



CAPSTAR

**Hovde Financial Services Conference  
Investor Presentation**

November 3-5, 2021

# Disclosures

## FORWARD-LOOKING STATEMENTS

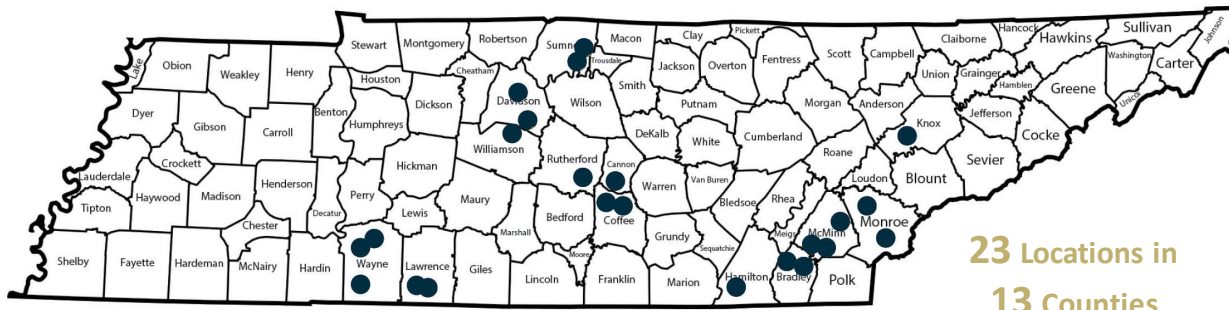
This investor presentation contains forward-looking statements, as defined by federal securities laws, including statements about CapStar Financial Holdings, Inc. (“CapStar”) and its financial outlook and business environment. All statements, other than statements of historical fact, included in this 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.



# CapStar Overview



23 Locations in  
13 Counties

**Mission:** To win long-term relationships and positively impact our customers' lives by setting the standard in *Guidance, Responsiveness, Flexibility, and Service.*



- Founded in 2008
- Headquartered in Nashville
- Serve small to medium-sized companies, commercial real estate investors, professionals, and relationship retail
- Economically strong mix of community and urban markets
- Experienced management team
  - Performance-minded
  - Growth-oriented
  - Shareholder-friendly

## Market Data

Ticker	CSTR
Price <sup>(1)</sup>	\$21.97
Market Cap <sup>(1)</sup>	\$487MM
P/E <sup>(2)</sup>	11.4
P/TBV <sup>(1)</sup>	151%
Avg. Daily Vol. (30d)	61,010
Insider Ownership <sup>(3)</sup>	9.9%
Institutional Ownership	37.5%
Dividend Yield <sup>(1)</sup>	1.1%

## 3Q21 Snapshot

Dollars in Millions

### BALANCE SHEET (EOP)

Total Assets	\$3,112
Total Loans HFI (Excl PPP)	\$1,830
Total Deposits	\$2,674

### CAPITAL RATIOS

TCE / TA	10.51%
CET 1 Ratio	13.95%
Total RBC Ratio	16.23%

### ASSET QUALITY

NCOs / Average Loans <sup>(4)</sup>	0.05%
NPAs / Loans HFI + OREO	0.20%
Texas Ratio <sup>(5)</sup>	1.55%

(1) Based on market data as of 10/29/2021.

(2) Price/2022 consensus EPS.

(3) Based on the proxy statement (Schedule 14A) dated 3/16/2021.

(4) Annualized

(5) Texas ratio defined as: (NPAs + Loans > 90 Days) / (Tangible Common Equity + ALLL).



## Executing on strategic objectives

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

## Delivering high performance

- Earnings per share of \$0.59
- PTPPA, ROAA, ROATE of 2.03%, 1.64%, and 16.28%, respectively, despite high liquidity and capital levels
- NIM, adjusted for PPP and excess deposits, was 3.36%, equal to 2Q21
- AVG Noninterest bearing and savings deposits increased 16.9% linked-quarter annualized
- Loans, excluding PPP, grew 5.5% and 9.4% linked-quarter annualized AVG and EOP, respectively
- Efficiency ratio of 53.06%; bank-only of 50.58%

## Proactively managing risk

- Meaningful shift in balance sheet profile
  - YTD loan production nearly 100% CapStar-led to Tennessee borrowers; total SNCs now less than 2% of loans
  - Focus is loans with strong collateral / guarantee profile
- Continued improvement in criticized and classified loans

## Deploying capital in a disciplined manner

- ~ 200 - 300 basis points of excess capital over targeted levels
- Investing in core business through additional bankers and prepared for opportunistic buyback

# 3Q21 Highlights

## Four Key Drivers

### REVENUE GROWTH<sup>(1)(2)</sup>

Target:  $\geq 5\%$   
3Q21 YTD: 16.6%

### NET INTEREST MARGIN

Target:  $\geq 3.60\%$   
3Q21: 3.12%

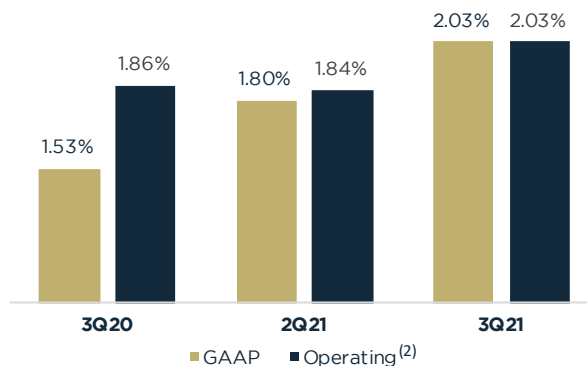
### EFFICIENCY<sup>(2)</sup>

Target:  $\leq 55\%$   
3Q21: 53.06%

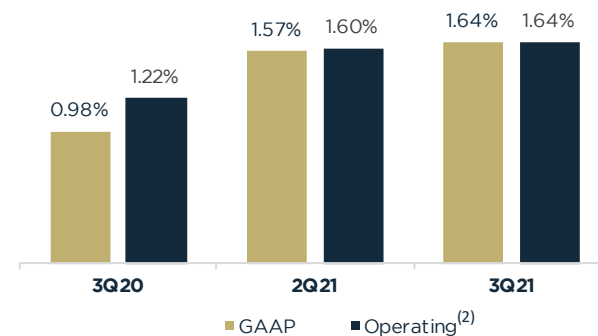
### NET CHARGE OFFS

Target:  $\leq 0.25\%$   
3Q21: 0.05%

Pretax Preprovision Income / Assets

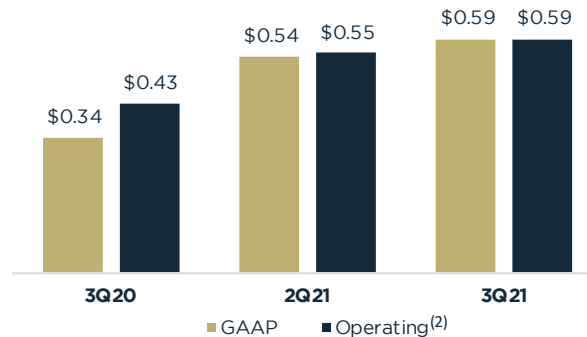


Return on Average Assets

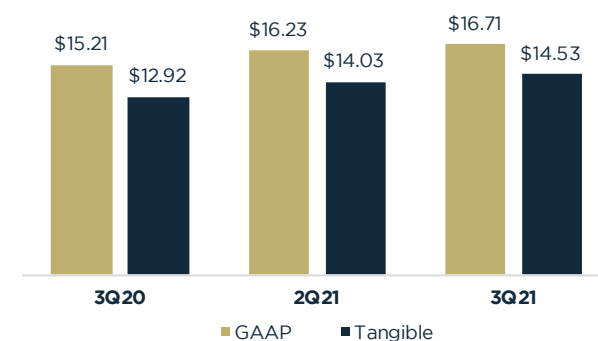


## Scorecard

Diluted Earnings Per Share



Book Value per Share



(1) Year over year.  
(2) 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.

# Key Performance Indicators

(Dollars in millions,  
except for per share data)

	Operating Metrics <sup>(1)</sup>	3Q21	2Q21	3Q20
Profitability	Net Interest Margin <sup>(2)</sup>	3.12%	3.26%	2.72%
	Efficiency Ratio <sup>(3)</sup>	53.06%	57.19%	58.59%
	Pretax Preprovision Income / Assets <sup>(4)</sup>	2.03%	1.84%	1.86%
	Return on Average Assets	1.64%	1.60%	1.22%
	Return on Average Tangible Equity	16.28%	15.88%	13.76%
Growth	Total Assets (Avg)	\$3,171	\$3,079	\$3,044
	Total Deposits (Avg)	\$2,732	\$2,662	\$2,648
	Total Loans HFI (Avg) (Excl PPP)	\$1,790	\$1,765	\$1,683
	Diluted Earnings per Share	\$0.59	\$0.55	\$0.43
	Tangible Book Value per Share	\$14.53	\$14.03	\$12.92
Soundness	Net Charge-Offs to Average Loans (Annualized)	0.05%	0.01%	0.00%
	Non-Performing Assets / Loans + OREO	0.20%	0.22%	0.16%
	Allowance for Loan Losses + Fair Value Mark / Loans Excl PPP	1.41%	1.47%	1.62%
	Common Equity Tier 1 Capital	13.95%	13.78%	13.39%
	Total Risk Based Capital	16.23%	16.13%	15.96%

(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 related 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.

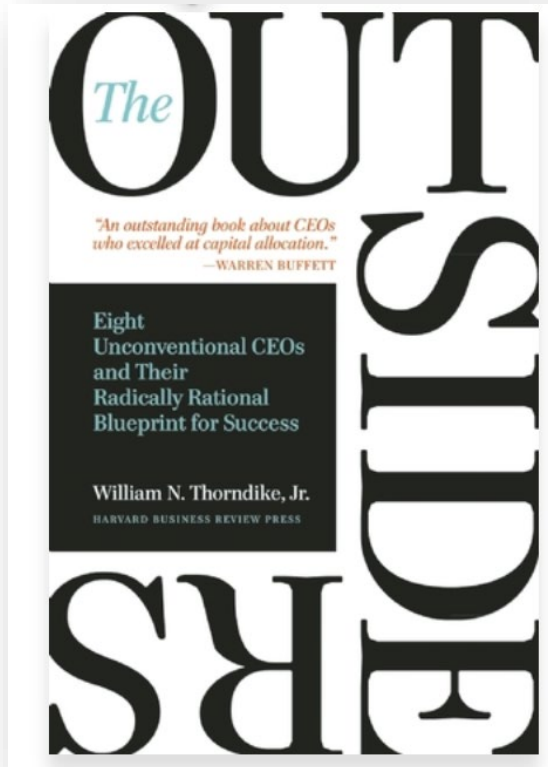
(4) Pre-tax Pre-provision Operating ROA calculated as ROA excluding the effect of income tax expense, provision expense and merger expenses.



# Leadership Team

<b>Executive Leadership</b>	<b>Title</b>	<b>Age</b>	<b>Financial Services Experience</b>	<b>Year Joined</b>
Tim Schools	President & CEO	51	22	2019
Kevin Lambert	Chief Credit Officer	58	36	2021
Jennie O'Bryan	Chief Culture Officer	55	38	2019
Denis Duncan	Chief Financial Officer	62	40	2020
John Davis	Chief Operations & Technology Officer	58	30	2019

<b>Market Leadership</b>	<b>Title</b>	<b>Age</b>	<b>Financial Services Experience</b>	<b>Year Joined</b>
Mike Hill	East Tennessee Market President	53	27	2020
Ken Webb	Middle Tennessee Market Chairman	67	45	2008
Chris Tietz	Chief Credit Policy Officer & EVP Specialty Banking	58	36	2016



*"In assessing performance, what matters isn't the absolute rate of return but the return relative to peers and the market. **You really only need to know three things to evaluate a CEO's greatness:** the compound annual return to shareholders during his or her tenure and the return over the same period for peer companies and for the broader market (usually measured by the S&P 500)."*

*"CEOs need to do two things well to be successful: run their operations efficiently and deploy the cash generated by those operations."*

*"Capital allocation is a CEO's most important job."*

*"CEOs have five essential choices for deploying capital - investing in existing operations, acquiring other businesses, issuing dividends, paying down debt, or repurchasing stock..."*

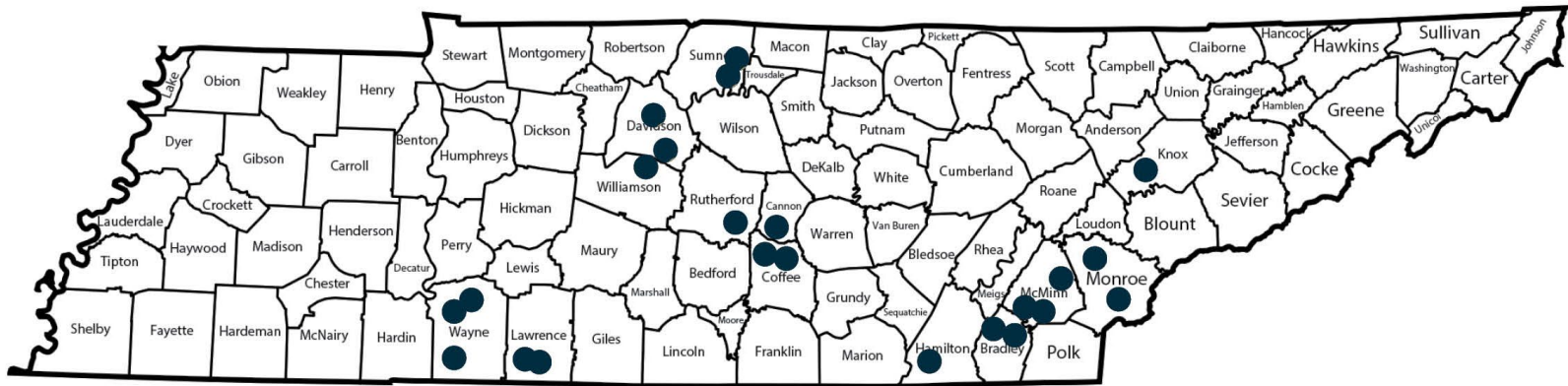
*"Sometimes the best investment opportunity is your own stock."*



# Landscape



# CapStar's Advantageous Position



- Fifth largest and one of the highest performing Tennessee-based banks
- Located in the three fastest growing markets of one of the top states to do business and live
- One of the most experienced and youngest management teams
- Positive competitive trends present tremendous opportunities for talent and customers
  - Largest banks continue to lose market share
  - Tennessee's community banks continue to decline in number
  - A number of Tennessee banks are working through management succession
- Significant excess deposits and capital available to deploy providing ROTCE upside

# Tennessee's Favorable Trends

## AMERICA'S TOP STATES FOR BUSINESS 2021

OVERALL ↓	STATE ↓	COST OF DOING BUSINESS ↓	INFRASTRUCTURE ↓	LIFE, HEALTH & INCLUSION ↓	WORKFORCE ↓	ECONOMY ↓	BUSINESS FRIENDLINESS ↓	ACCESS TO CAPITAL ↓
1	<a href="#">Virginia</a>	26	24	11	3	13	11	9
2	<a href="#">North Carolina</a>	15	21	37	6	4	9	8
3	<a href="#">Utah</a>	22	7	27	17	3	10	17
4	<a href="#">Texas</a>	10	13	49	1	5	32	3
5	<a href="#">Tennessee</a>	8	4	46	25	2	20	14
6	<a href="#">Georgia</a>	29	6	45	8	6	22	10
7	<a href="#">Minnesota</a>	42	12	4	29	18	28	14
8	<a href="#">Colorado</a>	38	22	14	2	9	29	16
9	<a href="#">Washington</a>	36	29	7	7	16	39	11
10	<a href="#">Ohio</a>	2	11	34	38	15	47	7



### America's Top States for Business

- No. 2 Best Economy in the Nation
- No. 5 Top State to do Business in the Nation



### Best State Rankings

- No. 1 State for Long-Term Fiscal Stability in the Nation



### States Americans Headed to Most in 2020

- No. 1 State in the Nation for Relocations in 2020



# Tennessee Market Share Trends

		Market Share		Gain / Loss
		6/30/2015	6/30/2021	
1	<b><i>First Horizon</i></b>	<b>14.99%</b>	<b>14.89%</b>	<b>-0.10%</b>
2	Regions	13.42%	11.49%	-1.93%
3	<b><i>Pinnacle</i></b>	<b>5.51%</b>	<b>9.63%</b>	<b>4.12%</b>
4	Bank of America	8.02%	8.95%	0.93%
5	Truist	12.85%	8.78%	-4.07%
6	<b><i>FirstBank</i></b>	<b>3.11%</b>	<b>4.39%</b>	<b>1.28%</b>
7	US Bank	2.06%	2.36%	0.30%
8	Fifth Third	1.13%	1.73%	0.60%
9	<b><i>Wilson Bank</i></b>	<b>1.30%</b>	<b>1.52%</b>	<b>0.22%</b>
10	<b><i>CapStar</i></b>	<b>1.20%</b>	<b>1.31%</b>	<b>0.11%</b>
11	Wells Fargo	1.33%	1.24%	-0.09%
<b>Total Deposits</b>		<b>\$131.4 bil</b>	<b>\$213.1 bil</b>	

- ***Bold, italicized are Tennessee-based banks***
- CapStar adjusted for Athens and FCB
- FirstBank adjusted for Clayton and Franklin Synergy
- First Horizon adjusted for Capital Bank
- Pinnacle adjusted for Avenue, CapitalMark, and Magna
- Truist adjusted for BB&T



TN 2020 & 2021 M&A Transactions	
Seller	Asset Size
Financial Federal Bank	\$774MM
Reliant Bancorp, Inc.	\$3B
Landmark Community Bank	\$1B
Triumph Bancshares, Inc.	\$894MM
Tri-State Bank of Memphis	\$105MM
Cumberland Bancshares, Inc.	\$289MM
Sevier County Bancshares, Inc.	\$424MM
SFB Bancorp, Inc.	\$62MM
American Bancshares Corp.	\$264MM
Brighton Bancorp, Inc.	\$42MM
Bumpushares, Inc.	\$25MM
FCB Corporation	\$467MM
Franklin Financial Network, Inc.	\$3.9B
Dyer F & M Bancshares, Inc.	\$99MM
Progressive Financial Group, Inc.	\$292MM
First Advantage Bancorp	\$733MM
TN Community Bank Holdings, Inc.	\$251MM

2021

2020

# Strategy



# Strategic Emphasis



## Simple, Focused, and Disciplined

### Target Customer

- Small to mid-sized businesses with \$5-250MM in revenue and their owners/management
- Professionals
- Commercial real estate investors
- Relationship retail

### Strategy

- Provide a relationship-based and highly personal banking experience
- Win through responsiveness, flexibility, and customer service
- Seek low-cost deposits and operate efficiently
- Invest/lend prudently; never sacrificing risk adjusted returns for growth

### Delivery

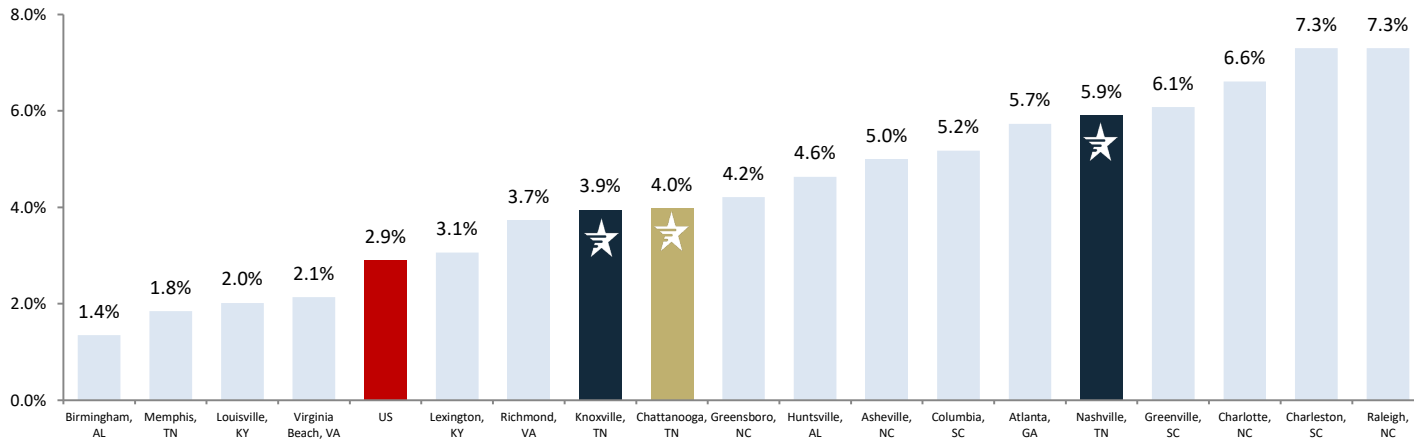
- Hire well; attract and retain highly-effective employees
- Focus on where we can find the best people; not filling in a geographic map
- Limit bricks and mortar to strategically located offices
- Enable technology to provide a 'WOW!' employee and customer experience

### Goals

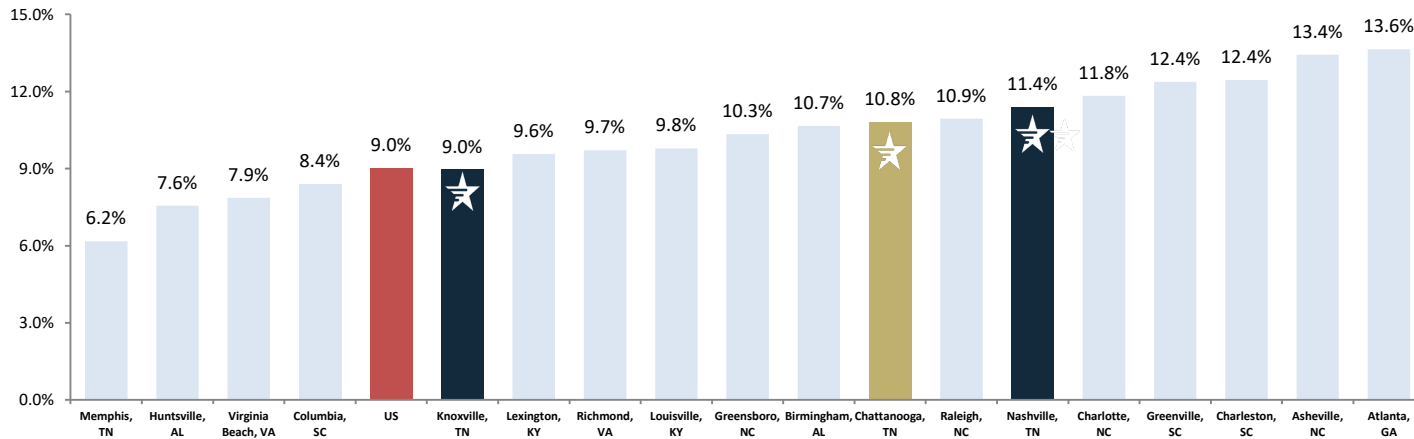
- Meaningful relationships and outstanding customer service
- High returns on capital
- Stable growth in earnings and tangible book value per share
- Disciplined capital allocation



## 2021 - 2026 Projected Population Growth



## 2021 - 2026 Projected Household Income Growth



## Total Deposits in Market

1	Charlotte, NC	\$314.9 bil
2	Atlanta, GA	\$271.1 bil
3	Richmond, VA	\$127.3 bil
4	Nashville, TN	\$89.1 bil
5	Birmingham, AL	\$54.5 bil
6	Memphis, TN	\$40.8 bil
7	Louisville, KY	\$39.1 bil
8	Raleigh, NC	\$38.9 bil
9	Virginia Beach, VA	\$31.5 bil
10	Columbia, SC	\$26.7 bil
11	Knoxville, TN	\$23.8 bil
12	Greenville, SC	\$23.5 bil
13	Charleston, SC	\$20.4 bil
14	Greensboro, NC	\$17.1 bil
15	Chattanooga, TN	\$13.9 bil
16	Lexington, KY	\$13.4 bil
17	Huntsville, AL	\$11.5 bil
18	Asheville, NC	\$10.8 bil

## Deposits and Key Demographics by County<sup>(1)</sup>

County	MSA	Deposits In Market (\$000)	Market Rank (#)	2021 Population (000)	2021-2026 Projected Population Change (%)	2021 Median HH Income (\$)	2021-2026 Projected HH Income Change (%)
<b>Metro Markets</b>							
Davidson	Nashville	\$1,328,712	10	701.3	4.3%	68.5	14.7%
McMinn	Athens	400,978	1	54.2	3.0%	46.5	9.4%
Sumner	Nashville	197,598	9	196.8	6.7%	72.4	12.9%
Williamson	Nashville	196,084	12	247.9	7.6%	116.4	4.4%
Bradley	Cleveland	47,015	9	109.7	4.7%	53.9	10.4%
Rutherford	Nashville	35,628	15	344.3	7.4%	68.3	4.6%
Knox	Knoxville	12,403	26	476.6	4.5%	61.4	8.2%
Hamilton <sup>(2)</sup>	Chattanooga	-	-	571.2	4.0%	59.1	10.8%
<b>Community Markets</b>							
Coffee	Tullahoma	168,150	1	57.3	4.4%	54.7	9.5%
Monroe	---	122,483	4	46.9	3.2%	44.2	6.3%
Lawrence	Lawrenceburg	110,707	3	44.6	3.9%	46.1	7.6%
Cannon	Nashville	99,599	1	15.0	4.9%	55.9	5.9%
Wayne	---	70,985	3	16.6	0.8%	41.8	12.1%

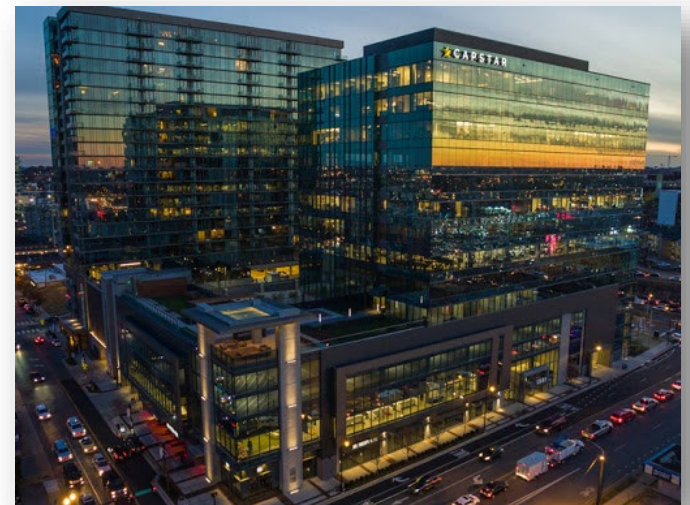
(1) FDIC Deposit data as of June 30, 2021; Source: S&P Global Market Intelligence.

(2) Announced expansion into Chattanooga (Hamilton County) in October 2021.

# Attractive Markets: Nashville MSA

- Nashville is Tennessee's largest MSA in population size (~1,962,000) and total deposits (\$89.1 bil)
- Ranked **Top 10 City to Live After the Pandemic** by the *Today Show*, 2021
- Nashville MSA job growth in top 5% of all metro areas across entire U.S. over the last 5 years; ranked **#1 Metro for economic strength** – *POLICOM*, 2020
- Recognized by *Updater* in the **Top 10 Cities People Moved To** in 2020.
- Named **#1 City for Job Seekers** in 2020 and **#2 Best Place for New Businesses**.
- *Wall Street Journal* ranked Nashville the 2<sup>nd</sup> **Hottest Job Market in the country** in 2020.
- Nashville is home to **10 Fortune 1000 companies**, including 5 Fortune 500 headquarters.
- Davidson, Williamson and Rutherford (within Nashville MSA) are **Tennessee's fastest-growing counties** – *TN Ledger*, 2020
- Williamson County ranked **top 10 for job growth** and **wealthiest** in entire U.S., fastest-growing in TN

## Notable companies operating in Nashville MSA



# Attractive Markets: Knoxville MSA

- Knoxville is Tennessee's **third largest MSA in population size (~880,000)** and total deposits (**\$23.8 bil**)
- Cited by *U.S. News & World Report* as one of the nation's **top 50 places to live**
- Named **#2 Coolest City with Lowest Cost of Living** in the U.S. by PureWow in 2021 and Top 20 Cities People Moved To in 2020 (*Updater*)
- Recognized by *Forbes and Livability* as one of the **nation's most recession resistant cities**
- Knoxville MSA **cost of living** ranks 4% below the national average
- Knoxville is home to cable TV's **HGTV**, one of the fastest growing networks in cable history
- **Worldwide brands** including Bush Brothers and Company (Bush's Baked Beans), Petro's Chili & Chips and Pilot Corporation were founded and remain headquartered in Knoxville
- Knoxville is recognized as the **gateway to the Great Smoky Mountains** and hundreds of East Tennessee tourist destinations, including Gatlinburg and Sevierville attractions

## Notable companies operating in Knoxville MSA



THE UNIVERSITY OF  
TENNESSEE  
KNOXVILLE



# Attractive Markets: Chattanooga MSA

- Chattanooga is Tennessee's **fourth largest MSA** in population size (~700,000) and total deposits (\$12.1 bil)
- Cited by *SmartAssets* as one of the nation's **top 20 best cities for young professionals**.
- Named one of the "**Top 45 Places to Go in the World**" by the *New York Times*.
- Recognized by *Niche* as one of the **nation's best cities to retire in America** in 2021.
- Dubbed "Gig City" when it was the first to implement a **citywide gigabit network** – now the fastest and least expensive high speed internet service in the U.S.
- Distinguished by an **authentic arts scene** with events such as the 7 Bridges Marathon and Riverbend Music Festival attracting thousands to the city each year.
- Enacted a series of bold sustainability policies as a pioneer in the **green urban policy** now termed a *green renaissance* for its focus on clean living.
- Known as the **Scenic City**, Chattanooga is recognized as one of America's most breathtaking cities, tucked between the unique ridge-and-valley portion of the Appalachian mountains and the majestic Tennessee river with dozens of tourist destinations.

## Notable companies operating in Chattanooga MSA



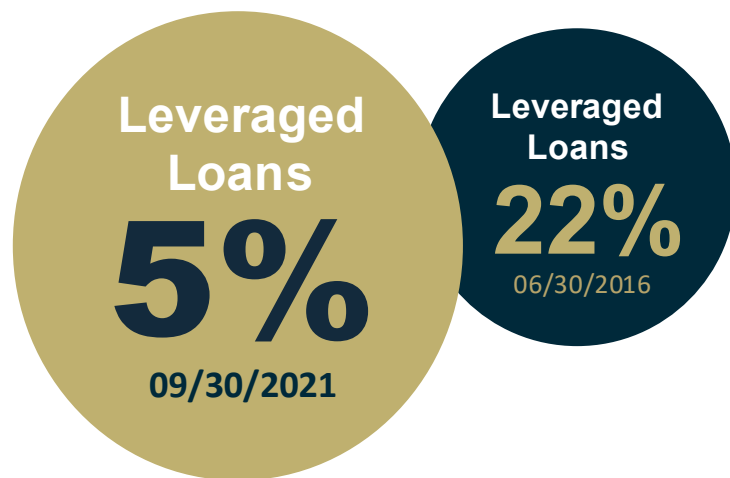
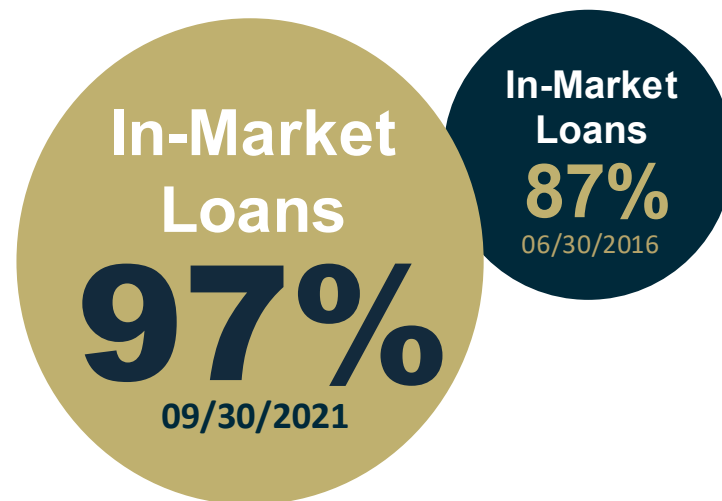
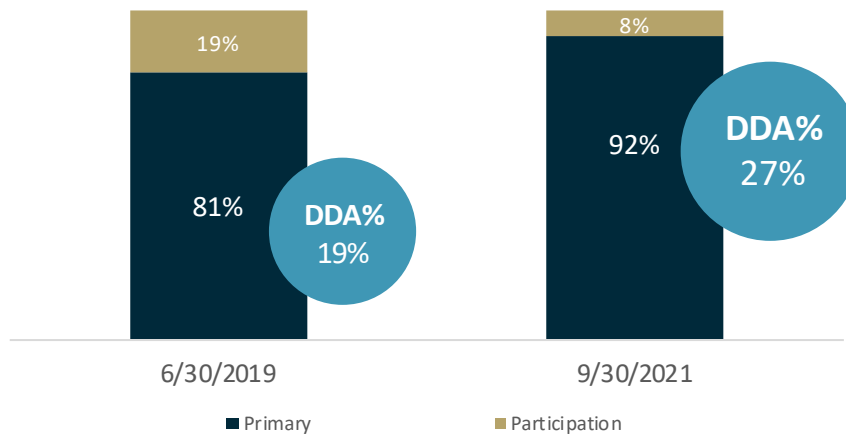
# Balance Sheet Strength



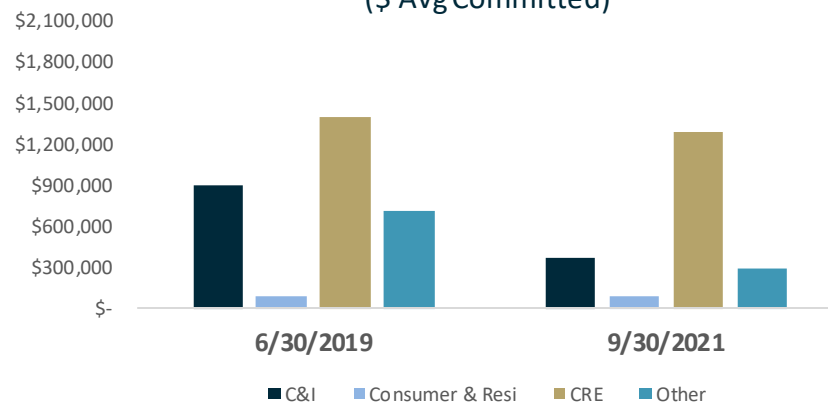


# Improved Risk Profile

## Primary Lending Relationships



## Loan Granularity (\$ Avg Committed)



## Strategy

- Little-to-no historical reliance on wholesale funding
- Increasing importance of DDA and core funding
- Elevated deposit incentive allocation

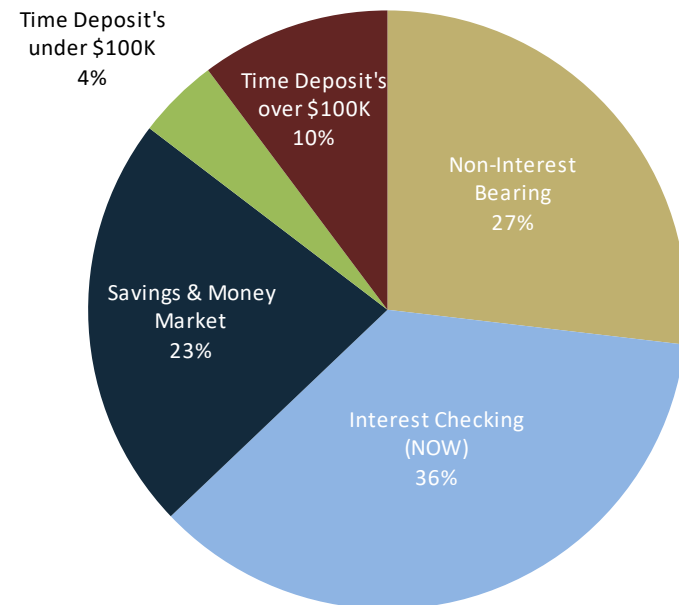
## Pricing

- Implemented pricing disciplines
- Proactive monitoring has led to a reduction in deposit costs

## Portfolio Characteristics

- Long-time loyal customers within community markets
- Strong treasury management and digital banking capabilities
- Deemphasizing higher priced money market and single product CD customers

## Deposit Composition



End of Period Balances as of  
September 30, 2021



## Credit Culture

- Experienced bankers and underwriters
- Diversify by type, sector, and geography
- Collateral and guarantees standard
- Big bets discouraged
- Participations and shared national credits avoided

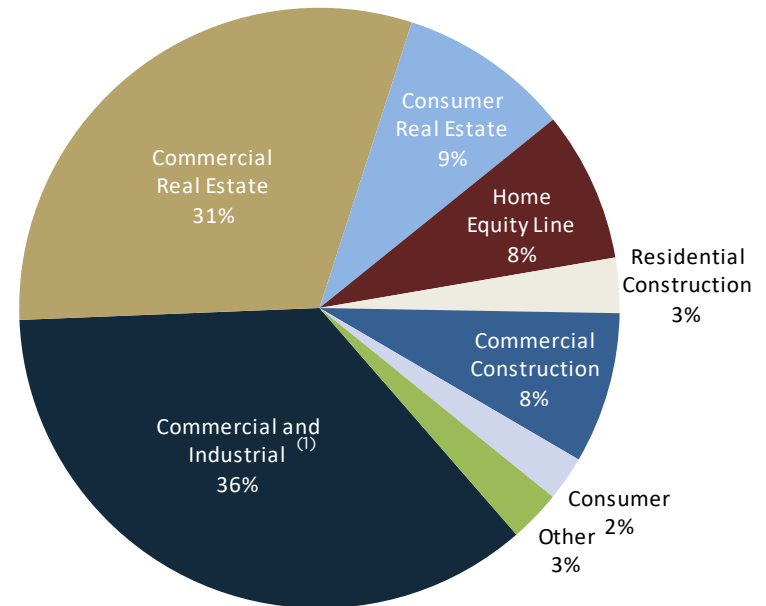
## Underwriting and Portfolio Management

- Weekly credit committee; approves relationships > \$4MM
- Centralized consumer and small business underwriting
- Monthly asset quality reviews
- Quarterly review of portfolio limits
- Continuous external loan review
- Annual external stress test

## Loan Portfolio Summary<sup>(2)</sup>

- Past due loans as a % of loans held for investment totaled 0.31%
- Loan losses remained low and averaged < \$170K over last 8 quarters
- In-market loans > 96%
- Shared national credits < 2%

## Loan Composition



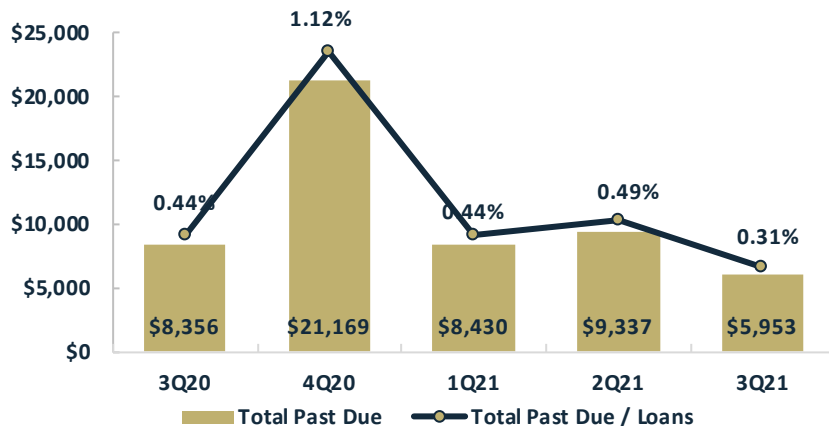
End of Period Balances as of  
September 30, 2021

(1) Commercial & Industrial includes Commercial & Industrial loans and Owner Occupied CRE loans.  
(2) As of September 30, 2021

# Loan Portfolio Performance

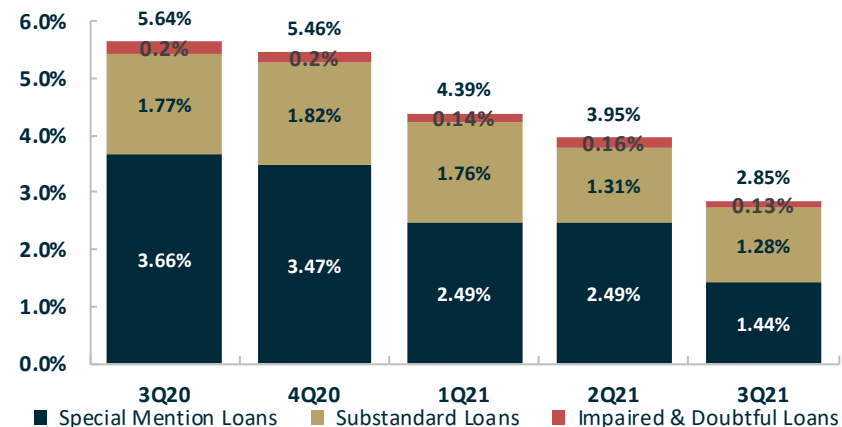
## Past Due Trend

In thousands

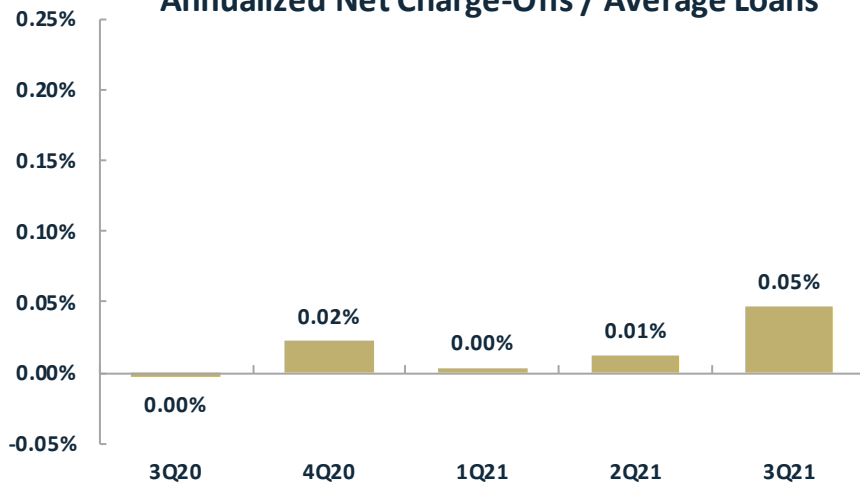


## Criticized & Classified Loan Trends

As a % of Total Gross Loans



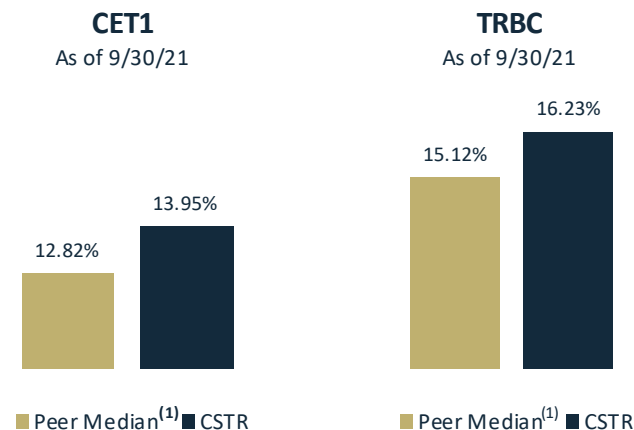
## Annualized Net Charge-Offs / Average Loans



- Initial company-wide collection effort led to 36% reduction in past due loans
- Criticized and classified loans improved from 3.95% to 2.85% with the peak at 5.64%
- Net charge-offs remained low and have averaged < \$170K over the last 8 quarters

# Strong Capital Ratios

- Capital ratios remain significantly above “well capitalized” minimums
- Quarterly dividend of \$0.06 per common share
- Announced significant stock repurchase authorization in 1Q21



Capital Ratios	3Q21	2Q21	1Q21	"Well Capitalized" Guidelines
Leverage	10.28%	10.17%	9.78%	≥ 5.00%
Tangible Common Equity / Tangible Assets	10.51%	9.83%	9.50%	NA
Tier 1 Risk Based Capital	13.95%	13.78%	13.79%	≥ 8.00%
Total Risk Based Capital	16.23%	16.13%	16.29%	≥ 10.00%

(1) Source: S&P Global Market Intelligence, Peer Medians based on Selected Nationwide Major Exchange Banks and Thrifts with Assets \$2.0 Billion - \$6.5 Billion as of 3Q21.

# Profitability



## Net Interest Margin

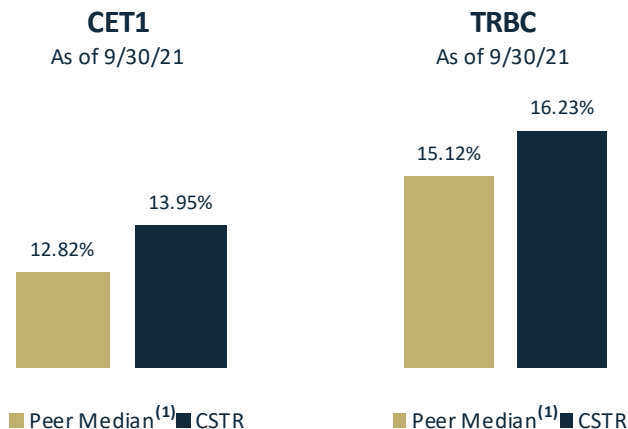
- Creating deposit first culture
- Implementing deposit pricing disciplines
- Going forward, managing interest rate risk closer to neutral
- Significant excess liquidity, which is essentially cost neutral, available to deploy
- Improving loan generation capabilities

## Productivity

- Benchmarking to peers
- Aligning incentives and increasing accountability
- Increased focus on share of wallet
- Implementing productivity measurements for all positions
- Reviewing 100% of all expenses

## Capital Allocation

- Evaluating strategies for excess capital and future capital generation
- Investing in our core business such as Chattanooga, Knoxville, additional MTN bankers, and acquisitions
- Established dividend guidelines targeting a 10-35% payout ratio
- Defined share repurchase parameters to allow us to be opportunistic



- CapStar has \$40 - \$50MM of excess capital relative to peers
- Focused on improving profitability which will lead to increased capital generation
- Committed to making investments that meet our cost of capital or returning capital to shareholders

## 1 Internal Investment

- Primary Focus – investing in our business
- Seeking organic growth and acquisitions that meet or exceed our cost of capital

## 2 Dividends

- Targeting 10-35% payout ratio
- Announced 20% increase in quarterly dividend in 1Q21

## 3 Share Repurchase

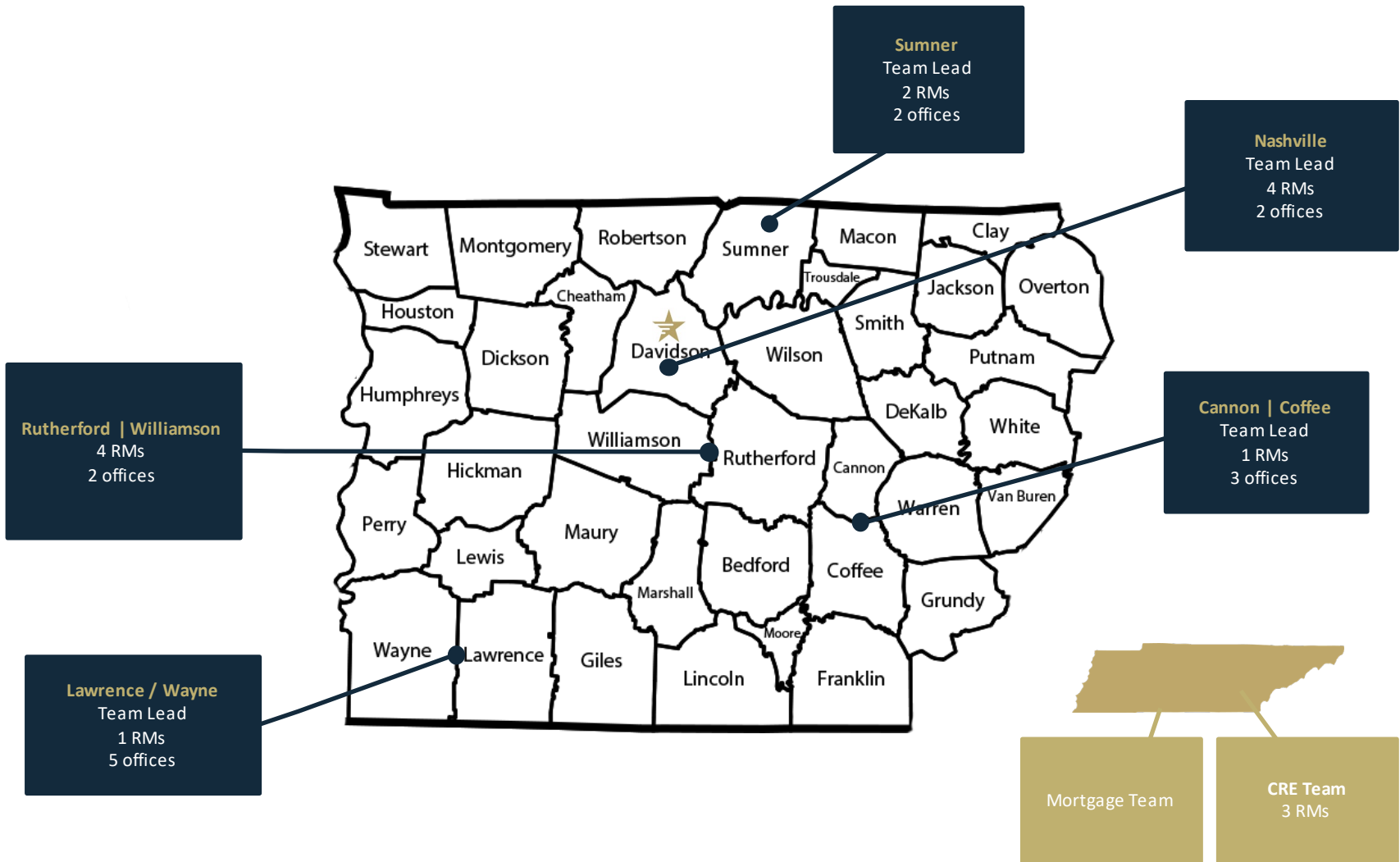
- At times, our stock is our best investment
- Announced \$30MM share repurchase in 1Q21 to be opportunistic

(1) Source: S&P Global Market Intelligence, Peer Medians based on Selected Nationwide Major Exchange Banks and Thrifts with Assets \$2.0 Billion - \$6.5 Billion as of 3Q21.

# Growth



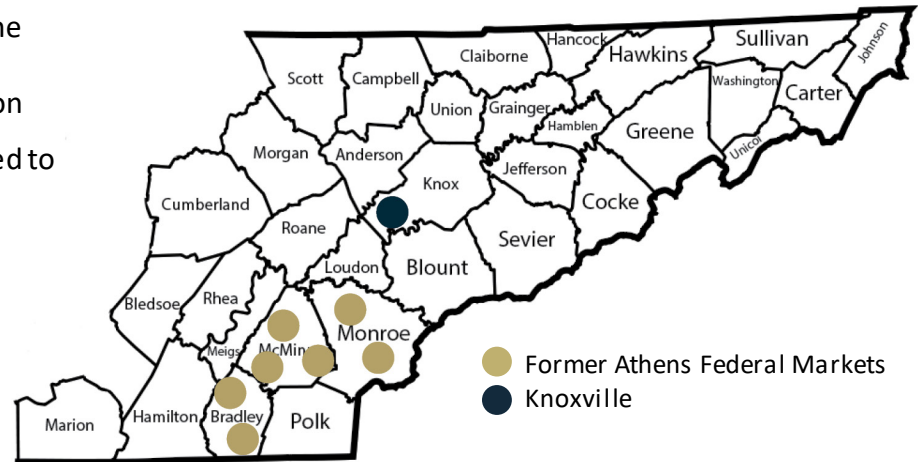
# Middle Tennessee





# Knoxville Expansion

- Announced expansion into Knoxville in January 2020 with the hiring of a team of veteran, local bankers, capitalizing on CapStar's 2018 investment of Athens Bancshares Corporation
- Experienced Market Executive and advisory board positioned to establish CapStar as a leading provider of financial services across the Knoxville metropolitan area
- New office location off Kingston Pike in Knoxville opened November 2, 2020
- Added additional Commercial Relationship Manager in 1Q21
- Our team aspires to have ~\$300MM in loan balances in 4 years and funding of at least 50% with local deposits
  - \$160MM of loans and commitments as of September 30, 2021



## Strategic East Tennessee Growth

Knoxville is Tennessee's third largest Metropolitan Statistical Area (MSA) in terms of population size (1.1 million). It has recently been cited by U.S. News & World Report as one of the nation's top 50 places to live and recognized by Forbes and Livability as one of the nation's most recession resistant cities.

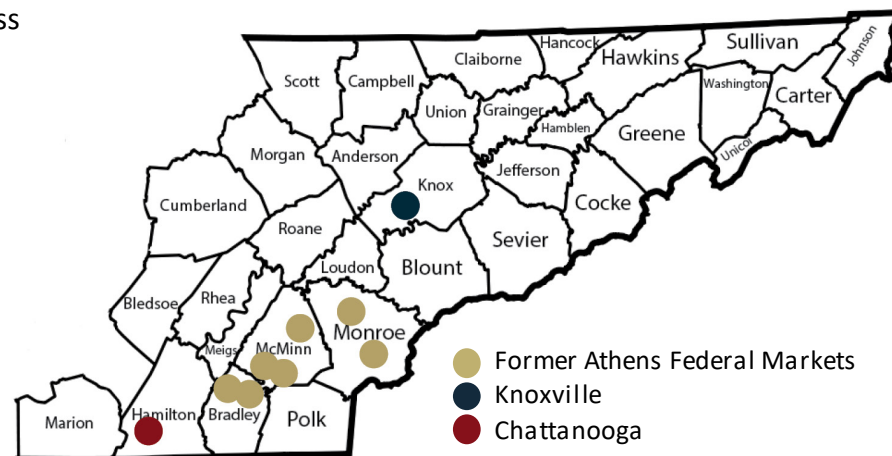
According to FDIC data as of June 30, 2020, 42 banks in the Knoxville MSA hold \$20.2 billion in local deposits.



# Project MoonPie: Chattanooga Expansion



- Team of nine experienced financial professionals, led by five Commercial Relationship Managers, hired to grow and serve Chattanooga customers
- Strategically:
  - Consistent with our message of investing excess capital in local market, core banking
  - With Knoxville, demonstrates quality high-quality lift-out experience
  - Low risk vs acquisitions
  - Diversifies CapStar's markets and revenues
  - Additive significant Athens Federal and Knoxville investments
  - Provides strong in-state loan potential for current excess liquidity
- Financially:
  - ~30% IRR
  - ~ 9-month PTPP breakeven
  - ~ 18-month PTPP earnback
  - ~ 15-month net income breakeven
  - ~ 30-month net income earnback
  - ~ \$0.08 dilutive year 1
  - Accretive year 2
  - ~ 10%, ~15%, ~20% accretion year 3-5



# Specialty Banking

- Specialty Banking businesses positioned for continued success: Commercial Real Estate, Mortgage, Tri-Net, Government Guaranteed Lending, Valley Title, and Southland Finance
- Record performances in 2020 and 2021
- Recently dedicated Executive to lead strategy and partner with experienced management teams to execute growth initiatives



## PPP Success

- A leader across Tennessee in \$ and # on a relative basis
- 45.5% of PPP borrowers were non-CapStar customers, primarily due to lack of response or other stipulations from larger banks
- Resulted in approximately 200 sizeable full relationships to date



# Looking Forward



## Quality Management Team

- Strong operational and capital allocation experience
- Insiders own 9.9% of the company
- Shareholder-friendly culture

## Catalyst for Improved Profitability and Growth

- A number of newly-hired commercial bankers building books of business
- Three recent acquisitions provide greater scale to leverage
- Strong liquidity and capital levels available for deployment

## Repeatable Investment Opportunities

- Beneficiary of significant in-migration and growing number of dissatisfied large regional bank customers
- Lift-out opportunities for employees who value a higher touch and more entrepreneurial culture
- M&A available to capitalize on continued Tennessee consolidation

## Attractive Valuation

- Improved profitability and growth prospects provide potential for relative multiple expansion and increased earnings

# 4Q21 & Preliminary 2022 Outlook

As of November 1, 2021	
<b>Economy</b>	<ul style="list-style-type: none"> <li>• Economic recovery boosted by vaccination, low interest rates, fiscal stimulus, and the American Jobs Plan</li> <li>• Steepening yield curve with gradual increases in the 10-yr Treasury yield and Fed Funds rate by late 2022</li> </ul>
<b>EOP Loan Growth</b>	<ul style="list-style-type: none"> <li>• With the addition of new Commercial Relationship Managers in 2021, loan growth (excluding PPP) of approximately 5-7% in 2021, increasing to 8-10% in 2022</li> </ul>
<b>EOP Deposit Growth</b>	<ul style="list-style-type: none"> <li>• Continue to develop core deposit capabilities to provide an improved long-term funding base</li> <li>• Growth of approximately 5% on top of existing excess liquidity levels</li> </ul>
<b>Capital</b>	<ul style="list-style-type: none"> <li>• Progression toward targeted capital levels through loan growth, lift-outs, M&amp;A, dividends, share repurchases</li> <li>• Bias towards organic growth and acquisitions over share repurchases at current common stock price</li> </ul>
<b>Net Interest Income</b>	<ul style="list-style-type: none"> <li>• NIM (excluding PPP) stable to slightly positive</li> <li>• Approximately \$1.5MM of PPP fees with anticipated forgiveness in 2021</li> <li>• Opportunities to improve NIM and net interest income (excluding PPP) through additional loan growth, deposit pricing, investment securities</li> </ul>
<b>Provision Expense</b>	<ul style="list-style-type: none"> <li>• Continued low net charge-offs in 4Q21 and 2022</li> <li>• Potential for continued decline in allowance for loan loss percentage with improved economy</li> </ul>
<b>Non-Interest Income</b>	<ul style="list-style-type: none"> <li>• Mortgage for 4Q21 and 2022 a little below 1H21 level</li> <li>• Continued strength in GGL and Tri-Net</li> </ul>
<b>Non-Interest Expense</b>	<ul style="list-style-type: none"> <li>• Bank-only expense of approximately \$16.5MM per quarter; other expenses influenced by mortgage</li> <li>• Actively recruiting high quality bankers with average PTPP break even at or around 12 months</li> </ul>

# Positive CapStar Sentiment



***We think CSTR's improved lending strategy will continue to pay benefits***

within the bank's vibrant footprint, and believe it manifested itself in the liftout of 9 bankers (5 producers) in Chattanooga that managed a \$600M book prior.

- Piper Sandler

***We remain confident that the company can achieve 6% to 10% core loan***

***growth per annum***, given the number of hires the company has made over the last several months, including the Chattanooga expansion, and the favorable footprint.

- Truist

CapStar has the opportunity to improve core profitability as the company capitalizes on its building market share in the dynamic market of Nashville, Tennessee, and continues to de-risk its balance sheet, invest in fee income sources (Tri-Net, mortgage, SBA platform), and improve efficiency. ***Our thesis is that CapStar shares have upside*** as the bank returns to a stable level of growth (de-risking headwinds have now abated) and continues to show positive operating leverage as it strives toward a higher ROA, although NIM pressure is a headwind near term.

- Keefe, Bruyette & Woods

***We favor Management's decision to invest in future growth via the Chattanooga expansion and believe this market, Knoxville and the core Nashville market, will continue to provide strong Loan growth opportunities for CSTR.***

Strong earnings and capital levels provide optionality for Management, and we anticipate a \$0.02 quarterly dividend increase in 1Q-2022 and 1Q-2023.

- Janney

***The valuation gap with SE bank peers [is] narrowing***

as [CSTR] continues to outpace on core loan growth, solid profitability, and upside EPS surprises relative to consensus expectations are the biggest catalysts for the shares over the next few quarters.

- Hovde

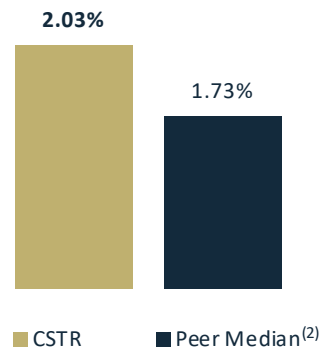
While we do expect the company to ultimately re-enter the M&A arena, it appears the nearer-term focus could be on organic growth (as highlighted by the team liftout in Chattanooga), as management looks to efficiently deploy capital. ***As such, with growth accelerating, and an above-peer profitability profile, we believe the risk/reward dynamic continues to screen attractively.***

- Raymond James

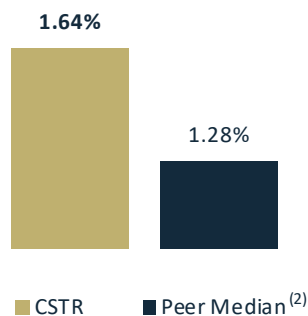


# Relative Valuation

Pretax Preprovision Income / Assets<sup>(1)(2)(3)</sup>

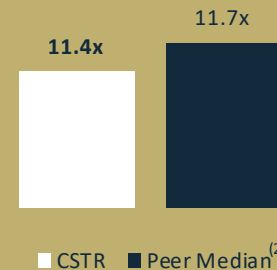


Return on Average Assets<sup>(1)(2)(3)</sup>

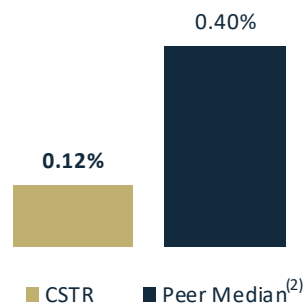


Price to 2022 Consensus Earnings

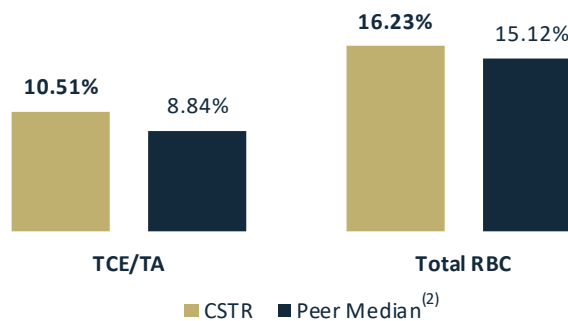
(As of 10/29/2021)



Nonperforming Assets/Assets<sup>(2)</sup>

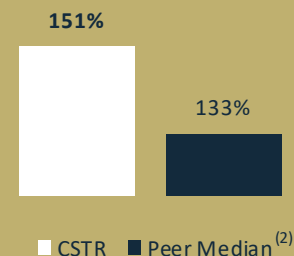


Capital<sup>(3)</sup>



Price to Tangible Book Value

(As of 10/29/2021)



(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.

(2) Source: S&P Global. Peer Medians based on Selected Nationwide Major Exchange Banks and Thrifts with Assets \$2.0 Billion - \$6.5 Billion as of 3Q21.

(3) CSTR as of 3Q21.





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



# Non-GAAP Financial Measures



	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<b>TANGIBLE COMMON EQUITY</b>					
Total Shareholders' Equity	\$ 370,328	\$ 359,752	\$ 343,944	\$ 343,486	\$ 333,895
Less: Intangible Assets	48,220	48,697	49,190	49,698	50,222
Tangible Common Equity	322,108	311,055	294,754	293,788	283,673
<b>TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS</b>					
Tangible Common Equity	\$ 322,108	\$ 311,055	\$ 294,754	\$ 293,788	\$ 283,673
Total Assets	3,112,127	3,212,390	3,150,457	2,987,006	3,024,348
Less: Intangible Assets	48,220	48,697	49,190	49,698	50,222
Tangible Assets	3,063,907	3,163,693	3,101,268	2,934,404	2,974,127
Tangible Common Equity to Tangible Assets	10.51%	9.83%	9.50%	10.01%	9.54%
<b>TANGIBLE BOOK VALUE PER SHARE, REPORTED</b>					
Tangible Common Equity	\$ 322,108	\$ 311,055	\$ 294,754	\$ 293,788	\$ 283,673
Shares of Common Stock Outstanding	22,165,760	22,165,547	22,089,873	21,988,803	21,947,805
Tangible Book Value Per Share, Reported	\$14.53	\$14.03	\$13.34	\$13.36	\$12.92



# Non-GAAP Financial Measures



	Three Months Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
(Dollars in thousands, except per share information)					
<b>RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Total Average Shareholders' Equity	\$ 367,807	\$ 358,850	\$ 350,681	\$ 340,709	\$ 321,506
Less: Average Intangible Assets	48,527	49,012	49,514	50,038	50,577
Average Tangible Equity	319,280	309,838	301,167	290,671	270,929
Net Income	13,102	12,076	11,030	9,681	7,487
Return on Average Tangible Equity (ROATE)	16.28%	15.63%	14.85%	13.25%	10.99%



# Non-GAAP Financial Measures



	Three Months Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<b>(Dollars in thousands, except per share information)</b>					
<b>OPERATING NET INCOME</b>					
Net Income	\$ 13,102	\$ 12,076	\$ 11,030	\$ 9,681	\$ 7,487
Add: Merger Related Expense	-	256	67	2,105	2,548
Less: Income Tax Impact	-	(67)	(18)	(550)	(666)
Operating Net Income	13,102	12,265	11,079	11,236	9,369
<b>OPERATING DILUTED NET INCOME PER SHARE</b>					
Operating Net Income	\$ 13,102	\$ 12,265	\$ 11,079	\$ 11,236	\$ 9,369
Average Diluted Shares Outstanding	22,218,402	22,198,829	22,076,600	21,978,925	21,960,490
Operating Diluted Net Income per Share	\$ 0.59	\$ 0.55	\$ 0.50	\$ 0.51	\$ 0.43
<b>OPERATING RETURN ON AVERAGE ASSETS (ROAA)</b>					
Operating Net Income	\$ 13,102	\$ 12,265	\$ 11,079	\$ 11,236	\$ 9,369
Total Average Assets	3,171,182	3,078,748	3,078,745	3,028,225	3,043,847
Operating Return on Average Assets (ROAA)	1.64%	1.60%	1.46%	1.48%	1.22%
<b>OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Average Tangible Equity	\$ 319,280	\$ 309,838	\$ 301,167	\$ 290,671	\$ 270,929
Operating Net Income	13,102	12,265	11,079	11,236	9,369
Operating Return on Average Tangible Equity (ROATE)	16.28%	15.88%	14.92%	15.38%	13.76%

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, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<b>(Dollars in thousands, except per share information)</b>					
<b>OPERATING NONINTEREST EXPENSE</b>					
Noninterest Expense	\$ 18,366	\$ 19,080	\$ 17,413	\$ 21,478	\$ 22,739
Less: Merger Related Expense	-	(256)	(67)	(2,105)	(2,548)
Operating Noninterest Expense	18,366	18,824	17,346	19,373	20,191
<b>OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS</b>					
Operating Noninterest Expense	\$ 18,366	\$ 18,824	\$ 17,346	\$ 19,373	\$ 20,191
Total Average Assets	3,171,182	3,078,748	3,078,745	3,028,225	3,043,847
Operating Noninterest Expense / Average Assets	2.30%	2.45%	2.28%	2.55%	2.64%
<b>OPERATING EFFICIENCY RATIO</b>					
Operating Noninterest Expense	\$ 18,366	\$ 18,824	\$ 17,346	\$ 19,373	\$ 20,191
Net Interest Income	22,964	23,032	22,182	22,331	19,656
Noninterest Income	11,651	9,883	10,014	11,748	14,804
Total Revenues	34,615	32,915	32,196	34,079	34,460
Operating Efficiency Ratio	53.06%	57.19%	53.88%	56.85%	58.59%

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.



# Peer Valuation

Financial data as of or for the three months ended September 30, 2021; Market data as of October 29, 2021

Selected Major Exchange Banks and Thrifts Headquartered in AL, FL, GA, KY, MS, NC, SC, TN, VA and WV with Total Assets \$2.0 Billion - \$6.5 Billion

Ticker	Company	City, State	Valuation					Balance Sheet		Capital			Profitability						
			Market Cap. (\$M)	Price to:				Total Assets (\$M)	NPAs / Assets (%) <sup>1</sup>	TCE / TA (%)	CET1 Ratio (%)	Total RBC Ratio (%)	Core ROAA 3Q21 (%)	Core ROAE 3Q21 (%)	PTPP Inc. / AA 3Q21 (%)	Core ROAA 2020Y (%)	Core ROAE 2020Y (%)	PTPP Inc. / AA 2020Y (%)	
				TBV (%)	2021E EPS (x)	2022E EPS (x)	52-Wk High (%)												Div. Yield (%)
RBCAA	Republic Bancorp Inc.	Louisville, KY	1,091	133	15.2	18.4	99.4	2.3	6,188	0.56	13.33	17.04	18.93	1.02	7.73	1.76	1.16	8.66	1.71
SYBT	Stock Yards Bancorp Inc.	Louisville, KY	1,628	312	16.5	17.9	93.6	1.8	6,181	0.20	8.64	11.69	12.61	1.54	14.29	1.90	1.40	14.03	2.04
CHCO	City Holding Co.	Charleston, WV	1,209	216	14.6	16.0	89.9	2.9	5,952	0.51	9.59	15.95	16.39	1.54	13.19	1.91	1.42	11.02	1.95
FBMS	The First Bancshares	Hattiesburg, MS	846	175	13.2	13.9	93.8	1.5	5,512	0.67	9.09	14.10	19.30	1.23	10.19	1.54	1.07	8.43	1.77
CTBI	Community Trust Bancorp Inc.	Pikeville, KY	779	124	8.8	11.9	91.9	3.7	5,386	1.59	11.77	--	--	1.55	12.19	1.93	1.20	9.14	1.76
SMBK	SmartFinancial Inc.	Knoxville, TN	437	137	10.9	11.8	96.9	0.9	4,384	0.14	7.47	10.85	12.92	1.07	10.69	1.42	0.94	8.48	1.44
CARE	Carter Bankshares	Martinsville, VA	396	98	14.3	11.4	92.0	--	4,134	4.79	9.82	13.40	15.11	0.98	10.02	1.03	NM	NM	NM
CCBG	Capital City Bank Group Inc.	Tallahassee, FL	453	177	12.8	15.0	92.7	2.4	4,049	0.28	6.46	13.45	16.70	1.04	12.28	1.50	0.91	9.20	1.84
HTBI	HomeTrust Bancshares Inc.	Asheville, NC	491	134	15.3	12.6	98.1	1.2	3,481	0.68	10.73	11.26	11.96	1.21	10.69	1.40	0.67	5.81	1.07
FRST	Primis Financial Corp.	McLean, VA	372	123	11.6	13.9	92.8	2.6	3,452	0.58	9.02	13.85	19.60	0.75	6.32	0.99	0.68	5.27	1.49
AMNB	American National Bankshares	Danville, VA	400	154	10.4	13.0	92.0	2.9	3,289	0.09	8.14	12.44	14.78	1.32	12.00	1.69	1.11	9.32	1.64
SMMF	Summit Financial Group Inc. <sup>2</sup>	Moorefield, WV	326	133	7.4	8.9	91.7	2.9	3,273	1.74	7.66	--	13.00	1.36	14.40	1.85	1.11	11.62	1.87
FCBC	First Community Bankshares Inc	Bluefield, VA	553	190	10.8	12.6	97.4	3.3	3,140	1.00	9.71	14.55	15.81	1.64	12.02	1.92	1.32	9.09	2.11
CSTR	Capstar Finl Hldgs Inc	Nashville, TN	487	151	10.0	11.4	95.5	1.1	3,112	0.18	10.51	13.95	16.23	1.70	14.65	2.05	1.19	10.17	1.85
SFST	Southern First Bancshares Inc	Greenville, SC	426	160	10.4	12.0	95.5	--	2,784	0.64	9.54	12.00	14.88	1.60	16.92	1.81	0.69	7.66	2.14
MCBS	MetroCity Bankshares Inc.	Doraville, GA	598	226	9.7	8.2	100.0	2.0	2,750	0.47	9.68	16.64	17.67	2.63	25.43	3.83	2.17	16.02	3.11
MVBF	MVB Financial Corp <sup>2</sup>	Fairmont, WV	504	208	20.6	20.5	92.9	1.3	2,735	0.78	8.86	--	--	0.58	6.32	0.42	0.15	1.43	0.94
PFHD	Professional Holding Corp.	Coral Gables, FL	252	124	12.3	14.2	90.8	--	2,646	0.12	7.72	--	14.00	0.98	11.22	1.40	0.60	5.64	1.32
CBAN	Colony Bankcorp Inc.	Fitzgerald, GA	257	165	9.1	8.8	96.0	2.2	2,513	1.25	6.37	10.60	12.91	1.26	14.53	1.45	0.73	9.00	1.24
CFFI	C&F Financial Corp.	Toano, VA	181	102	--	--	93.0	3.1	2,209	0.29	8.12	11.20	15.50	1.49	16.16	1.95	1.29	13.94	2.28
High			1,628	312	20.6	20.5	100.0	3.7	6,188	4.79	13.33	17.04	19.60	2.63	25.43	3.83	2.17	16.02	3.11
Low			181	98	7.4	8.2	89.9	--	2,209	0.09	6.37	10.60	11.96	0.58	6.32	0.42	NM	NM	NM
Mean			584	162	12.3	13.3	94.3	2.1	3,858	0.83	9.11	13.31	15.46	1.32	12.56	1.69	1.04	9.15	1.77
Median			470	152	11.6	12.6	93.3	2.2	3,371	0.57	9.06	13.43	15.31	1.29	12.10	1.73	1.11	9.09	1.77
<b>Selected Nationwide Major Exchange Banks and Thrifts with Total Assets \$2.0 Billion - \$6.5 Billion (112 Companies)</b>																			
High			4,586	594	36.3	27.5	100.0	4.4	6,408	4.79	19.79	26.95	29.40	3.41	25.43	5.02	2.87	31.46	5.46
Low			146	1	7.1	7.4	67.2	--	2,024	0.02	4.98	8.73	11.12	NM	NM	NM	NM	NM	NM
Mean			554	149	11.5	12.5	92.7	2.4	3,693	0.57	9.12	13.27	15.79	1.30	12.73	1.78	1.24	11.14	1.75
Median			448	133	10.6	11.7	93.8	2.4	3,242	0.40	8.84	12.82	15.12	1.28	13.26	1.73	1.27	10.64	1.72
<b>CSTR</b>	<b>Capstar Finl Hldgs Inc</b>	<b>Nashville, TN</b>	<b>487</b>	<b>151</b>	<b>10.0</b>	<b>11.4</b>	<b>95.5</b>	<b>1.1</b>	<b>3,112</b>	<b>0.20</b>	<b>10.51</b>	<b>13.95</b>	<b>16.23</b>	<b>1.64</b>	<b>14.13</b>	<b>2.05</b>	<b>1.19</b>	<b>10.17</b>	<b>1.85</b>

<sup>1</sup>) NPAs / Assets = (Nonaccrual Loans + TDR + OREO) / Total Assets  
Source: S&P Global Market Intelligence

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