

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): January 28, 2021

CAPSTAR FINANCIAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

<u>Tennessee</u> (State or other jurisdiction of incorporation)	<u>001-37886</u> (Commission File Number)	<u>81-1527911</u> (IRS Employer Identification No.)
<u>1201 Demonbreun Street, Suite 700</u> Nashville, Tennessee (Address of principal executive offices)		<u>37203</u> (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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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.

Section 2 – Financial Information

Item 2.02. Results of Operations and Financial Condition.

On January 28, 2021, CapStar Financial Holdings, Inc. (the “Company”) issued an earnings release announcing its financial results for the fourth quarter ended December 31, 2020. 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.

The Company will conduct a conference call at 9:00 a.m. (Central Time) on January 29, 2021 to discuss its financial results for the fourth quarter ended December 31, 2020.

Section 7 – Regulation FD

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.

Section 9 – Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Earnings release issued on January 28, 2021 by CapStar Financial Holdings, Inc.
99.2	Presentation for conference call to be conducted by CapStar Financial Holdings, Inc. on January 29, 2021.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CAPSTAR FINANCIAL HOLDINGS, INC.

By: /s/ Denis J. Duncan
Denis J. Duncan
Chief Financial Officer

Date: January 28, 2021

EARNINGS RELEASE

CONTACT

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



CapStar Financial Holdings, Inc. Reports Year End 2020 Results

NASHVILLE, TN, January 28, 2021 GlobeNewswire -- CapStar Financial Holdings, Inc. (“CapStar”) (NASDAQ:CSTR) today reported net income of \$9.7 million or \$0.44 per diluted share, for the quarter ended December 31, 2020, compared with net income of \$5.4 million or \$0.29 per diluted share, for the quarter ended December 31, 2019. Annualized return on average assets and return on average equity for the quarter ended December 31, 2020 was 1.27% and 11.30%, respectively. Excluding fourth quarter merger-related charges of \$2.1 million, operating⁽¹⁾ diluted earnings per share were \$0.51, return on average assets was 1.48%, and return on average tangible equity was 15.38%.

For the year ended December 31, 2020, the company reported net income of \$24.7 million or \$1.22 per diluted share compared with net income of \$22.4 million, or \$1.20 per diluted share, for the year ended December 31, 2019. Return on average assets and return on average equity for the year ended December 31, 2020 was 0.94% and 9.55%, respectively. Excluding merger-related charges of \$5.4 million, operating⁽¹⁾ diluted earnings per share were \$1.42, return on average assets was 1.09%, and return on average tangible equity was 11.09%.

“I would like to thank our employees for their tireless work over the past year in helping our clients and communities,” said Timothy K. Schools, chief executive officer. “As a result of their tremendous efforts and our solid risk management culture in a challenging and uncertain operating environment, we are pleased to report strong 2020 and fourth quarter financial results, led by high performance in our mortgage and tri-net divisions. During the year, we made progress in advancing several strategic initiatives, including the continued refocus on providing core banking services to our local markets, integrating and expanding our recent East Tennessee expansion with the addition of Knoxville and completion of our FCB acquisition, and strengthening our balance sheet management capabilities. Importantly, as part of our mission, we made extra efforts to support our employees, clients, and communities as we all manage through the current pandemic. We are proud to have maintained full employment and compensation, offer flexible work programs, and participate in loan assistance and deferral programs. Together, with our client-centric banking model, stable and growing markets, and key strategic initiatives, we are optimistic about our future prospects and enhanced opportunities to serve our clients.”

Profitability

- Annualized return on average assets for the three months ended December 31, 2020 was 1.27% compared to 1.06% for the same period in 2019. Operating⁽¹⁾ annualized return on average assets for the three months ended December 31, 2020 was 1.48% compared to 1.08% for the same period in 2019. Operating⁽¹⁾ annualized pre-tax pre-provision income to average assets for the three months ended December 31, 2020 was 1.93% compared to 1.41% for the same period in 2019.
- Annualized return on average equity for the three months ended December 31, 2020 was 11.30% compared to 7.92% for the same period in 2019. Operating⁽¹⁾ annualized return on average tangible equity for the three months ended December 31, 2020 was 15.38% compared to 9.69% for the same period in 2019.

(1) Operating measures exclude merger-related expenses unrelated to CapStar’s normal operations. 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 was 3.12% for the three months ended December 31, 2020 compared to 3.49% for the same period in 2019.
- The efficiency ratio for the three months ended December 31, 2020 was 63.02% compared to 68.46% for the same period in 2019. The operating⁽¹⁾ efficiency ratio for the three months ended December 31, 2020 was 56.85% compared to 67.73% for the same period in 2019.

Growth

- Pre-tax pre-provision earnings for the quarter ended December 31, 2020 increased 79% to \$12.6 million, compared to \$7.0 million for the quarter ended December 31, 2019.
- End of period deposits for the quarter ended December 31, 2020 decreased \$49.5 million or 8% annualized.
- Excluding PPP loans, end of period loan growth for the quarter ended December 31, 2020, was \$19.61 million or 5% annualized.
- Tangible book value per share for the quarter ended December 31, 2020 increased 7% to \$13.36, compared to \$12.45 for the quarter ended December 31, 2019.

Soundness

- The total risk-based capital ratio was 16.03% at December 31, 2020 compared to 13.45% at December 31, 2019.
- The allowance for loan losses to total loans was 1.23% at December 31, 2020 compared to 0.89% at December 31, 2019. The allowance for loan losses plus the fair value mark on acquired loans to total loans, less PPP loans, was 1.57% at December 31, 2020 compared to 1.13% at December 31, 2019.
- Non-performing assets to total loans and OREO were 0.28% at December 31, 2020 compared to 0.18% at December 31, 2019.
- Annualized net charge offs to average loans were 0.02% for the three months ended December 31, 2020 compared to 0.06% for the same period in 2019.

Dividend

On January 28, 2021, the board of directors of CapStar approved a quarterly dividend of \$0.05 per common share that will be paid on February 24, 2021 to shareholders of record of CapStar's common stock as of the close of business on February 10, 2021.

Conference Call and Webcast Information

CapStar will host a conference call and webcast at 9:00 a.m. Central Time on Friday, January 29, 2021. During the call, management will review the third quarter results and operational highlights. Interested parties may listen to the call by dialing (844) 412-1002. The conference ID number is 1963565. 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, 2020, on a consolidated basis, CapStar had total assets of \$2.98 billion, total loans of \$1.89 billion, total deposits of \$2.57 billion, and shareholders' equity of \$343.49 million. Visit www.capstarbank.com for more information.

FORWARD-LOOKING STATEMENTS

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

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Consolidated Statements of Income (unaudited) (dollars in thousands, except share data)
Fourth quarter 2020 Earnings Release

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Interest income:				
Loans, including fees	\$ 22,653	\$ 20,233	\$ 84,272	\$ 82,828
Securities:				
Taxable	1,412	1,077	4,863	4,619
Tax-exempt	354	347	1,342	1,438
Federal funds sold	—	—	—	26
Restricted equity securities	155	171	576	755
Interest-bearing deposits in financial institutions	158	377	799	1,881
Total interest income	<u>24,732</u>	<u>22,205</u>	<u>91,852</u>	<u>91,547</u>
Interest expense:				
Interest-bearing deposits	497	2,015	3,868	7,538
Savings and money market accounts	377	1,821	5,196	7,266
Time deposits	1,121	1,626	5,317	7,542
Federal funds purchased	—	—	—	4
Securities sold under agreements to repurchase	—	—	—	5
Federal Home Loan Bank advances	8	162	356	1,444
Subordinated notes	398	—	792	—
Total interest expense	<u>2,401</u>	<u>5,624</u>	<u>15,529</u>	<u>23,799</u>
Net interest income	<u>22,331</u>	<u>16,581</u>	<u>76,323</u>	<u>67,748</u>
Provision for loan losses	184	—	11,479	761
Net interest income after provision for loan losses	<u>22,147</u>	<u>16,581</u>	<u>64,844</u>	<u>66,987</u>
Noninterest income:				
Treasury management and other deposit service charges	964	736	3,494	3,135
Interchange and debit card transaction fees	782	928	3,172	3,251
Mortgage banking income	5,971	2,316	25,034	9,467
Tri-Net fees	1,165	274	3,693	2,785
Wealth management fees	411	407	1,573	1,425
Net gain (loss) on Sale of SBA Loans	916	(20)	1,440	803
Net gain (loss) on sale of securities	51	9	125	(99)
Other noninterest income	1,488	1,069	4,717	3,507
Total noninterest income	<u>11,748</u>	<u>5,719</u>	<u>43,248</u>	<u>24,274</u>
Noninterest expense:				
Salaries and employee benefits	11,996	9,318	45,252	35,542
Data processing and software	2,548	1,835	8,865	6,961
Professional fees	370	531	2,224	2,102
Occupancy	975	795	3,590	3,345
Equipment	900	834	3,195	3,723
Regulatory fees	368	28	1,261	591
Merger related expenses	2,105	163	5,390	2,654
Amortization of intangibles	524	397	1,824	1,655
Other operating	1,692	1,365	5,760	5,422
Total noninterest expense	<u>21,478</u>	<u>15,266</u>	<u>77,361</u>	<u>61,995</u>
Income before income taxes	<u>12,417</u>	<u>7,034</u>	<u>30,731</u>	<u>29,266</u>
Income tax expense	2,736	1,613	6,035	6,844
Net income	<u>\$ 9,681</u>	<u>\$ 5,421</u>	<u>\$ 24,696</u>	<u>\$ 22,422</u>
Per share information:				
Basic net income per share of common stock	<u>\$ 0.44</u>	<u>\$ 0.30</u>	<u>\$ 1.22</u>	<u>\$ 1.25</u>
Diluted net income per share of common stock	<u>\$ 0.44</u>	<u>\$ 0.29</u>	<u>\$ 1.22</u>	<u>\$ 1.20</u>
Weighted average shares outstanding:				
Basic	<u>21,960,184</u>	<u>18,350,994</u>	<u>20,162,038</u>	<u>17,886,164</u>
Diluted	<u>21,978,925</u>	<u>18,443,916</u>	<u>20,185,589</u>	<u>18,613,224</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 2020 Earnings Release

	Five Quarter Comparison				
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
Income Statement Data:					
Net interest income	\$ 22,331	\$ 19,656	\$ 17,675	\$ 16,661	\$ 16,581
Provision for loan losses	184	2,119	1,624	7,553	—
Net interest income after provision for loan losses	22,147	17,537	16,051	9,108	16,581
Treasury management and other deposit service charges	964	1,064	691	775	736
Interchange and debit card transaction fees	782	936	729	724	928
Mortgage banking income	5,971	9,686	7,123	2,253	2,316
Tri-Net fees	1,165	668	1,260	599	274
Wealth management fees	411	382	374	407	407
Net gain (loss) on Sale of SBA Loans	916	476	13	35	(20)
Net gain on sale of securities	51	34	13	27	9
Other noninterest income	1,488	1,558	620	1,054	1,069
Total noninterest income	11,748	14,804	10,823	5,874	5,719
Salaries and employee benefits	11,996	12,949	12,305	8,002	9,318
Data processing and software	2,548	2,353	2,100	1,864	1,835
Professional fees	370	638	581	636	531
Occupancy	975	999	797	820	795
Equipment	900	864	680	751	834
Regulatory fees	368	397	333	163	28
Merger related expenses	2,105	2,548	448	290	163
Amortization of intangibles	524	539	375	386	397
Other operating	1,692	1,452	1,315	1,299	1,365
Total noninterest expense	21,478	22,739	18,934	14,211	15,266
Net income before income tax expense	12,417	9,602	7,940	771	7,034
Income tax (benefit) expense	2,736	2,115	1,759	(575)	1,613
Net income	\$ 9,681	\$ 7,487	\$ 6,181	\$ 1,346	\$ 5,421
Weighted average shares - basic	21,960,184	21,948,579	18,307,083	18,392,913	18,350,994
Weighted average shares - diluted	21,978,925	21,960,490	18,320,006	18,443,725	18,443,916
Net income per share, basic	\$ 0.44	\$ 0.34	\$ 0.34	\$ 0.07	\$ 0.30
Net income per share, diluted	0.44	0.34	0.34	0.07	0.29
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 277,439	\$ 455,925	\$ 368,820	\$ 91,450	\$ 101,269
Securities available-for-sale	486,215	308,337	223,034	219,213	213,129
Securities held-to-maturity	2,407	2,413	2,699	3,306	3,313
Loans held for sale	179,669	198,603	129,807	186,937	168,222
Total loans	1,891,019	1,906,603	1,592,725	1,446,835	1,420,102
Allowance for loan losses	(23,245)	(23,167)	(21,035)	(20,114)	(12,604)
Total assets	2,984,102	3,024,348	2,445,172	2,072,585	2,037,201
Non-interest-bearing deposits	662,934	716,707	546,974	442,789	312,096
Interest-bearing deposits	1,905,067	1,900,835	1,548,592	1,320,920	1,417,355
Federal Home Loan Bank advances and borrowings	39,423	39,418	39,464	10,000	10,000
Total liabilities	2,640,616	2,690,453	2,163,222	1,796,795	1,764,155
Shareholders' equity	\$ 343,486	\$ 333,895	\$ 281,950	\$ 275,790	\$ 273,046
Total shares of common stock outstanding	21,988,803	21,947,805	18,302,188	18,307,802	18,361,922
Book value per share of common stock	\$ 15.62	\$ 15.21	\$ 15.41	\$ 15.06	\$ 14.87
Tangible book value per share of common stock *	13.36	12.92	13.02	12.66	12.45
Market value per common share	14.75	9.81	12.00	9.89	16.65
Capital ratios:					
Total risk based capital	16.03%	15.96%	16.76%	13.68%	13.45%
Tier 1 risk based capital	13.52%	13.39%	13.76%	12.56%	12.73%
Common equity tier 1 capital	13.52%	13.39%	13.76%	12.56%	12.73%
Leverage	9.60%	9.23%	10.08%	11.23%	11.37%

*This metric is a non-GAAP financial measure. See Non-GAAP disclaimer in this earnings release and below for discussion and reconciliation to the most directly comparable GAAP financial measure.

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

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Selected Quarterly Financial Data (unaudited) (dollars in thousands, except share data)
Fourth quarter 2020 Earnings Release

	Five Quarter Comparison				
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
Average Balance Sheet Data:					
Cash and cash equivalents	\$ 427,086	\$ 526,409	\$ 257,709	\$ 114,272	\$ 115,100
Investment securities	407,622	323,689	238,762	226,537	225,265
Loans held for sale	165,441	156,123	176,193	180,401	140,731
Loans	1,891,202	1,906,449	1,560,626	1,421,256	1,431,027
Assets	3,028,225	3,043,847	2,350,021	2,059,306	2,030,231
Interest bearing deposits	1,909,692	1,957,259	1,519,877	1,411,666	1,388,496
Deposits	2,613,080	2,648,465	2,031,924	1,735,635	1,711,021
Federal Home Loan Bank advances and other borrowings	39,428	39,431	10,966	20,989	22,391
Liabilities	2,687,516	2,722,341	2,068,408	1,780,756	1,758,663
Shareholders' equity	\$ 340,709	\$ 321,506	\$ 281,614	\$ 278,550	\$ 271,568
Performance Ratios:					
Annualized return on average assets	1.27%	0.98%	1.06%	0.26%	1.06%
Annualized return on average equity	11.30%	9.26%	8.83%	1.94%	7.92%
Net interest margin (1)	3.12%	2.72%	3.23%	3.50%	3.49%
Annualized noninterest income to average assets	1.54%	1.93%	1.85%	1.15%	1.12%
Efficiency ratio	63.02%	65.99%	66.44%	63.06%	68.46%
Loans by Type (at period end):					
Commercial and industrial	\$ 630,775	\$ 648,018	\$ 621,541	\$ 447,311	\$ 394,408
Commercial real estate - owner occupied	162,603	164,336	147,682	166,652	172,456
Commercial real estate - non-owner occupied	481,229	480,106	408,402	378,170	387,443
Construction and development	174,859	176,751	117,830	141,087	143,111
Consumer real estate	343,791	350,238	238,696	248,243	256,097
Consumer	44,279	42,104	27,542	27,739	28,426
Other	53,483	45,050	31,032	37,633	38,161
Asset Quality Data:					
Allowance for loan losses to total loans	1.23%	1.22%	1.32%	1.39%	0.89%
Allowance for loan losses to non-performing loans	483%	787%	705%	550%	861%
Nonaccrual loans	\$ 4,817	\$ 2,945	\$ 2,982	\$ 3,658	\$ 1,464
Troubled debt restructurings	1,928	1,886	1,228	1,306	2,717
Loans - over 90 days past due	4,367	541	639	399	38
Total non-performing loans	4,817	2,945	2,982	3,658	1,464
OREO and repossessed assets	523	171	147	147	1,044
Total non-performing assets	\$ 5,340	\$ 3,116	\$ 3,129	\$ 3,805	\$ 2,508
Non-performing loans to total loans	0.25%	0.15%	0.19%	0.25%	0.10%
Non-performing assets to total assets	0.18%	0.10%	0.13%	0.18%	0.12%
Non-performing assets to total loans and OREO	0.28%	0.16%	0.20%	0.26%	0.18%
Annualized net charge-offs to average loans	0.02%	0.0%	0.18%	0.01%	0.06%
Net charge-offs (recoveries)	\$ 106	\$ (13)	\$ 703	\$ 43	\$ 224
Interest Rates and Yields:					
Loans	4.48%	4.47%	4.50%	5.10%	5.24%
Securities (1)	1.98%	2.18%	2.73%	3.04%	3.00%
Total interest-earning assets (1)	3.45%	3.41%	3.78%	4.56%	4.67%
Deposits	0.30%	0.67%	0.59%	1.14%	1.27%
Borrowings and repurchase agreements	4.09%	5.14%	3.16%	2.77%	2.88%
Total interest-bearing liabilities	0.49%	0.99%	0.81%	1.43%	1.58%
Other Information:					
Full-time equivalent employees	380	403	286	288	289

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 2020 Earnings Release

	For the Three Months Ended December 31,					
	2020			2019		
	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate
Interest-Earning Assets						
Loans (1)	\$ 1,891,202	\$ 21,305	4.48%	\$ 1,431,027	\$ 18,884	5.24%
Loans held for sale	165,441	1,348	3.24%	140,731	1,349	3.80%
Securities:						
Taxable investment securities (2)	350,644	1,567	1.79%	175,750	1,248	2.84%
Investment securities exempt from federal income tax (3)	56,978	354	3.14%	49,515	347	3.55%
Total securities	407,622	1,921	1.98%	225,265	1,595	3.00%
Cash balances in other banks	394,831	158	0.16%	96,125	377	1.56%
Funds sold	—	—	—	45	—	3.75%
Total interest-earning assets	2,859,096	24,732	3.45%	1,893,193	22,205	4.67%
Noninterest-earning assets	169,129			137,038		
Total assets	<u>\$ 3,028,225</u>			<u>\$ 2,030,231</u>		
Interest-Bearing Liabilities						
Interest-bearing deposits:						
Interest-bearing transaction accounts	\$ 828,740	497	0.24%	\$ 566,869	2,015	1.41%
Savings and money market deposits	593,236	377	0.25%	514,896	1,821	1.40%
Time deposits	487,716	1,121	0.91%	306,731	1,626	2.10%
Total interest-bearing deposits	1,909,692	1,995	0.42%	1,388,496	5,462	1.56%
Borrowings and repurchase agreements	39,428	406	4.09%	22,391	162	2.88%
Total interest-bearing liabilities	1,949,120	2,401	0.49%	1,410,887	5,624	1.58%
Noninterest-bearing deposits	703,388			322,524		
Total funding sources	2,652,508			1,733,411		
Noninterest-bearing liabilities	35,008			25,252		
Shareholders' equity	340,709			271,568		
Total liabilities and shareholders' equity	<u>\$ 3,028,225</u>			<u>\$ 2,030,231</u>		
Net interest spread (4)			2.96%			3.09%
Net interest income/margin (5)		<u>\$ 22,331</u>	3.12%		<u>\$ 16,580</u>	3.49%

- (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 2020 Earnings Release

	Five Quarter Comparison				
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
Operating net income:					
Net income	\$ 9,681	\$ 7,487	\$ 6,181	\$ 1,346	\$ 5,421
Add: merger related expenses	2,105	2,548	448	290	163
Less: income tax impact of merger related expenses	(550)	(666)	(117)	(76)	(43)
Operating net income	<u>\$ 11,236</u>	<u>\$ 9,369</u>	<u>\$ 6,512</u>	<u>\$ 1,560</u>	<u>\$ 5,541</u>
Operating diluted net income per share of common stock:					
Operating net income	\$ 11,236	\$ 9,369	\$ 6,512	\$ 1,560	\$ 5,541
Weighted average shares - diluted	21,978,925	21,960,490	18,320,006	18,443,725	18,443,916
Operating diluted net income per share of common stock	<u>\$ 0.51</u>	<u>\$ 0.43</u>	<u>\$ 0.36</u>	<u>\$ 0.08</u>	<u>\$ 0.30</u>
Operating annualized return on average assets:					
Operating net income	\$ 11,236	\$ 9,369	\$ 6,512	\$ 1,560	\$ 5,541
Average assets	\$ 3,028,225	\$ 3,043,847	\$ 2,350,021	\$ 2,059,306	\$ 2,030,231
Operating annualized return on average assets	<u>1.48%</u>	<u>1.22%</u>	<u>1.11%</u>	<u>0.30%</u>	<u>1.08%</u>
Operating annualized return on average tangible equity:					
Average total shareholders' equity	\$ 340,709	\$ 321,506	\$ 281,614	\$ 278,550	\$ 271,568
Less: average intangible assets	(50,038)	(50,577)	(43,871)	(44,253)	(44,646)
Average tangible equity	290,671	270,929	237,743	234,297	226,922
Operating net income	\$ 11,236	\$ 9,369	\$ 6,512	\$ 1,560	\$ 5,541
Operating annualized return on average tangible equity	<u>15.38%</u>	<u>13.76%</u>	<u>11.02%</u>	<u>2.68%</u>	<u>9.69%</u>
Operating efficiency ratio:					
Total noninterest expense	\$ 21,478	\$ 22,739	\$ 18,934	\$ 14,211	\$ 15,266
Less: merger related expenses	(2,105)	(2,548)	(448)	(290)	(163)
Total operating noninterest expense	19,373	20,191	18,486	13,921	15,103
Net interest income	22,331	19,656	17,675	16,661	16,581
Total noninterest income	11,748	14,804	10,823	5,874	5,719
Total revenues	\$ 34,079	\$ 34,460	\$ 28,498	\$ 22,535	\$ 22,300
Operating efficiency ratio:	<u>56.85%</u>	<u>58.59%</u>	<u>64.87%</u>	<u>61.78%</u>	<u>67.73%</u>
Operating annualized pre-tax pre-provision income to average assets:					
Income before income taxes	\$ 12,417	\$ 9,602	\$ 7,940	\$ 771	\$ 7,034
Add: merger related expenses	2,105	2,548	448	290	163
Add: provision for loan losses	184	2,119	1,624	7,553	—
Operating pre-tax pre-provision income	14,706	14,269	10,012	8,614	7,197
Average assets	\$ 3,028,225	\$ 3,043,847	\$ 2,350,021	\$ 2,059,306	\$ 2,030,231
Operating annualized pre-tax pre-provision income to average assets:	<u>1.93%</u>	<u>1.86%</u>	<u>1.71%</u>	<u>1.68%</u>	<u>1.41%</u>
Tangible Equity:					
Total shareholders' equity	\$ 343,486	\$ 333,895	\$ 281,950	\$ 275,790	\$ 273,046
Less: intangible assets	(49,698)	(50,222)	(43,633)	(44,008)	(44,393)
Tangible equity	<u>\$ 293,788</u>	<u>\$ 283,673</u>	<u>\$ 238,317</u>	<u>\$ 231,782</u>	<u>\$ 228,653</u>
Tangible Book Value per Share of Common Stock:					
Tangible common equity	\$ 293,788	\$ 283,673	\$ 238,317	\$ 231,782	\$ 228,653
Total shares of common stock outstanding	21,988,803	21,947,805	18,302,188	18,307,802	18,361,922
Tangible book value per share of common stock	<u>\$ 13.36</u>	<u>\$ 12.92</u>	<u>\$ 13.02</u>	<u>\$ 12.66</u>	<u>\$ 12.45</u>

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

Fourth quarter 2020 Earnings Release

	Five Quarter Comparison				
	<u>12/31/20</u>	<u>9/30/20</u>	<u>6/30/20</u>	<u>3/31/20</u>	<u>12/31/19</u>
Allowance for loan losses	\$ 23,245	\$ 23,167	\$ 21,035	\$ 20,114	\$ 12,604
Purchase accounting marks	3,663	4,013	2,790	3,178	3,473
Allowance for loan losses and purchase accounting fair value marks	<u>26,908</u>	<u>27,180</u>	<u>23,825</u>	<u>23,292</u>	<u>16,077</u>
Loans	1,891,019	1,906,603	1,592,725	1,446,835	1,420,102
Less: PPP Loans net of deferred fees	181,601	216,799	213,064	—	—
Non-PPP Loans	<u>1,709,418</u>	<u>1,689,804</u>	<u>1,379,661</u>	<u>1,446,835</u>	<u>1,420,102</u>
Allowance for loan losses plus fair value marks / Non-PPP Loans	<u>1.57%</u>	<u>1.61%</u>	<u>1.73%</u>	<u>1.61%</u>	<u>1.13%</u>

CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
Non-GAAP Financial Measures (unaudited) (dollars in thousands except share data)
Fourth quarter 2020 Earnings Release

	Year Ended	
	December 31, 2020	December 31, 2020
Operating net income:		
Net income	\$ 24,696	\$ 22,422
Add: merger related expenses	5,390	2,654
Less: income tax impact of merger related expenses	(1,409)	(694)
Operating net income	<u>\$ 28,677</u>	<u>\$ 24,382</u>
Operating diluted net income per share of common stock:		
Operating net income	\$ 28,677	\$ 24,382
Weighted average shares - diluted	<u>20,185,589</u>	<u>18,613,224</u>
Operating diluted net income per share of common stock	<u>\$ 1.42</u>	<u>\$ 1.31</u>
Operating return on average assets:		
Operating net income	\$ 28,677	\$ 24,382
Average assets	\$ 2,622,635	\$ 2,007,327
Operating return on average assets	<u>1.09%</u>	<u>1.21%</u>
Operating return on average tangible equity:		
Average total shareholders' equity	\$ 305,748	\$ 264,124
Less: average intangible assets	(47,202)	(45,256)
Average tangible equity	<u>258,546</u>	<u>218,868</u>
Operating net income	\$ 28,677	\$ 24,382
Operating return on average tangible equity	<u>11.09%</u>	<u>11.14%</u>
Operating efficiency ratio:		
Total noninterest expense	\$ 77,361	\$ 61,995
Less: merger related expenses	(5,390)	(2,654)
Total operating noninterest expense	<u>71,971</u>	<u>59,341</u>
Net interest income	76,323	67,748
Total noninterest income	<u>43,248</u>	<u>24,274</u>
Total revenues	\$ 119,571	\$ 92,022
Operating efficiency ratio:	<u>60.19%</u>	<u>64.49%</u>



CAPSTARTM
FINANCIAL HOLDINGS, INC.

**Fourth Quarter 2020
Earnings Call**
January 29, 2021



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.

4Q20 Highlights

- **Strong 2020 and 4Q20 results**
 - Operating earnings per share of \$0.51 and ROAA of 1.48%
 - Continued strength in Mortgage, contributing EPS of approximately \$0.08
 - Record quarter for SBA fee income of \$0.9MM
- **Net interest margin experiencing stabilization**
 - NIM, adjusted for 3Q20 swap related expense, as well as excess deposits, relatively flat from 3Q20
 - Loans grew on an EOP basis \$20MM excluding PPP
- **Disciplined expense control**
 - Operating efficiency ratio of 55.75%, excluding mortgage
 - FCB one-time expenses and cost savings on track
- **Proactive risk management**
 - Continued low classified loans, and net-charge offs
 - Minimal loan deferrals to a small number of borrowers
 - Maintained significant on and off-balance sheet liquidity
 - Record capital levels

Financial Results

(Dollars in millions, except per share data)	GAAP			Operating ⁽¹⁾		
	4Q20	Favorable/(Unfavorable)		4Q20	Favorable/(Unfavorable)	
		3Q20	4Q19		3Q20	4Q19
Net Interest Income	\$22.33	14%	35%	\$22.33	14%	35%
Noninterest Income	\$11.75	-21%	105%	\$11.75	-21%	105%
Revenue	\$34.08	-1%	53%	\$34.08	-1%	53%
Noninterest Expense	\$21.48	6%	41%	\$19.37	4%	28%
Pre-tax Pre-provision Income	\$12.60	8%	79%	\$14.71	3%	104%
Provision for Loan Losses	\$0.18	91%	100%	\$0.18	91%	100%
Net Income	\$9.68	29%	79%	\$11.24	20%	103%
Diluted Earnings per Share	\$0.44	29%	50%	\$0.51	20%	70%

(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 25.14% and exclude non-deductible one-time merger items.

Key Performance Indicators

(Dollars in millions,
except for per share data)

	Operating Metrics ⁽¹⁾	4Q20	3Q20	4Q19
Profitability	Net Interest Margin ⁽²⁾	3.12%	2.72%	3.49%
	Efficiency Ratio ⁽³⁾	56.85%	58.59%	67.73%
	Pretax Preprovision Income / Assets ⁽⁴⁾	1.93%	1.86%	1.41%
	Return on Average Assets	1.48%	1.22%	1.08%
	Return on Average Tangible Equity	15.38%	13.76%	9.69%
Growth	Total Assets (Avg)	\$3,028	\$3,044	\$2,030
	Total Deposits (Avg)	\$2,613	\$2,648	\$1,711
	Total Loans HFI (Avg) (Excl PPP)	\$1,686	\$1,691	\$1,431
	Diluted Earnings per Share	\$0.51	\$0.43	\$0.30
	Tangible Book Value per Share	\$13.36	\$12.92	\$12.45
Soundness	Net Charge-Offs to Average Loans (Annualized)	0.02%	0.00%	0.06%
	Non-Performing Assets / Loans + OREO	0.28%	0.16%	0.18%
	Allowance for Loan Losses + Fair Value Mark / Loans Excl PPP	1.57%	1.61%	1.13%
	Tangible Common Equity / Tangible Assets	10.01%	9.54%	11.47%
	Total Risk Based Capital	16.03%	15.96%	13.45%

(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 26.34% and exclude non-deductible one-time merger items.

(2) Calculated on a tax equivalent basis.

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

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



Financial Detail

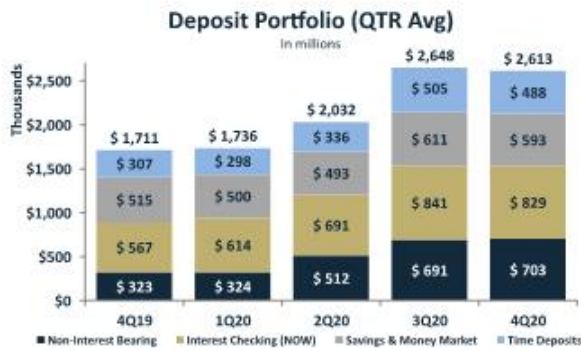
Net Interest Income / Margin⁽¹⁾



- NII increases over past four quarters
- NIM relatively stable, adjusting for:
 - 37 bps Q4 negative impact vs 41 bps Q3 negative impact of significant excess deposits
 - 8 bps positive impact from PPP loans
 - Q3 26 bps impact related to the termination of interest rate swaps
- Excess cash into investment securities
 - Further efforts to invest excess cash can benefit NIM, net income, ROAA, and ROATCE

(1) Calculated on a tax equivalent basis.
 (2) Adjusted for 1Q20 SWAP Termination Expense, Excess Cash and PPP Loan impact.

Deposit Growth and Costs

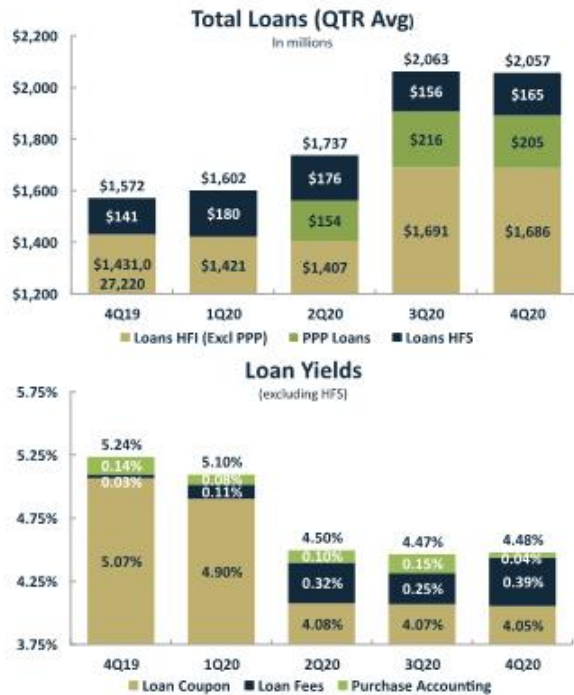


- Avg Deposit balances decreased \$35MM largely driven by Correspondent
- Deposit costs declined 9 bps to 0.30%
- Strategically addressing excess deposits
 - Continued pricing opportunities
 - Special loan programs
 - Prudent short-duration investments
 - Potential run-off methods



(1) 3Q20 excludes the amortization of swap expense.

Loan Growth and Yields



- Avg Loans HFI less PPP decreased \$4MM over 3Q20
 - Line utilization has decreased \$37.5MM from 52.1% to 46.2% since 1Q20
- Excluding PPP loans, EOP loans increased \$19.6MM or 4.6% annualized from 3Q20; working to strengthen internal capabilities
 - Strong and growing pipelines
 - New Knoxville team
- PPP loans were \$182MM at December 31

Noninterest Income

(Dollars in thousands)	Three Months Ended				
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Noninterest Income					
Treasury Management and Other Deposit Service Charges	\$ 964	\$ 1,064	\$ 691	\$ 775	\$ 736
Interchange and Debit Card Transaction Fees	782	936	729	724	928
Mortgage Banking	5,971	9,686	7,123	2,253	2,316
Tri-Net Fees	1,165	668	1,260	599	274
SBA Fees	916	476	13	35	(20)
Wealth Management Fees	411	382	374	407	407
Net Gain (Loss) on Sale of Securities	51	34	13	27	9
Other	1,488	1,558	620	1,054	1,069
Total Noninterest Income	\$ 11,748	\$ 14,804	\$ 10,823	\$ 5,874	\$ 5,719
Average Assets	3,028,225	3,043,847	2,350,021	2,059,306	2,030,231
Noninterest Income / Average Assets	1.54%	1.93%	1.85%	1.15%	1.12%

- Fee businesses driving strong quarter:
 - Continued strength in mortgage and Tri-Net
 - Record SBA fees of \$916K; an increase of \$440K vs 3Q20
- Other includes \$171K gain on sale of OREO.

Mortgage Banking Revenue



- Residential mortgage loans closed decreased \$28MM from 3Q20.
- Refinance activity was 60% of the origination volume for the quarter compared to 56% in 3Q20 and 53% in 4Q19.
- Mortgage banking revenue decreased \$3.7MM due to a decrease in volume and gain on sale % as compared to 3Q20.

Noninterest Expense

(Dollars in thousands)	Three Months Ended				
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Noninterest Expense					
Salaries and Employee Benefits	\$ 11,996	\$ 12,949	\$ 12,305	\$ 8,002	\$ 9,318
Data Processing & Software	2,548	2,353	2,100	1,864	1,835
Professional Fees	370	638	581	636	531
Occupancy	975	999	797	820	795
Equipment	900	864	680	751	834
Regulatory Fees	368	397	333	163	28
Merger Related Expenses	2,105	2,548	448	290	163
Amortization of Intangibles	524	539	375	386	397
Other Operating	1,692	1,452	1,315	1,299	1,365
Total Noninterest Expense	\$ 21,478	\$ 22,739	\$ 18,934	\$ 14,211	\$ 15,266
Efficiency Ratio	63.02%	65.99%	66.44%	63.06%	68.46%
Average Assets	\$ 3,028,225	\$ 3,043,847	\$ 2,350,021	\$ 2,059,306	\$ 2,030,231
Noninterest Expense / Average Assets	2.82%	2.97%	3.24%	2.78%	2.98%
FTE	380	403	286	288	289
Operating Noninterest Expense					
Operating Noninterest Expense ⁽¹⁾	\$ 19,373	\$ 20,191	\$ 18,486	\$ 13,921	\$ 15,103
Operating Efficiency Ratio ⁽¹⁾	56.85%	58.59%	64.87%	61.78%	67.73%
Operating Noninterest Expense / Average Assets ⁽¹⁾	2.55%	2.64%	3.16%	2.72%	2.95%

- Operating Efficiency ratio improved for the quarter.
- FCB acquisitions (merger expenses and cost savings on track).
- Excluding mortgage, the operating efficiency ratio was 55.75%.

⁽¹⁾ Operating results are non-GAAP financial measures that adjust GAAP reported net income and other metrics for certain income and expense items. See the non-GAAP reconciliation calculations included in the Appendix at the end of this presentation, which use a blended statutory income tax rate of 76.14% and exclude non-deductible one-time merger related items.

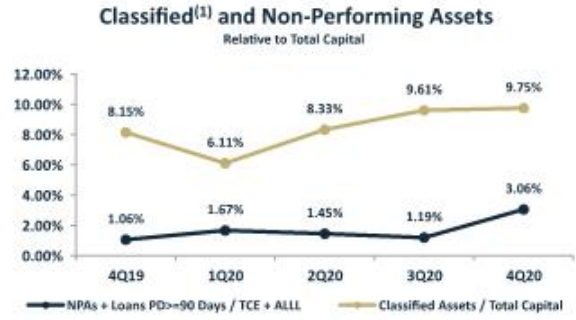


Risk Management

Loan Portfolio Summary

- We maintain continued focus on enhancing our core in-franchise relationship banking activities.
- We maintain our robust internal asset quality review process over low Pass rated credits and all Criticized and Classified borrowers > \$250,000. This includes a monthly assessment of:
 - the direction of risk,
 - the adequacy and sustainability of the borrower’s cash flow, and
 - the coverage of collateral and guaranties.
- We remain committed to continuing validation of our internal oversight with both robust external loan review and periodic stress tests in 2021.
- At 12/31:
 - Payment deferrals are down to 3.7% involving 13 borrowers
 - Primarily sectors consist of Hotels and Tourist/Entertainment venues
 - Shared National Credits are < 4%
 - In-market loans are > 95%
 - Criticized and Classified Loans are stable from Q3
 - Our losses remain low and have averaged < \$140K over the last 8 quarters.

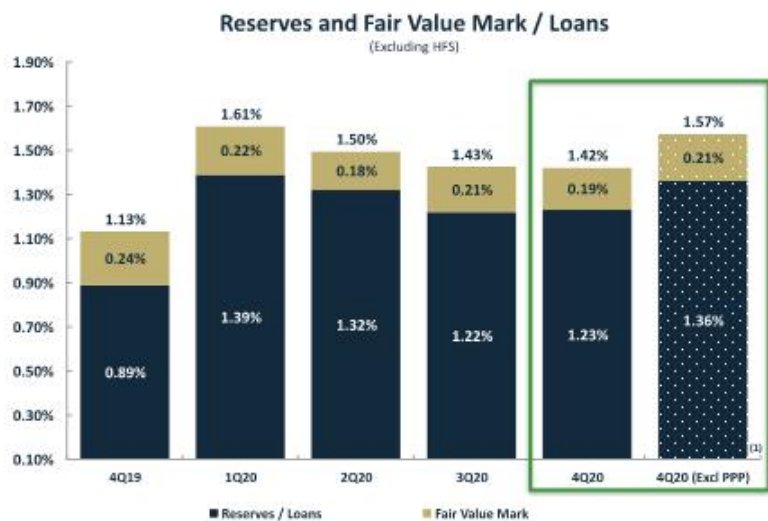
Loan Portfolio Performance



- Approximately 40% of the past dues were related to matured loans pending renewal at quarter end.
- Classified Asset Levels remain at strong levels.
- Net Charge-offs remain low.

(1) Classified Assets exclude purchased credit impaired loans.

Allowance for Loan Losses



- Although the uncertainty of COVID-19 remains a consideration, overall trends are stable to improving.
- 4Q20 provision is consistent with recent loan growth, stable levels in criticized and classified loans, and our qualitative assessment of the direction of risk within the portfolio.
- The current reserve of \$23MM plus the \$3.7MM fair value mark on acquired loans equates to 1.57% excluding PPP Loans.

(1) PPP Loan balances net of unearned fees as of 12/31/2020.



Appendix: Other Financial Results and Non-GAAP Reconciliations

Non-GAAP Financial Measures

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
(Dollars in thousands, except per share information)					
TANGIBLE EQUITY					
Total Shareholders' Equity	\$ 343,486	\$ 333,895	\$ 281,950	\$ 275,790	\$ 273,046
Less: Intangible Assets	49,698	50,222	43,633	44,008	44,393
Tangible Equity	293,788	283,673	238,317	231,782	228,653
TANGIBLE COMMON EQUITY					
Tangible Equity	\$ 293,788	\$ 283,673	\$ 238,317	\$ 231,782	\$ 228,653
Less: Preferred Equity	-	-	-	-	-
Tangible Common Equity	293,788	283,673	238,317	231,782	228,653
TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS					
Tangible Common Equity	\$ 293,788	\$ 283,673	\$ 238,317	\$ 231,782	\$ 228,653
Total Assets	2,984,102	3,024,348	2,445,172	2,072,585	2,037,201
Less: Intangible Assets	49,698	50,222	43,633	44,008	44,393
Tangible Assets	2,934,404	2,974,127	2,401,539	2,028,578	1,992,808
Tangible Common Equity to Tangible Assets	10.01%	9.54%	9.92%	11.43%	11.47%
TANGIBLE BOOK VALUE PER SHARE, REPORTED					
Tangible Common Equity	\$ 293,788	\$ 283,673	\$ 238,317	\$ 231,782	\$ 228,653
Shares of Common Stock Outstanding	21,988,803	21,947,805	18,302,188	18,307,802	18,361,922
Tangible Book Value Per Share, Reported	\$13.36	\$12.92	\$13.02	\$12.66	\$12.45

Non-GAAP Financial Measures

(Dollars in thousands, except per share information)	Three Months Ended				
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Total Average Shareholders' Equity	\$ 340,709	\$ 321,506	\$ 281,614	\$ 278,550	\$ 271,568
Less: Average Intangible Assets	50,038	50,577	43,871	44,253	44,646
Average Tangible Equity	290,671	270,929	237,743	234,297	226,922
Net Income	9,681	7,487	6,181	1,346	5,421
Return on Average Tangible Equity (ROATE)	13.25%	10.99%	10.46%	2.31%	9.48%

Non-GAAP Financial Measures

	Three Months Ended				
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
(Dollars in thousands, except per share information)					
OPERATING NET INCOME					
Net Income (Loss)	\$ 9,681	\$ 7,487	\$ 6,181	\$ 1,346	\$ 5,421
Add: Merger Related Expense	2,105	2,548	448	290	163
Less: Income Tax Impact	(550)	(666)	(117)	(76)	(43)
Operating Net Income	11,236	9,369	6,512	1,560	5,541
OPERATING DILUTED NET INCOME PER SHARE					
Operating Net Income	\$ 11,236	\$ 9,369	\$ 6,512	\$ 1,560	\$ 5,541
Average Diluted Shares Outstanding	21,978,925	21,960,490	18,320,006	18,443,725	18,443,916
Operating Diluted Net Income per Share	\$ 0.51	\$ 0.43	\$ 0.36	\$ 0.08	\$ 0.30
OPERATING RETURN ON AVERAGE ASSETS (ROAA)					
Operating Net Income	\$ 11,236	\$ 9,369	\$ 6,512	\$ 1,560	\$ 5,541
Total Average Assets	3,028,225	3,043,847	2,350,021	2,059,306	2,030,231
Operating Return on Average Assets (ROAA)	1.48%	1.22%	1.11%	0.30%	1.08%
OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Average Tangible Equity	\$ 290,671	\$ 270,929	\$ 237,743	\$ 234,297	\$ 226,922
Operating Net Income	11,236	9,369	6,512	1,560	5,541
Operating Return on Average Tangible Equity (ROATE)	15.38%	13.76%	11.02%	2.68%	9.69%

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

(Dollars in thousands, except per share information)	Three Months Ended				
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
OPERATING NONINTEREST EXPENSE					
Noninterest Expense	\$ 21,478	\$ 22,739	\$ 18,934	\$ 14,211	\$ 15,266
Less: Merger Related Expense	(2,105)	(2,548)	(448)	(290)	(163)
Operating Noninterest Expense	19,373	20,191	18,486	13,921	15,103
OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS					
Operating Noninterest Expense	\$ 19,373	\$ 20,191	\$ 18,486	\$ 13,921	\$ 15,103
Total Average Assets	3,028,225	3,043,847	2,350,021	2,059,306	2,030,231
Operating Noninterest Income / Average Assets	2.55%	2.64%	3.16%	2.72%	2.95%
OPERATING EFFICIENCY RATIO					
Operating Noninterest Expense	\$ 19,373	\$ 20,191	\$ 18,486	\$ 13,921	\$ 15,103
Net Interest Income	22,331	19,656	17,675	16,661	16,581
Noninterest Income	11,748	14,804	10,823	5,874	5,719
Total Revenues	34,079	34,460	28,498	22,535	22,300
Operating Efficiency Ratio	56.85%	58.59%	64.87%	61.78%	67.73%

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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