities, managing interest rate risk, the acceptance by customers of Athens of CapStar’s products and services, the ability of CapStar to meet expectations regarding the benefits, costs, synergies, and financial and operational impact of the Athens merger, the possibility that any of the anticipated benefits, costs, synergies and financial and operational improvements of the Athens merger will not be realized or will not be realized as expected and the opportunities to enhance market share in certain markets and market acceptance of CapStar are generally in new markets. These statements are often, but not always, made through the use of words or phrases such as “may,” “should,” “could,” “predict,” “potential,” “believe,” “will likely result,” “expect,”

“continue,” “will,” “anticipate,” “seek,” “aspire,” “achieve,” “estimate,” “intend,” “plan,” “project,” “projection,” “forecast,” “roadmap,” “goal,” “guidance,” “target,” “would,” and “outlook,” or the negative version of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about CapStar’s industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond CapStar’s control. The inclusion of these forward-looking statements should not be regarded as a representation by CapStar or any other person that such expectations, estimates and projections will be achieved. Accordingly, CapStar cautions you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although CapStar believes that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. There are or will be important factors that could cause CapStar’s actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, any factors identified in this earnings release as well as those factors that are detailed from time to time in CapStar’s periodic and current reports filed with the Securities and Exchange Commission, including those factors included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 under the headings “Item 1A. Risk Factors” and “Cautionary Note Regarding Forward Looking Statements” and in the Company’s Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. If one or more events related to these or other risks or uncertainties materialize, or if CapStar’s underlying assumptions prove to be incorrect, actual results may differ materially from its forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date of this earnings release, and CapStar does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. New risks and uncertainties may emerge from time to time, and it is not possible for CapStar to predict their occurrence or how they will affect CapStar.

Non-GAAP Disclaimer

This earnings release includes the following financial measures that were prepared other than in accordance with generally accepted accounting principles in the United States (“non-GAAP financial measure”): operating net income, operating diluted net income per share, operating return on average assets, operating return on average tangible equity, tangible book value per share and operating efficiency ratio. These non-GAAP financial measures (i) provide useful information to management and investors that is supplementary to CapStar’s financial condition, results of operations and cash flows computed in accordance with GAAP, (ii) enable a more complete understanding of factors and trends affecting CapStar’s business, and (iii) allow investors to evaluate CapStar’s performance in a manner similar to management, the financial services industry, bank stock analysts and bank regulators. However, CapStar acknowledges that these non-GAAP financial measures have a number of limitations. As such, you should not view these non-GAAP financial measures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. See below for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure.

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Income (unaudited) (dollars in thousands, except share data)

Fourth Quarter 2019 Earnings Release

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|------------------------------------|-------------------|----------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Interest income: | | | | |
| Loans, including fees | \$ 20,233 | \$ 20,554 | \$ 82,828 | \$ 60,751 |
| Securities: | | | | |
| Taxable | 1,077 | 1,411 | 4,619 | 4,184 |
| Tax-exempt | 347 | 416 | 1,438 | 1,201 |
| Federal funds sold | — | 8 | 26 | 63 |
| Restricted equity securities | 171 | 181 | 755 | 571 |
| Interest-bearing deposits in financial institutions | 377 | 330 | 1,881 | 1,011 |
| Total interest income | <u>22,205</u> | <u>22,900</u> | <u>91,547</u> | <u>67,781</u> |
| Interest expense: | | | | |
| Interest-bearing deposits | 2,015 | 1,371 | 7,538 | 4,164 |
| Savings and money market accounts | 1,821 | 1,619 | 7,266 | 5,446 |
| Time deposits | 1,626 | 1,472 | 7,542 | 3,940 |
| Federal funds purchased | — | — | 4 | 3 |
| Securities sold under agreements to repurchase | — | 3 | 5 | 3 |
| Federal Home Loan Bank advances | 162 | 719 | 1,444 | 2,533 |
| Total interest expense | <u>5,624</u> | <u>5,184</u> | <u>23,799</u> | <u>16,089</u> |
| Net interest income | <u>16,581</u> | <u>17,716</u> | <u>67,748</u> | <u>51,692</u> |
| Provision for loan losses | — | 1,514 | 761 | 2,842 |
| Net interest income after provision for loan losses | <u>16,581</u> | <u>16,202</u> | <u>66,987</u> | <u>48,850</u> |
| Noninterest income: | | | | |
| Treasury management and other deposit service charges | 736 | 793 | 3,135 | 2,150 |
| Net gain (loss) on sale of securities | 9 | 1 | (99) | 3 |
| Tri-Net fees | 274 | 276 | 2,785 | 1,503 |
| Mortgage banking income | 2,316 | 1,324 | 9,467 | 5,653 |
| Other noninterest income | 2,384 | 3,993 | 8,986 | 6,150 |
| Total noninterest income | <u>5,719</u> | <u>6,387</u> | <u>24,274</u> | <u>15,459</u> |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 9,318 | 9,475 | 35,542 | 28,586 |
| Data processing and software | 1,835 | 1,424 | 6,961 | 3,835 |
| Professional fees | 531 | 534 | 2,102 | 1,608 |
| Occupancy | 795 | 736 | 3,345 | 2,336 |
| Equipment | 834 | 810 | 3,723 | 2,471 |
| Regulatory fees | 28 | 364 | 591 | 1,028 |
| Merger related expenses | 163 | 8,929 | 2,654 | 9,803 |
| Amortization of intangibles | 397 | 442 | 1,655 | 465 |
| Other operating | 1,365 | 1,118 | 5,422 | 3,355 |
| Total noninterest expense | <u>15,266</u> | <u>23,832</u> | <u>61,995</u> | <u>53,487</u> |
| Income (loss) before income taxes | <u>7,034</u> | <u>(1,243)</u> | <u>29,266</u> | <u>10,822</u> |
| Income tax expense (benefit) | 1,613 | (535) | 6,844 | 1,167 |
| Net income (loss) | <u>\$ 5,421</u> | <u>\$ (708)</u> | <u>\$ 22,422</u> | <u>\$ 9,655</u> |
| Per share information: | | | | |
| Basic net income (loss) per share of common stock | <u>\$ 0.30</u> | <u>\$ (0.04)</u> | <u>\$ 1.25</u> | <u>\$ 0.73</u> |
| Diluted net income (loss) per share of common stock | <u>\$ 0.29</u> | <u>\$ (0.04)</u> | <u>\$ 1.20</u> | <u>\$ 0.67</u> |
| Weighted average shares outstanding: | | | | |
| Basic | <u>18,350,994</u> | <u>17,509,525</u> | <u>17,886,164</u> | <u>13,277,614</u> |
| Diluted | <u>18,443,916</u> | <u>18,716,562</u> | <u>18,613,224</u> | <u>14,480,347</u> |

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

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

Selected Quarterly Financial Data (unaudited) (dollars in thousands, except share data)

Fourth Quarter 2019 Earnings Release

| | Five Quarter Comparison | | | | |
|---|-------------------------|-----------------|-----------------|-----------------|-----------------|
| | 12/31/19 | 9/30/19 | 6/30/19 | 3/31/19 | 12/31/18 |
| Income Statement Data: | | | | | |
| Net interest income | \$ 16,581 | \$ 17,156 | \$ 17,008 | \$ 17,002 | \$ 17,715 |
| Provision for loan losses | — | (125) | — | 886 | 1,514 |
| Net interest income after provision for loan losses | 16,581 | 17,281 | 17,008 | 16,116 | 16,201 |
| Treasury management and other deposit service charges | 736 | 788 | 813 | 798 | 793 |
| Net gain (loss) on sale of securities | 9 | — | (121) | 12 | 1 |
| Tri-Net fees | 274 | 847 | 1,024 | 641 | 276 |
| Mortgage banking income | 2,316 | 2,679 | 3,087 | 1,385 | 1,324 |
| Other noninterest income | 2,384 | 2,474 | 2,229 | 1,899 | 3,993 |
| Total noninterest income | 5,719 | 6,788 | 7,032 | 4,735 | 6,387 |
| Salaries and employee benefits | 9,318 | 9,229 | 8,563 | 8,432 | 9,475 |
| Data processing and software | 1,835 | 1,790 | 1,862 | 1,474 | 1,424 |
| Professional fees | 531 | 528 | 501 | 543 | 534 |
| Occupancy | 795 | 858 | 809 | 883 | 736 |
| Equipment | 834 | 1,012 | 1,026 | 852 | 810 |
| Regulatory fees | 28 | 18 | 272 | 274 | 364 |
| Merger related expenses | 163 | 187 | 1,711 | 594 | 8,929 |
| Amortization of intangibles | 397 | 408 | 419 | 430 | 442 |
| Other operating | 1,365 | 1,501 | 1,307 | 1,243 | 1,117 |
| Total noninterest expense | 15,266 | 15,531 | 16,470 | 14,725 | 23,831 |
| Net income (loss) before income tax expense | 7,034 | 8,538 | 7,570 | 6,126 | (1,243) |
| Income tax (benefit) expense | 1,613 | 2,072 | 1,814 | 1,346 | (535) |
| Net income (loss) | <u>\$ 5,421</u> | <u>\$ 6,466</u> | <u>\$ 5,756</u> | <u>\$ 4,780</u> | <u>\$ (708)</u> |
| Weighted average shares - basic | 18,350,994 | 17,741,778 | 17,663,992 | 17,783,239 | 17,509,525 |
| Weighted average shares - diluted | 18,443,916 | 18,532,479 | 18,650,706 | 18,830,933 | 18,716,562 |
| Net income (loss) per share, basic | \$ 0.30 | \$ 0.36 | \$ 0.33 | \$ 0.27 | \$ (0.04) |
| Net income (loss) per share, diluted | 0.29 | 0.35 | 0.31 | 0.25 | (0.04) |
| Balance Sheet Data (at period end): | | | | | |
| Cash and cash equivalents | \$ 101,269 | \$ 154,021 | \$ 156,085 | \$ 120,321 | \$ 105,443 |
| Securities available-for-sale | 213,129 | 203,500 | 194,957 | 233,691 | 243,808 |
| Securities held-to-maturity | 3,313 | 3,319 | 3,721 | 3,727 | 3,734 |
| Loans held for sale | 168,222 | 129,613 | 89,629 | 72,870 | 57,618 |
| Total loans | 1,420,102 | 1,411,768 | 1,440,617 | 1,467,786 | 1,429,794 |
| Allowance for loan losses | (12,604) | (12,828) | (12,903) | (12,959) | (12,113) |
| Total assets | 2,037,201 | 2,033,911 | 2,018,421 | 2,035,811 | 1,963,883 |
| Non-interest-bearing deposits | 312,096 | 352,266 | 326,550 | 312,597 | 289,552 |
| Interest-bearing deposits | 1,417,355 | 1,379,497 | 1,396,220 | 1,366,205 | 1,280,456 |
| Federal Home Loan Bank advances | 10,000 | 10,000 | 10,000 | 75,000 | 125,000 |
| Total liabilities | 1,764,155 | 1,765,829 | 1,755,757 | 1,776,060 | 1,709,504 |
| Shareholders' equity | \$ 273,046 | \$ 268,082 | \$ 262,664 | \$ 259,751 | \$ 254,379 |
| Total shares of common stock outstanding | 18,361,922 | 18,343,403 | 17,561,476 | 17,765,124 | 17,724,721 |
| Total shares of preferred stock outstanding | — | — | 878,048 | 878,048 | 878,048 |
| Book value per share of common stock | \$ 14.87 | \$ 14.61 | \$ 14.44 | \$ 14.11 | \$ 13.84 |
| Tangible book value per share of common stock * | 12.45 | 12.17 | 11.87 | 11.55 | 11.25 |
| Market value per common share | \$ 16.65 | \$ 16.58 | \$ 15.15 | \$ 14.44 | \$ 14.73 |
| Capital ratios: | | | | | |
| Total risk based capital | 13.45% | 13.46% | 13.29% | 12.64% | 12.84% |
| Tier 1 risk based capital | 12.73% | 12.71% | 12.53% | 11.90% | 12.13% |
| Common equity tier 1 capital | 12.73% | 12.71% | 12.01% | 11.40% | 11.61% |
| Leverage | 11.37% | 11.24% | 11.01% | 10.97% | 11.06% |

*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.

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CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

Selected Quarterly Financial Data (unaudited) (dollars in thousands, except share data)

Fourth Quarter 2019 Earnings Release

| | Five Quarter Comparison | | | | |
|--|-------------------------|------------|------------|------------|------------|
| | 12/31/19 | 9/30/19 | 6/30/19 | 3/31/19 | 12/31/18 |
| Average Balance Sheet Data: | | | | | |
| Cash and cash equivalents | \$ 115,100 | \$ 129,114 | \$ 93,523 | \$ 83,689 | \$ 83,560 |
| Investment securities | 225,265 | 211,460 | 228,283 | 251,631 | 256,595 |
| Loans held for sale | 140,731 | 101,835 | 91,585 | 66,880 | 52,131 |
| Loans | 1,431,027 | 1,445,755 | 1,469,210 | 1,461,696 | 1,439,652 |
| Assets | 2,030,231 | 2,005,950 | 2,004,207 | 1,988,478 | 1,940,991 |
| Interest bearing deposits | 1,388,496 | 1,370,988 | 1,364,211 | 1,299,205 | 1,271,602 |
| Deposits | 1,711,021 | 1,704,873 | 1,678,240 | 1,588,317 | 1,579,250 |
| Federal Home Loan Bank advances | 22,391 | 12,174 | 42,088 | 117,278 | 102,304 |
| Liabilities | 1,758,663 | 1,739,509 | 1,743,010 | 1,731,373 | 1,695,181 |
| Shareholders' equity | \$ 271,568 | \$ 266,441 | \$ 261,197 | \$ 257,105 | \$ 245,811 |
| Performance Ratios: | | | | | |
| Annualized return on average assets | 1.06% | 1.28% | 1.15% | 0.97% | (0.14)% |
| Annualized return on average equity | 7.92% | 9.63% | 8.84% | 7.54% | (1.14)% |
| Net interest margin (1) | 3.49% | 3.66% | 3.68% | 3.75% | 3.89% |
| Annualized noninterest income to average assets | 1.12% | 1.34% | 1.41% | 0.97% | 1.31% |
| Efficiency ratio | 68.46% | 64.87% | 68.51% | 67.74% | 98.88% |
| Loans by Type (at period end): | | | | | |
| Commercial and industrial | \$ 394,408 | \$ 382,816 | \$ 404,745 | \$ 419,941 | \$ 404,600 |
| Commercial real estate - owner occupied | 172,456 | 169,370 | 173,316 | 170,558 | 141,931 |
| Commercial real estate - non-owner occupied | 387,443 | 407,378 | 421,496 | 403,443 | 408,515 |
| Construction and development | 143,111 | 132,222 | 123,901 | 162,237 | 174,670 |
| Consumer real estate | 256,097 | 254,736 | 255,043 | 248,943 | 253,562 |
| Consumer | 28,426 | 29,059 | 26,704 | 26,241 | 25,615 |
| Other | 38,161 | 36,187 | 35,412 | 36,423 | 20,901 |
| Asset Quality Data: | | | | | |
| Allowance for loan losses to total loans | 0.89% | 0.91% | 0.90% | 0.88% | 0.85% |
| Allowance for loan losses to non-performing loans | 861% | 754% | 894% | 757% | 583% |
| Nonaccrual loans | \$ 1,464 | \$ 1,701 | \$ 1,443 | \$ 1,712 | \$ 2,078 |
| Troubled debt restructurings | 2,717 | 2,725 | 1,238 | 1,255 | 1,391 |
| Loans - over 89 days past due and accruing | 38 | 551 | 302 | — | 214 |
| Total non-performing loans | 1,464 | 1,701 | 1,443 | 1,712 | 2,078 |
| OREO and repossessed assets | 1,044 | 914 | 914 | 1,038 | 988 |
| Total non-performing assets | \$ 2,508 | \$ 2,615 | \$ 2,357 | \$ 2,750 | \$ 3,066 |
| Non-performing loans to total loans | 0.10% | 0.12% | 0.10% | 0.12% | 0.15% |
| Non-performing assets to total assets | 0.12% | 0.13% | 0.12% | 0.14% | 0.16% |
| Non-performing assets to total loans and OREO | 0.18% | 0.19% | 0.16% | 0.19% | 0.21% |
| Annualized net charge-offs (recoveries) to average loans | 0.06% | (0.01)% | 0.02% | 0.01% | 1.27% |
| Net charge-offs (recoveries) | \$ 224 | \$ (50) | \$ 56 | \$ 40 | \$ 4,620 |
| Interest Rates and Yields: | | | | | |
| Loans | 5.24% | 5.48% | 5.44% | 5.49% | 5.49% |
| Securities (1) | 3.00% | 3.14% | 3.22% | 3.20% | 3.30% |
| Total interest-earning assets (1) | 4.67% | 4.95% | 5.00% | 5.06% | 5.02% |
| Deposits | 1.27% | 1.38% | 1.39% | 1.31% | 1.12% |
| Borrowings and repurchase agreements | 2.88% | 4.12% | 3.09% | 2.85% | 2.76% |
| Total interest-bearing liabilities | 1.58% | 1.74% | 1.75% | 1.71% | 1.50% |
| Other Information: | | | | | |
| Full-time equivalent employees | 289 | 290 | 290 | 289 | 286 |

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

(1) Net Interest Margin, Securities yields, and Total interest-earning asset yields are calculated on a tax-equivalent basis

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

Analysis of Interest Income and Expense, Rates and Yields (unaudited) (dollars in thousands)

Fourth Quarter 2019 Earnings Release

| | For the Three Months Ended December 31, | | | | | |
|--|---|-------------------------|--------------------|-----------------------------|-------------------------|--------------------|
| | 2019 | | | 2018 | | |
| | Average Outstanding Balance | Interest Income/Expense | Average Yield/Rate | Average Outstanding Balance | Interest Income/Expense | Average Yield/Rate |
| Interest-Earning Assets | | | | | | |
| Loans (1) | \$ 1,431,027 | \$ 18,884 | 5.24% | \$ 1,439,652 | \$ 19,904 | 5.49% |
| Loans held for sale | 140,731 | 1,349 | 3.80% | 52,131 | 650 | 4.95% |
| Securities: | | | | | | |
| Taxable investment securities (2) | 175,750 | 1,248 | 2.84% | 198,799 | 1,592 | 3.20% |
| Investment securities exempt from federal income tax (3) | 49,515 | 347 | 3.55% | 57,796 | 416 | 3.64% |
| Total securities | 225,265 | 1,595 | 3.00% | 256,595 | 2,008 | 3.30% |
| Cash balances in other banks | 96,125 | 377 | 1.56% | 67,880 | 330 | 1.93% |
| Funds sold | 45 | — | 3.75% | 1,047 | 8 | 2.92% |
| Total interest-earning assets | 1,893,193 | 22,205 | 4.67% | 1,817,305 | 22,900 | 5.02% |
| Noninterest-earning assets | 137,038 | | | 123,686 | | |
| Total assets | <u>\$2,030,231</u> | | | <u>\$1,940,991</u> | | |
| Interest-Bearing Liabilities | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Interest-bearing transaction accounts | \$ 566,869 | 2,015 | 1.41% | \$ 437,656 | 1,371 | 1.24% |
| Savings and money market deposits | 514,896 | 1,821 | 1.40% | 496,319 | 1,619 | 1.29% |
| Time deposits | 306,731 | 1,626 | 2.10% | 337,628 | 1,472 | 1.73% |
| Total interest-bearing deposits | 1,388,496 | 5,462 | 1.56% | 1,271,603 | 4,462 | 1.39% |
| Borrowings and repurchase agreements | 22,391 | 162 | 2.88% | 103,655 | 722 | 2.76% |
| Total interest-bearing liabilities | 1,410,887 | 5,624 | 1.58% | 1,375,258 | 5,184 | 1.50% |
| Noninterest-bearing deposits | 322,524 | | | 307,648 | | |
| Total funding sources | 1,733,411 | | | 1,682,905 | | |
| Noninterest-bearing liabilities | 25,252 | | | 12,275 | | |
| Shareholders' equity | 271,568 | | | 245,811 | | |
| Total liabilities and shareholders' equity | <u>\$2,030,231</u> | | | <u>\$1,940,991</u> | | |
| Net interest spread (4) | | | 3.09% | | | 3.53% |
| Net interest income/margin (5) | | <u>\$ 16,581</u> | 3.49% | | <u>\$ 17,716</u> | 3.89% |

- (1) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of deferred loan fees, net of deferred loan costs.
- (2) Taxable investment securities include restricted equity securities.
- (3) Yields on tax exempt securities, total securities, and total interest-earning assets are shown on a tax equivalent basis.
- (4) Net interest spread is the average yield on total average interest-earning assets minus the average rate on total average interest-bearing liabilities.
- (5) Net interest margin is annualized net interest income calculated on a tax equivalent basis divided by total average interest-earning assets for the period.

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

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)

Fourth Quarter 2019 Earnings Release

| | Three Months Ended | | | | |
|--|----------------------|-----------------------|-------------------|-------------------|----------------------|
| | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 |
| Operating net income: | | | | | |
| Net income (loss) | \$ 5,421 | \$ 6,466 | \$ 5,756 | \$ 4,780 | \$ (708) |
| Add: merger related expenses | 163 | 187 | 1,711 | 594 | 8,929 |
| Less: income tax impact of merger related expenses | (43) | (49) | (447) | (155) | (1,985) |
| Operating net income | <u>\$ 5,541</u> | <u>\$ 6,604</u> | <u>\$ 7,020</u> | <u>\$ 5,219</u> | <u>\$ 6,236</u> |
| Operating diluted net income per share of common stock: | | | | | |
| Operating net income | \$ 5,541 | \$ 6,604 | \$ 7,020 | \$ 5,219 | \$ 6,236 |
| Weighted average shares - diluted | 18,443,916 | 18,532,479 | 18,650,706 | 18,830,933 | 18,716,562 |
| Operating diluted net income per share of common stock | <u>\$ 0.30</u> | <u>\$ 0.36</u> | <u>\$ 0.38</u> | <u>\$ 0.28</u> | <u>\$ 0.33</u> |
| Operating annualized return on average assets: | | | | | |
| Operating net income | \$ 5,541 | \$ 6,604 | \$ 7,020 | \$ 5,219 | \$ 6,236 |
| Average assets | \$ 2,030,231 | \$ 2,005,950 | \$ 2,004,207 | \$ 1,988,478 | \$ 1,940,991 |
| Operating annualized return on average assets | <u>1.08%</u> | <u>1.31%</u> | <u>1.40%</u> | <u>1.06%</u> | <u>1.27%</u> |
| Operating annualized return on average tangible equity: | | | | | |
| Average total shareholders' equity | \$ 271,568 | \$ 266,441 | \$ 261,197 | \$ 257,105 | \$ 245,811 |
| Less: average intangible assets | (44,646) | (45,050) | (45,456) | (45,890) | (45,687) |
| Average tangible equity | 226,922 | 221,391 | 215,741 | 211,215 | 200,124 |
| Operating net income | \$ 5,541 | \$ 6,604 | \$ 7,020 | \$ 5,219 | \$ 6,236 |
| Operating annualized return on average tangible equity | <u>9.69%</u> | <u>11.83%</u> | <u>13.05%</u> | <u>10.02%</u> | <u>12.36%</u> |
| Operating efficiency ratio: | | | | | |
| Total noninterest expense | \$ 15,266 | \$ 15,531 | \$ 16,470 | \$ 14,725 | \$ 23,831 |
| Less: merger related expenses | (163) | (187) | (1,711) | (594) | (8,929) |
| Total operating noninterest expense | 15,103 | 15,344 | 14,759 | 14,131 | 14,902 |
| Net interest income | 16,581 | 17,156 | 17,008 | 17,002 | 17,715 |
| Total noninterest income | 5,719 | 6,788 | 7,032 | 4,735 | 6,387 |
| Total revenues | \$ 22,300 | \$ 23,944 | \$ 24,040 | \$ 21,737 | \$ 24,102 |
| Operating efficiency ratio: | <u>67.73%</u> | <u>64.08%</u> | <u>61.39%</u> | <u>65.01%</u> | <u>61.83%</u> |
| Tangible Equity: | | | | | |
| Total shareholders' equity | \$ 273,046 | \$ 268,082 | \$ 262,664 | \$ 259,751 | \$ 254,379 |
| Less: intangible assets | (44,393) | (44,790) | (45,199) | (45,618) | (46,048) |
| Tangible equity | <u>\$ 228,653</u> | <u>\$ 223,292</u> | <u>\$ 217,465</u> | <u>\$ 214,133</u> | <u>\$ 208,331</u> |
| Tangible Common Equity: | | | | | |
| Tangible equity | \$ 228,653 | \$ 223,292 | \$ 217,465 | \$ 214,133 | \$ 208,331 |
| Less: preferred equity | — | — | (9,000) | (9,000) | (9,000) |
| Tangible common equity | <u>\$ 228,653</u> | <u>\$ 223,292</u> | <u>\$ 208,465</u> | <u>\$ 205,133</u> | <u>\$ 199,331</u> |
| Tangible Book Value per Share of Common Stock: | | | | | |
| Tangible common equity | \$ 228,653 | \$ 223,292 | \$ 208,465 | \$ 205,133 | \$ 199,331 |
| Total shares of common stock outstanding | 18,361,922 | 18,343,403 | 17,561,476 | 17,765,124 | 17,724,721 |
| Tangible book value per share of common stock | <u>\$ 12.45</u> | <u>\$ 12.17</u> | <u>\$ 11.87</u> | <u>\$ 11.55</u> | <u>\$ 11.25</u> |

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)

Fourth Quarter 2019 Earnings Release

| | Year Ended | |
|--|-------------------|-------------------|
| | December 31, 2019 | December 31, 2018 |
| Operating net income: | | |
| Net income | \$ 22,422 | \$ 9,655 |
| Add: merger related expenses | 2,654 | 9,803 |
| Less: income tax impact of merger related expenses | (694) | (2,213) |
| Operating net income | <u>\$ 24,382</u> | <u>\$ 17,245</u> |
| Operating diluted net income per share of common stock: | | |
| Operating net income | \$ 24,382 | \$ 17,245 |
| Weighted average shares - diluted | 18,613,224 | 14,480,347 |
| Operating diluted net income per share of common stock | <u>\$ 1.31</u> | <u>\$ 1.19</u> |
| Operating annualized return on average assets: | | |
| Operating net income | \$ 24,382 | \$ 17,245 |
| Average assets | \$ 2,007,327 | \$ 1,528,915 |
| Operating annualized return on average assets | <u>1.21%</u> | <u>1.13%</u> |
| Operating annualized return on average tangible equity: | | |
| Average total shareholders' equity | \$ 264,124 | \$ 175,686 |
| Less: average intangible assets | (45,256) | (16,174) |
| Average tangible equity | 218,868 | 159,512 |
| Operating net income | \$ 24,382 | \$ 17,245 |
| Operating annualized return on average tangible equity | <u>11.14%</u> | <u>10.81%</u> |
| Operating efficiency ratio: | | |
| Total noninterest expense | \$ 61,995 | \$ 53,487 |
| Less: merger related expenses | (2,654) | (9,803) |
| Total operating noninterest expense | 59,341 | 43,684 |
| Net interest income | 67,748 | 51,692 |
| Total noninterest income | 24,274 | 15,459 |
| Total revenues | \$ 92,022 | \$ 67,151 |
| Operating efficiency ratio: | <u>64.49%</u> | <u>65.05%</u> |