



CAPSTAR

# 2020 Annual Report to Shareholders

April 23, 2021

## 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 Financial Holdings, Inc.



**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>	\$18.34
Market Cap	\$405MM
P/E <sup>(2)</sup>	10.2
P/TBV <sup>(1)</sup>	137%
Avg. Daily Vol. (30d)	59,610
Insider Ownership <sup>(3)</sup>	9.9%
Institutional Ownership	33.7%
Dividend Yield	1.1%

## 1Q21 Snapshot

Dollars in Millions

### BALANCE SHEET (EOP)

Total Assets	\$3,150
Total Loans HFI	\$1,941
Total Deposits	\$2,751

### CAPITAL RATIOS

TCE / TA	9.50%
Tier 1 Leverage Ratio	9.78%
Total RBC Ratio	16.29%

### ASSET QUALITY

NCOs / Average Loans <sup>(4)</sup>	0.00%
NPAs / Loans HFI + OREO	0.30%
Texas Ratio <sup>(5)</sup>	2.70%

(1) Based on market data as of 4/16/2021.

(2) Based on trailing twelve months operating earnings.

(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).

# 2020 Year in Review



# 2020 Financial Results



(Dollars in millions, except per share data)	GAAP		Operating <sup>(1)</sup>	
	2020	Favorable / (Unfavorable)	2020	Favorable / (Unfavorable)
		2019		2019
<b>Net Interest Income</b>	\$76.32	13%	\$76.32	13%
<b>Noninterest Income</b>	\$43.25	78%	\$43.25	78%
<b>Revenue</b>	\$119.57	30%	\$119.57	30%
<b>Noninterest Expense</b>	\$77.36	-25%	\$71.97	-21%
<b>Pre-tax Pre-provision Income</b>	<b>\$42.21</b>	<b>41%</b>	<b>\$47.60</b>	<b>46%</b>
<b>Provision for Loan Losses</b>	\$11.48	NM	\$11.48	NM
<b>Net Income</b>	\$24.70	10%	\$28.68	18%
<b>Diluted Earnings per Share</b>	<b>\$1.22</b>	<b>2%</b>	<b>\$1.42</b>	<b>8%</b>

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

# 2020 Key Performance Indicators



	Operating Metrics <sup>(1)</sup>	2020	2019	2018
Profitability	Net Interest Margin <sup>(2)</sup>	3.10%	3.64%	3.55%
	Efficiency Ratio <sup>(3)</sup>	60.19%	64.49%	65.05%
	Pretax Preprovision Income / Assets <sup>(4)</sup>	1.82%	1.63%	1.53%
	Return on Average Assets	1.09%	1.21%	1.13%
	Return on Average Tangible Equity	11.09%	11.14%	10.81%
Growth	Total Assets (Avg)	\$2,623	\$2,007	\$1,529
	Total Deposits (Avg)	\$2,259	\$1,671	\$1,245
	Total Loans HFI (Avg) (Excl PPP)	\$1,570	\$1,452	\$1,135
	Diluted Earnings per Share	\$1.42	\$1.31	\$1.19
	Tangible Book Value per Share	\$13.36	\$12.45	\$11.20
Soundness	Net Charge-Offs to Average Loans (Annualized)	0.05%	0.02%	0.39%
	Non-Performing Assets / Loans + OREO	0.28%	0.18%	0.21%
	Allowance for Loan Losses + Fair Value Mark / Loans Excl PPP	1.59%	1.57%	1.21%
	Tangible Common Equity / Tangible Assets	10.01%	11.47%	10.39%
	Total Risk Based Capital	16.03%	13.45%	12.84%

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

(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.

# 2020 Key Accomplishments



- **Entered Knoxville with a commercial banking office**
  - Began in January and worked 10 months from their houses; ~\$100 million in loans and commitments today
- **Provided outstanding support to our employees, customers, and communities during a most challenging year**
  - IT department had our employees in a 100% remote work environment within a week
  - Leader in loan deferral programs and PPP
  - Over and above customer service while our families were also confronting the challenges of COVID
- **Proactive and continuous risk management**
  - Proactive portfolio management and risk monitoring of our loan portfolio providing strong reserves for potential credit losses on top of healthy capital levels
  - Monitored and actively communicated COVID testing levels by market
- **Record results across our fee-based businesses**
  - Outstanding performance from our mortgage, Tri-Net, and SBA businesses allowing us to overcome unanticipated credit provisions
- **Developed Strategic Plan to position CapStar as a leader within our industry**
  - Designed to enhance our profitability and earnings consistency, accelerate organic growth, maintain sound risk management principles, and develop disciplined capital allocation

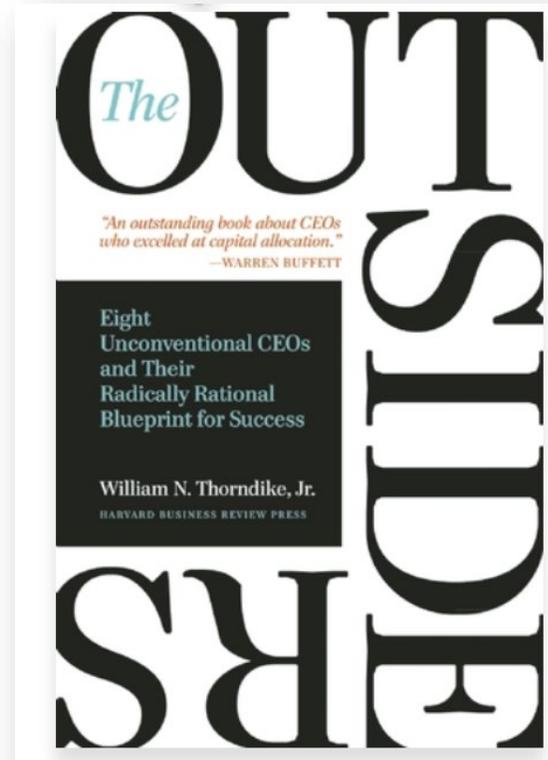
# Leadership Team



<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
Chris Tietz	Chief Credit Officer	58	36	2016
Denis Duncan	Chief Financial Officer	62	40	2020
John Davis	Chief Operations & Technology Officer	58	29	2019
Steve Groom	Chief Risk Officer & General Counsel	69	30	2020

<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	52	27	2020
Ken Webb	Middle Tennessee Market Chairman	67	44	2008
Lee Hunter	Executive Vice President - CRE	55	28	2013
Hart Weatherford	Executive Vice President - Mortgage	46	22	2014

# Management Philosophy



*"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."*

# 2021 – 2023 Emphasis



# Strategy



# Company Culture



## Work Hard. Have Fun.

Through a challenging year, our teams persevered with a focus on health, safety, exceptional service to our customers and communities and having *fun* along the way.



St. Patrick's Day Fun



Rockin' our Socks for World Down Syndrome Day



Ugly Christmas Sweater Celebration



Halloween Employee Costume Contest



FCB Conversion Weekends



# Business Model



## 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
- Operate efficiently and seek low-cost deposits
- 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

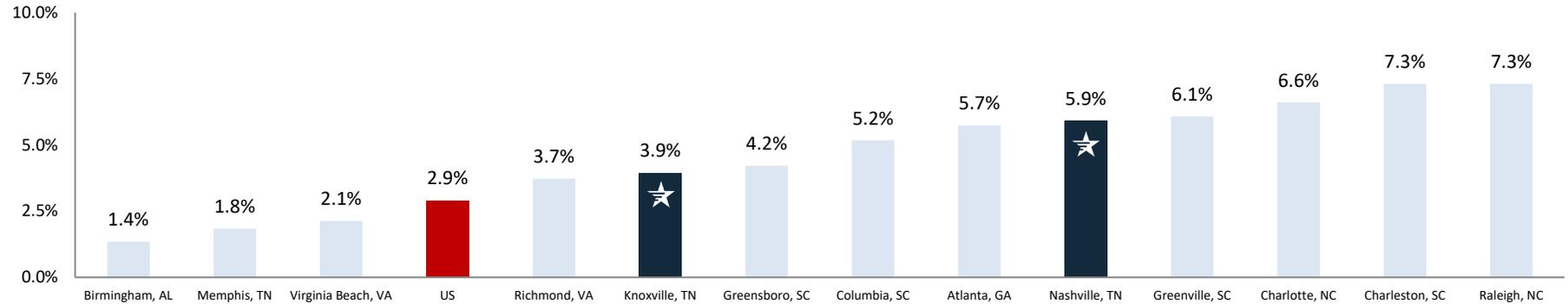
### Goals

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

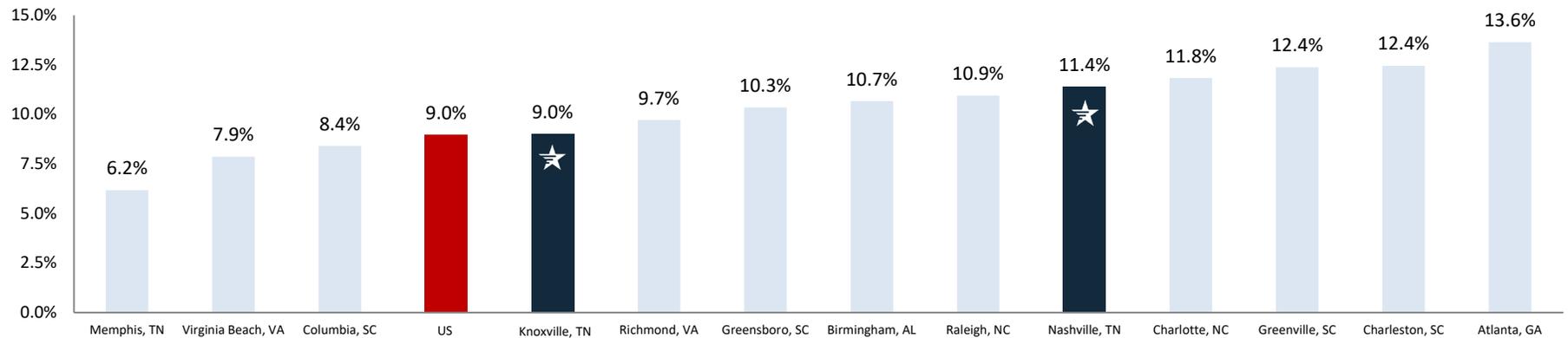
# Attractive Markets



## 2021 - 2026 Projected Population Growth



## 2021 - 2026 Projected Household Income Growth



Source: S&P Global Market Intelligence.  
Includes all MSAs located in AL, AR, GA, KY, MS, NC, SC, TN, VA, and WV with 2020 population greater than 750,000.

# Attractive Markets



## 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	\$1,328,434	9	701.3	4.3%	68.5	14.7%
McMinn	Athens	333,001	1	54.2	3.0%	46.5	9.4%
Sumner	Nashville	152,140	11	196.8	6.7%	72.4	12.9%
Williamson	Nashville	154,091	12	247.9	7.6%	116.4	4.4%
Bradley	Cleveland	47,499	9	109.7	4.7%	53.9	10.4%
Rutherford	Nashville	31,970	14	344.3	7.4%	68.3	4.6%
Knox	Knoxville	6,549	30	476.6	4.5%	61.4	8.2%
<b>Community Markets</b>							
Coffee	Tullahoma	156,629	2	57.3	4.4%	54.7	9.5%
Monroe	---	100,014	4	46.9	3.2%	44.2	6.3%
Lawrence	Lawrenceburg	91,085	3	44.6	3.9%	46.1	7.6%
Cannon	Nashville	88,964	1	15.0	4.9%	55.9	5.9%
Wayne	---	73,053	3	16.6	0.8%	41.8	12.1%

(1) FDIC Deposit data as of June 30, 2020; Source: S&P Global Market Intelligence.

# In the Community



- Made substantial donations to tornado relief efforts in the Nashville and Waynesboro markets
- Contributed \$30,000 to Second Harvest Food Banks in Middle and East Tennessee to support those most directly impacted by the COVID-19 pandemic, providing over 10,000 meals during the challenging period
- Supported education, arts and other community initiatives

Featured in the TBA's *Tennessee Banker Magazine* for volunteerism during United Way's Week of Caring



# Balance Sheet Strength

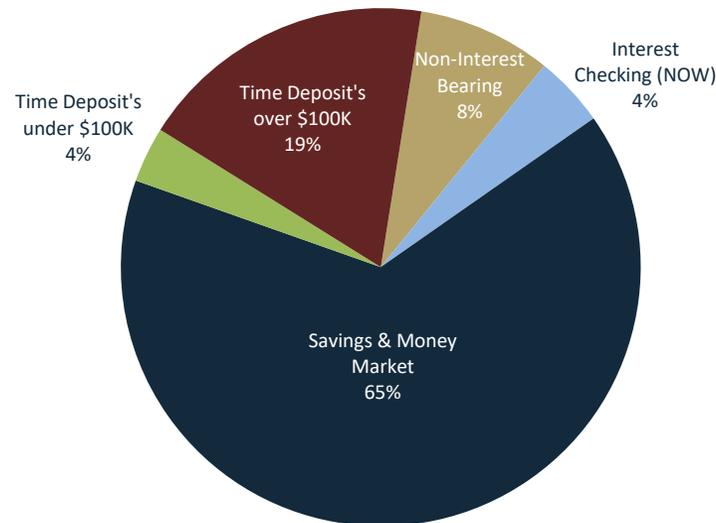


# Improved Funding Profile



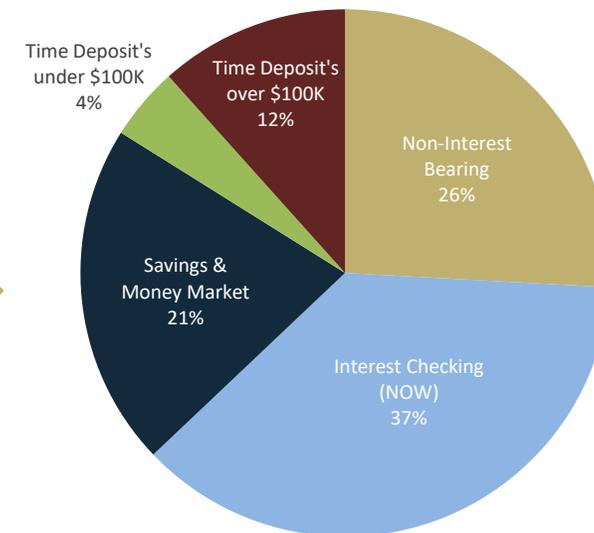
Since 2011, demand deposits and NOW accounts have grown from 12% of the total deposit portfolio to 63%

### Deposit Composition



End of Period Balances as of December 31, 2011

### Deposit Composition



End of Period Balances as of March 31, 2021

# Disciplined Credit Culture

## Credit Culture

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

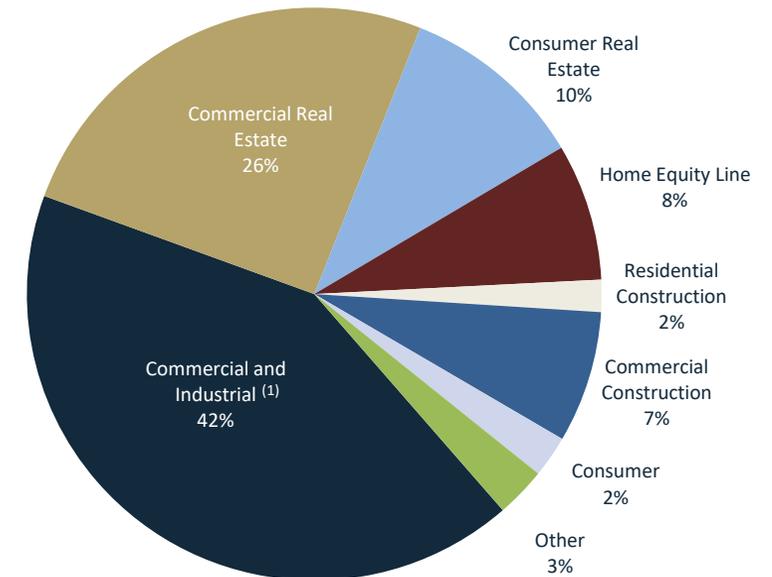
## Underwriting and portfolio management

- Weekly credit committee; approves relationships > \$4MM
- Centralized consumer and small business underwriting
- Monthly asset quality reviews
- Quarterly review of portfolio limits
- 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 0.35%
- Net charge-offs over the last 8 quarters < \$140,000
- In-market loans > 95%
- Shared national credits < 3%

## Loan Composition



End of Period Balances as  
of March 31, 2021

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

(2) As of March 31, 2021.

# Strong Capital Ratios



Capital Ratios	1Q21	4Q20	1Q20	"Well Capitalized" Guidelines
Leverage	9.78%	9.60%	11.23%	≥ 5.00%
Tangible Common Equity / Tangible Assets	9.50%	10.01%	11.43%	NA
Tier 1 Risk Based Capital	13.79%	13.52%	12.56%	≥ 8.00%
Total Risk Based Capital	16.29%	16.03%	13.68%	≥ 10.00%

- Capital ratios remained significantly above “well capitalized” minimums
- Versus 4Q20, increase across all capital ratios except tangible common equity
- Versus 1Q20, leverage and tangible capital ratios declined due to the inflow of excess deposits and the FCB acquisition while risk-based capital ratios increased due to the issuance of sub debt in 2Q20

# Profitability

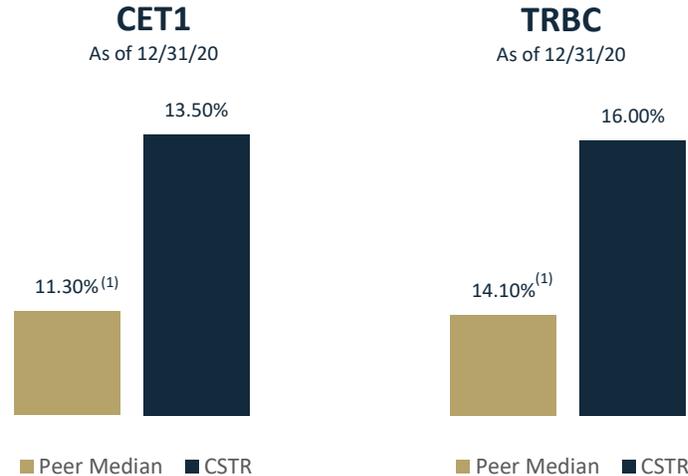


# Active Initiatives



<b>NIM</b>	<ul style="list-style-type: none"><li>• DDA now highest incentive opportunity</li><li>• Created deposit pricing committee</li><li>• Engaged Darling Consulting for ALM services</li><li>• Historically, took positions based on rate outlooks</li><li>• Going forward, will manage closer to neutral</li></ul>
<b>Productivity</b>	<ul style="list-style-type: none"><li>• Benchmarking to peers</li><li>• Aligning incentives and increasing accountability</li><li>• Increased focus on share of wallet</li><li>• Implementing work measurements for all positions</li><li>• Reviewing 100% of all expenses</li></ul>
<b>Capital Allocation</b>	<ul style="list-style-type: none"><li>• Evaluating strategies for excess capital and future capital generation</li><li>• Investing in our core business such as Knoxville, additional MTN bankers, and FCB</li><li>• Established dividend guidelines targeting a 10-35% payout ratio</li><li>• Defined share repurchase parameters to allow us to be opportunistic</li></ul>

# Capital Allocation Strategies



- CapStar has \$45-\$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

## 3 Share Repurchase

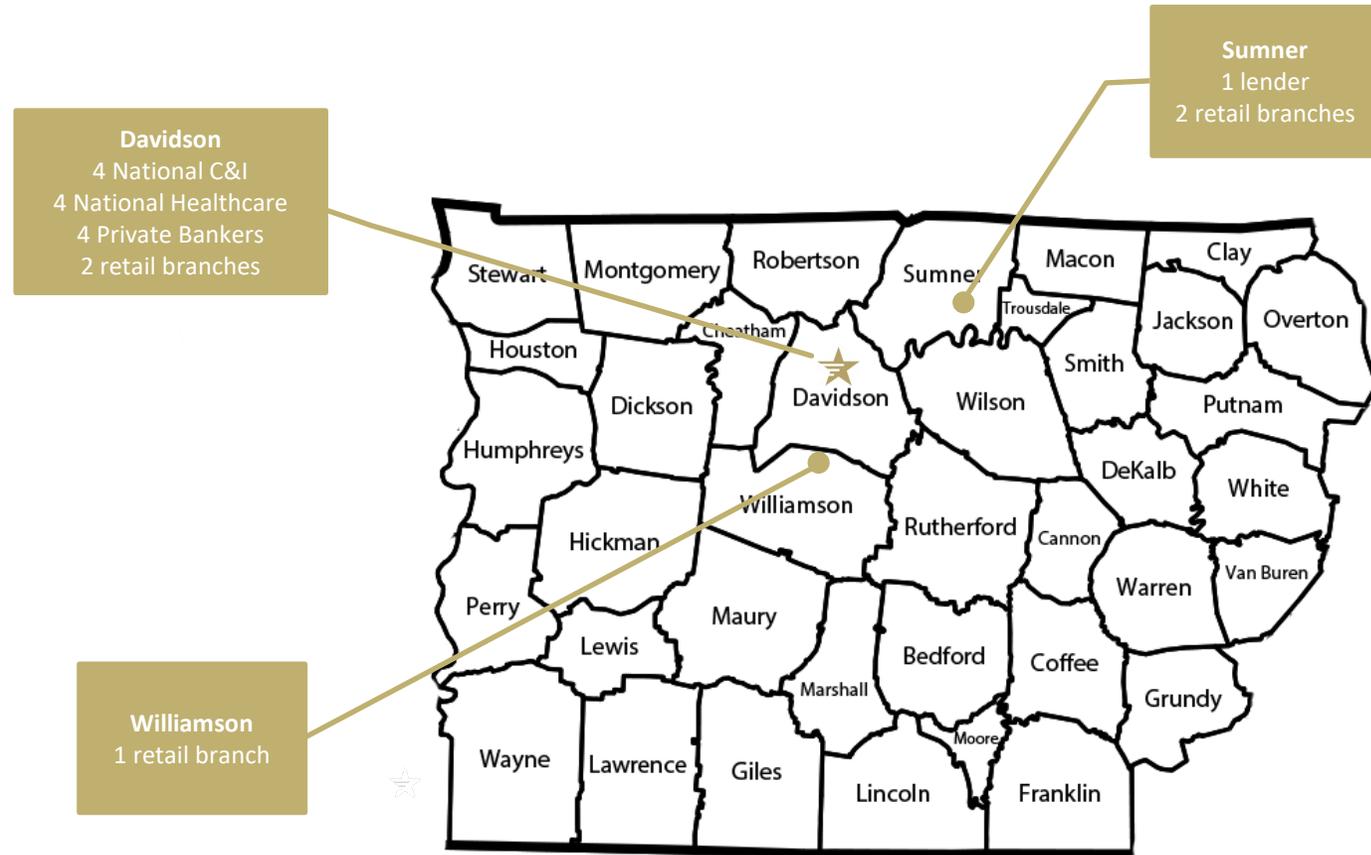
- At times, our stock is our best investment
- Announced \$30MM share repurchase in 1Q20 to be opportunistic

(1) Source: S&P Global Market Intelligence, FactSet, Data as of 12/31/20.  
Includes all banks headquartered in AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA and WV with total assets \$1.5 - \$5.0B.

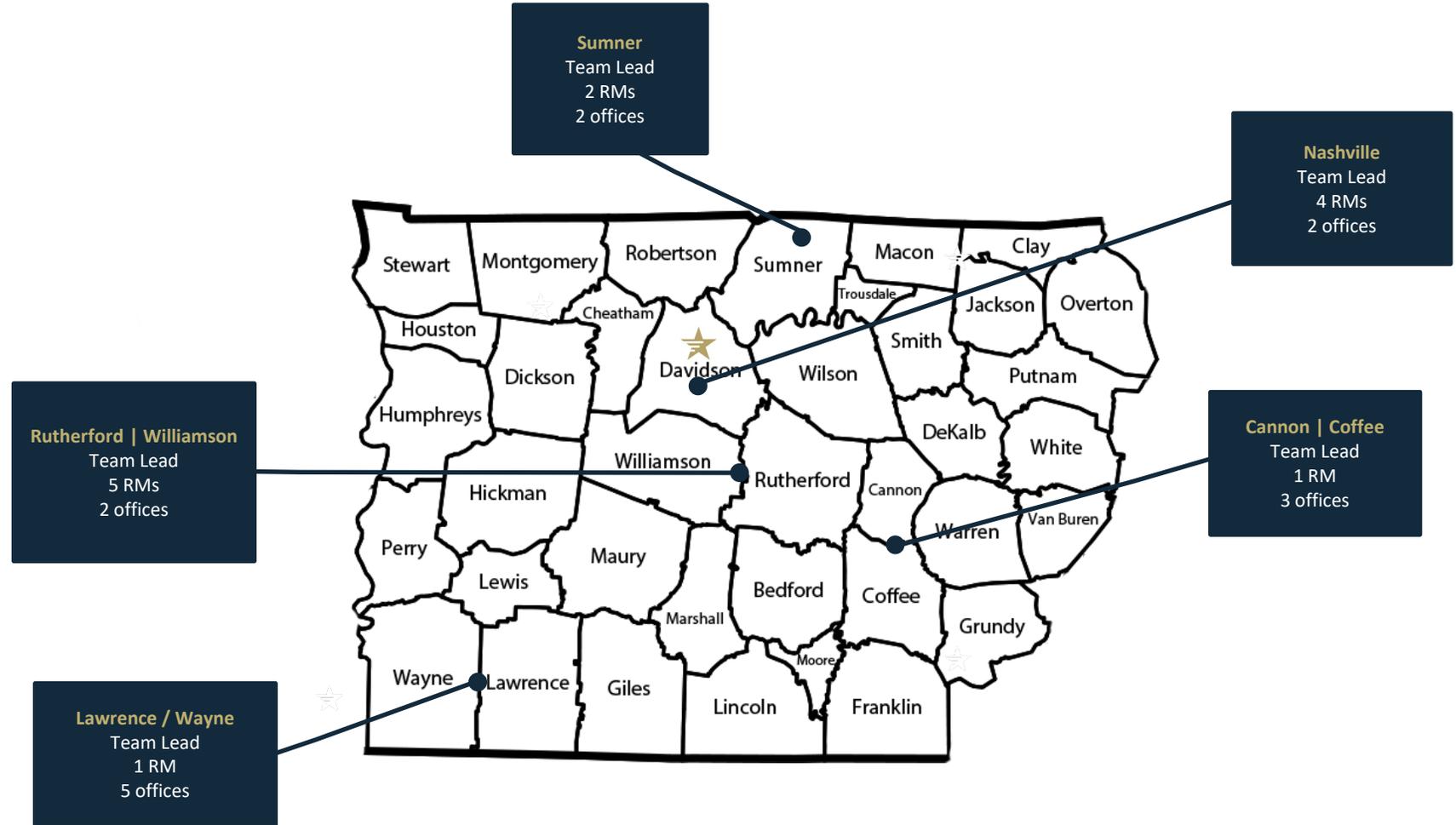
# Growth



# Middle Tennessee - 2018



# Middle Tennessee - 2021

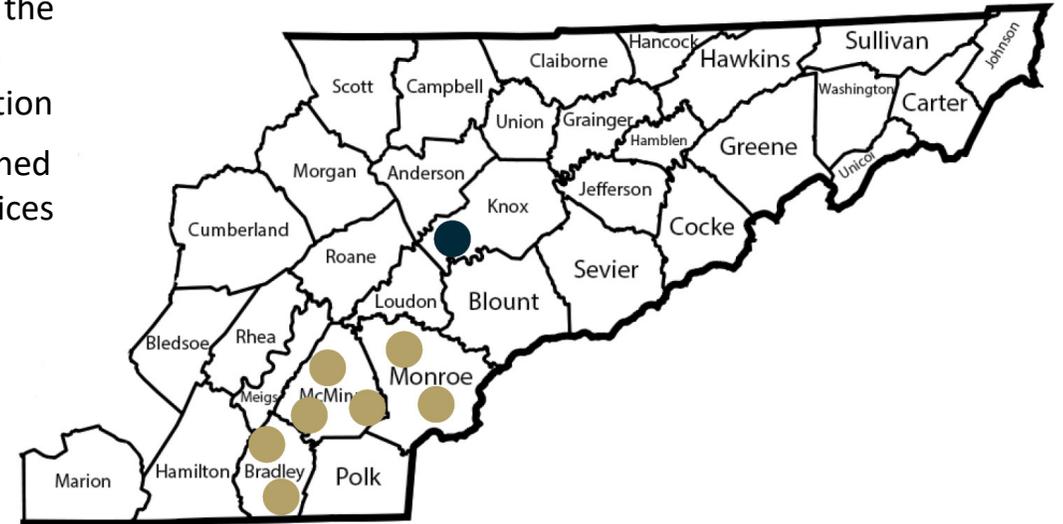


Growth

# Knoxville Expansion



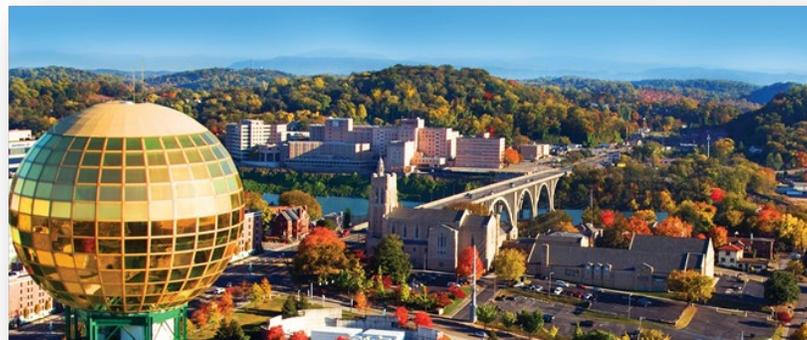
- Announced expansion into Knoxville in January 2020 with the hiring of a team of veteran, local bankers, capitalizing on CapStar’s 2018 investment of Athens Bancshares Corporation
- Experienced Market Executive and advisory board positioned to establish CapStar as a leading provider of financial services 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
  - ~ \$100 MM of loans and commitments today



## 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. New & 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.



## Specialty Banking



**CRE**  
**\$400MM**

*Record Balance Achieved 1Q21*

**Tri-Net**  
**\$323MM**

*2020 Production Record*

**Valley Title**  
**\$1.1MM**

*2020 Record Revenue*

## Mortgage

**\$1B**

*2020 Production Record*

## SBA | GGL

**\$40MM**

*2020 Production  
Record*

**\$342MM**

*PPP Loans  
Processed*

# 1Q21 Highlights



# 1Q21 Financial Results



## Executing on strategic objectives

- Improve profitability and earnings consistency
- Accelerate organic growth
- Maintain sound risk management
- Develop disciplined capital allocation

## Strong 1Q21 results

- Operating earnings per share of \$0.50 and ROAA of 1.46%
- NIM adjusted for excess deposits and PPP was relatively flat at 3.35%
- Loans grew on an average basis by 11.5% annualized (excluding PPP)
- Operating efficiency ratio of 53.88%, a record low

## Proactive risk management

- Improvement in criticized and classified loans
- Minimal loan deferrals to a small and diminishing number of borrowers
- Net Charge-offs have averaged <\$140,000 the last 8 quarters

## Disciplined capital allocation

- Investing in core business expanding in Knoxville and hiring additional MTN bankers
- Increased quarterly dividend 20%
- Announced substantial share repurchase to be opportunistic at the appropriate time

# 1Q21 Financial Highlights



## Four Key Drivers

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

Target:  $\geq 5\%$   
1Q21 YTD: 42.9%

### NET INTEREST MARGIN

Target:  $\geq 3.60\%$   
1Q21: 3.13%

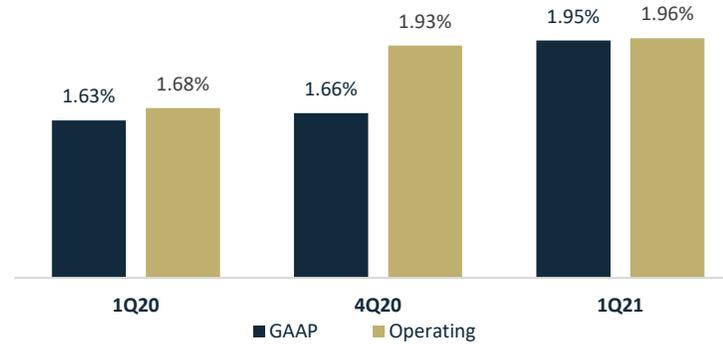
### EFFICIENCY<sup>(2)</sup>

Target:  $\leq 55\%$   
1Q21: 53.88%

### NET CHARGE OFFS

Target:  $\leq 0.25\%$   
1Q21: 0.00%

Pretax Preprovision Income / Assets



Return on Average Assets

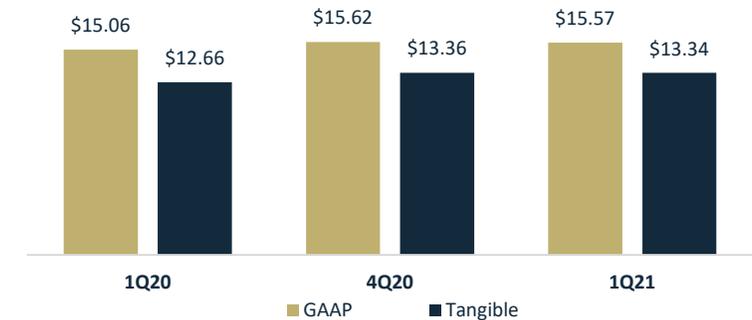


## Scorecard

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.

# 1Q21 Key Performance Indicators



	Operating Metrics <sup>(1)</sup>	1Q21	4Q20	1Q20
Profitability	Net Interest Margin <sup>(2)</sup>	3.13%	3.12%	3.50%
	Efficiency Ratio <sup>(3)</sup>	53.88%	56.85%	61.78%
	Pretax Preprovision Income / Assets <sup>(4)</sup>	1.96%	1.93%	1.68%
	Return on Average Assets	1.46%	1.48%	0.30%
	Return on Average Tangible Equity	14.92%	15.38%	2.68%
Growth	Total Assets (Avg)	\$3,079	\$3,028	\$2,059
	Total Deposits (Avg)	\$2,664	\$2,613	\$1,736
	Total Loans HFI (Avg) (Excl PPP)	\$1,734	\$1,686	\$1,421
	Diluted Earnings per Share	\$0.50	\$0.51	\$0.08
	Tangible Book Value per Share	\$13.34	\$13.36	\$12.66
Soundness	Net Charge-Offs to Average Loans (Annualized)	0.00%	0.02%	0.01%
	Non-Performing Assets / Loans + OREO	0.30%	0.28%	0.26%
	Allowance for Loan Losses + Fair Value Mark / Loans Excl PPP	1.59%	1.57%	1.61%
	Tangible Common Equity / Tangible Assets	9.50%	10.01%	11.43%
	Total Risk Based Capital	16.29%	16.03%	13.68%

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

(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.

# CSTR Investment Thesis



## 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

- Dynamic and stable markets offer opportunities for customer growth and expansion
- Three recent acquisitions provide greater scale to leverage
- Strong capital and cash levels available for capital deployment

## Repeatable Investment Opportunities

- Beneficiary of significant immigration 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

# Questions



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



# Non-GAAP Financial Measures



	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
(Dollars in thousands, except per share information)					
<b>TANGIBLE COMMON EQUITY</b>					
Total Shareholders' Equity	\$ 343,944	\$ 343,486	\$ 333,895	\$ 281,950	\$ 275,790
Less: Intangible Assets	49,190	49,698	50,222	43,633	44,008
Tangible Common Equity	294,754	293,788	283,673	238,317	231,782
<b>TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS</b>					
Tangible Common Equity	\$ 294,754	\$ 293,788	\$ 283,673	\$ 238,317	\$ 231,782
Total Assets	3,150,457	2,984,102	3,024,348	2,445,172	2,072,585
Less: Intangible Assets	49,190	49,698	50,222	43,633	44,008
Tangible Assets	3,101,268	2,934,404	2,974,127	2,401,539	2,028,578
Tangible Common Equity to Tangible Assets	9.50%	10.01%	9.54%	9.92%	11.43%
<b>TANGIBLE BOOK VALUE PER SHARE, REPORTED</b>					
Tangible Common Equity	\$ 294,754	\$ 293,788	\$ 283,673	\$ 238,317	\$ 231,782
Shares of Common Stock Outstanding	22,089,873	21,988,803	21,947,805	18,302,188	18,307,802
Tangible Book Value Per Share, Reported	\$ 13.34	\$13.36	\$12.92	\$13.02	\$12.66

# Non-GAAP Financial Measures



	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
(Dollars in thousands, except per share information)					
<b>RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Total Average Shareholders' Equity	\$ 350,681	\$ 340,709	\$ 321,506	\$ 281,614	\$ 278,550
Less: Average Intangible Assets	49,514	50,038	50,577	43,871	44,253
Average Tangible Equity	301,167	290,671	270,929	237,743	234,297
Net Income	11,030	9,681	7,487	6,181	1,346
Return on Average Tangible Equity (ROATE)	14.85%	13.25%	10.99%	10.46%	2.31%

# Non-GAAP Financial Measures



	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
(Dollars in thousands, except per share information)					
<b>OPERATING NET INCOME</b>					
Net Income	\$ 11,030	\$ 9,681	\$ 7,487	\$ 6,181	\$ 1,346
Add: Merger Related Expense	67	2,105	2,548	448	290
Less: Income Tax Impact	(17)	(550)	(666)	(117)	(76)
Operating Net Income	11,079	11,236	9,369	6,512	1,560
<b>OPERATING DILUTED NET INCOME PER SHARE</b>					
Operating Net Income	\$ 11,079	\$ 11,236	\$ 9,369	\$ 6,512	\$ 1,560
Average Diluted Shares Outstanding	22,076,600	21,978,925	21,960,490	18,320,006	18,443,725
Operating Diluted Net Income per Share	\$ 0.50	\$ 0.51	\$ 0.43	\$ 0.36	\$ 0.08
<b>OPERATING RETURN ON AVERAGE ASSETS (ROAA)</b>					
Operating Net Income	\$ 11,079	\$ 11,236	\$ 9,369	\$ 6,512	\$ 1,560
Total Average Assets	3,078,745	3,028,225	3,043,847	2,350,021	2,059,306
Operating Return on Average Assets (ROAA)	1.46%	1.48%	1.22%	1.11%	0.30%
<b>OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Average Tangible Equity	\$ 301,167	\$ 290,671	\$ 270,929	\$ 237,743	\$ 234,297
Operating Net Income	11,079	11,236	9,369	6,512	1,560
Operating Return on Average Tangible Equity (ROATE)	14.92%	15.38%	13.76%	11.02%	2.68%

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				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
(Dollars in thousands, except per share information)					
<b>OPERATING NONINTEREST EXPENSE</b>					
Noninterest Expense	\$ 17,413	\$ 21,478	\$ 22,739	\$ 18,934	\$ 14,211
Less: Merger Related Expense	(67)	(2,105)	(2,548)	(448)	(290)
Operating Noninterest Expense	17,346	19,373	20,191	18,486	13,921
<b>OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS</b>					
Operating Noninterest Expense	\$ 17,346	\$ 19,373	\$ 20,191	\$ 18,486	\$ 13,921
Total Average Assets	3,078,745	3,028,225	3,043,847	2,350,021	2,059,306
Operating Noninterest Income / Average Assets	2.28%	2.55%	2.64%	3.16%	2.72%
<b>OPERATING EFFICIENCY RATIO</b>					
Operating Noninterest Expense	\$ 17,346	\$ 19,373	\$ 20,191	\$ 18,486	\$ 13,921
Net Interest Income	22,182	22,331	19,656	17,675	16,661
Noninterest Income	10,014	11,748	14,804	10,823	5,874
Total Revenues	32,196	34,079	34,460	28,498	22,535
Operating Efficiency Ratio	53.88%	56.85%	58.59%	64.87%	61.78%

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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