

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 24, 2019

**CAPSTAR FINANCIAL HOLDINGS, INC.**  
(Exact name of registrant as specified in its charter)

Tennessee  
(State or other jurisdiction of  
incorporation)

001-37886  
(Commission File Number)

81-1527911  
(IRS Employer Identification  
No.)

1201 Demonbreun Street, Suite 700  
Nashville, Tennessee  
(Address of principal executive offices)

37203  
(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))

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 24, 2019, CapStar Financial Holdings, Inc. (the “Company”) issued an earnings release announcing its financial results for the fourth quarter ended December 31, 2018. 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 25, 2019 to discuss its financial results for the fourth quarter ended December 31, 2018. A copy of the presentation to be used for the conference call is furnished as Exhibit 99.2 to this Report and is incorporated herein by reference.

## Section 7 – Regulation FD

### Item 7.01. Regulation FD Disclosure.

The disclosure set forth in Item 2.02 of this Report is incorporated herein by reference.

## Section 9 – Financial Statements and Exhibits

### Item 9.01. Financial Statements and Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	<a href="#">Earnings release issued on January 24, 2019 by CapStar Financial Holdings, Inc.</a>
99.2	<a href="#">Presentation for conference call to be conducted by CapStar Financial Holdings, Inc. on January 25, 2019.</a>

**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/ Robert B. Anderson  
Robert B. Anderson  
Chief Financial Officer and Chief Administrative Officer

Date: January 24, 2019

## EARNINGS RELEASE

## CONTACT

**Rob Anderson**  
**Chief Financial Officer and Chief Administrative Officer**  
**(615) 732-6470**



**CapStar Reports Fully Diluted EPS of (\$0.04) and Fully Diluted Operating EPS of \$0.33 for 4Q 2018**  
**CapStar Reports Record Fully Diluted Operating EPS of \$1.19 for 2018**

**NASHVILLE, TN, January 24, 2018/GlobeNewswire/ -- CapStar Financial Holdings, Inc. (“CapStar”) (NASDAQ:CSTR)** reported a net loss of (\$0.7) million, or (\$0.04) per share on a fully diluted basis, for the three months ended December 31, 2018, compared to net income of \$0.0 million, or \$0.01 per share on a fully diluted basis, for the three months ended December 31, 2017. Operating<sup>(1)</sup> net income was \$6.2 million, or \$0.33 per share on a fully diluted basis, for the three months ended December 31, 2018, compared to \$3.7 million, or \$0.28, for the three months ended December 31, 2017.

Net income for the twelve months ended December 31, 2018 was \$9.7 million, or \$0.67 per share on a fully diluted basis, compared to net income of \$1.5 million, or \$0.12 per share on a fully diluted basis, for the twelve months ended December 31, 2017. Operating net income was \$17.2 million, or \$1.19 per share on a fully diluted basis, for the twelve months ended December 31, 2018, compared to \$5.1 million, or \$0.40, for the twelve months ended December 31, 2017.

“From a performance standpoint, 2018 was a good year for CapStar,” said Claire W. Tucker, CapStar’s president and chief executive officer. “We initiated a quarterly dividend for our shareholders, were named a C&I leader in U.S. Small Business Banking by Greenwich Associates, and closed our acquisition of Athens Bancshares,” Ms. Tucker continued. “I am very proud of our team’s efforts under very difficult circumstances. The sudden passing of CapStar Bank president Dan W. Hogan was a tragic loss for everyone who knew him, and he will be missed tremendously. However, the strength of the CapStar culture that Dan helped build and exemplified so well stood out in each of our associates when it mattered most. Our focus on caring for our customers and each other never wavered.”

**Soundness**

- The current reserve of \$12.1MM plus the \$5.2MM fair value mark on acquired loans would equate to a 1.21% reserve/loans.
- Current Criticized and Classified loans are at a low level, totaling 1.71% at December 31, 2018 compared to 2.64% at December 31, 2017.
- Non-performing assets as a percentage of total loans and other real estate owned was 0.21% at December 31, 2018 compared to 0.28% at December 31, 2017.
- Annualized net charge-offs to average loans was 1.27% for the three months ended December 31, 2018 compared to 0.15% for the same period in 2017.

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

- Annualized net charge-offs for the year ended December 31, 2018 totaled 0.39%, compared to 1.09% for the year ended December 31, 2017.
- The total risk based capital ratio was 12.84% at December 31, 2018 compared to 12.52% at December 31, 2017.

“CapStar’s strategy remains one of sound, profitable growth. While charge-offs are never easy to accept, our current criticized loans are at historic low points and we feel very good about our asset quality going forward,” Ms. Tucker continued.

### **Profitability**

Operating measures exclude merger-related expenses unrelated to CapStar’s normal operations. CapStar believes these measures are useful to investors as they exclude certain costs resulting from acquisition activity and allow investors to more clearly see the financial results of the CapStar’s operations.

- Operating return on average assets ("ROAA") for the three months ended December 31, 2018 was 1.27% compared to 1.09% for the same period in 2017.
- Operating return on average tangible equity ("ROATE") for the three months ended December 31, 2018 was 12.36% compared to 10.25% for the same period in 2017.
- The net interest margin ("NIM") for the three months ended December 31, 2018 was 3.89% compared to 3.30% for the same period in 2017.
- The operating efficiency ratio for the three months ended December 31, 2018 was 61.83% compared to 65.63% for the same period in 2017.

“Our profitability profile improved significantly with the closing of the Athens acquisition on October 1, 2018,” said Rob Anderson, chief financial officer and chief administrative officer of CapStar. “While competition for quality loans and core deposits remains fierce, we will stick to our discipline of sound, profitable, growth.”

### **Growth**

- Average gross loans for the quarter ended December 31, 2018 increased 50.5% to \$1.44 billion, compared to \$956.4 million for the same period in 2017.
  - Excluding the impact of acquired loans, legacy CapStar loans increased 13.9% compared to the same period in 2017.
- Average deposits for the quarter ended December 31, 2018 increased 46.0% to \$1.58 billion, compared to \$1.1 billion for the same period in 2017.
  - Excluding the impact of acquired deposits, legacy CapStar deposits increased 4.1% compared to the same period in 2017.
- Average total assets for the quarter ended December 31, 2018 increased 46.0% to \$1.94 billion, compared to \$1.33 billion for the same period in 2017.

“With the acquisition of Athens, we experienced an increase in our loan portfolio of over 50% from the fourth quarter of 2017. Excluding the impact of acquired loans, legacy CapStar loans grew 14% since the end of last year as our bankers continue to provide excellent service and differentiate themselves with our customers,” said Mr. Anderson. “In addition, we continue to make good progress in our integration efforts with Athens Federal and are on track with our stated synergies and delivering on the economics of the merger at announcement. I’m confident the combined organization will bring even stronger value to our shareholders, our customers and the communities in which we serve,” Anderson concluded.

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## **Dividend**

On January 24, 2019, the board of directors of CapStar approved a quarterly dividend of \$0.04 per share that will be paid on or about February 25, 2019 to all shareholders of record of CapStar's capital stock as of the close of business on February 5, 2019.

## **Conference Call and Webcast Information**

CapStar will host a conference call and webcast at 9:00 a.m. Central Time on Friday, January 25, 2019. During the call, management will review the fourth quarter results and operational highlights. Interested parties may listen to the call by dialing (844) 412-1002. The conference ID number is 1857538. A simultaneous webcast may be accessed on CapStar's website at [ir.capstarbank.com](http://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, 2018, on a consolidated basis, CapStar had total assets of \$1.96 billion, gross loans of \$1.43 billion, total deposits of \$1.57 billion, and shareholders' equity of \$254.4 million. Visit [www.capstarbank.com](http://www.capstarbank.com) for more information.

## **Forward-Looking Statements**

Certain statements in this earnings release are forward-looking statements that reflect CapStar's current views with respect to, among other things, CapStar's assets, business, cash flows, condition (financial or otherwise), credit quality, financial performance, liquidity, short and long-term performance goals, prospects, results of operations, strategic initiatives and the timing, benefits, costs and synergies of recently completed and future acquisition, disposition and other growth opportunities, including, without limitation, those relating to the acceptance by customers of Athens of CapStar's products and services, the ability of CapStar to meet expectations regarding the benefits, costs, synergies, and financial and operational impact of the Athens merger, the possibility that any of the anticipated benefits, costs, synergies and financial and operational improvements of the Athens merger will not be realized or will not be realized as expected, the possibility that the Athens merger integration may be more expensive or take more time to complete than anticipated, the opportunities to enhance market share in certain markets and market acceptance of CapStar are generally in new markets and CapStar's commitment to make contributions to Athens Federal Foundation. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "aspire," "achieve," "estimate," "intend," "plan," "project," "projection," "forecast," "roadmap," "goal," "guidance," "target," "would," and "outlook," or the negative version of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about CapStar's industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond CapStar's control. The inclusion of these forward-looking statements should not be regarded as a representation by CapStar or any other person that such expectations, estimates and projections will be achieved. Accordingly, CapStar cautions you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although CapStar believes that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. There are or will be important factors that could cause CapStar's actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, any factors identified in this earnings release as well as those factors that are detailed from time to time in CapStar's periodic and current reports filed with the Securities and Exchange Commission, including those factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 under the headings "Item 1A. Risk Factors" and "Cautionary Note Regarding Forward Looking Statements" and in the Company's Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. If one or more events related to these or other risks or uncertainties materialize, or if CapStar's underlying assumptions prove to be incorrect, actual results may differ materially from its forward-looking statements. Accordingly, you should not place

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undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date of this earnings release, and CapStar does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. New risks and uncertainties may emerge from time to time, and it is not possible for CapStar to predict their occurrence or how they will affect CapStar.

#### **Non-GAAP Disclaimer**

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

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## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

## Fourth Quarter 2018 Earnings Release

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Interest income:				
Loans, including fees	\$ 20,554	\$ 11,666	\$ 60,751	\$ 45,601
Securities:				
Taxable	1,411	869	4,184	3,696
Tax-exempt	416	286	1,201	1,230
Federal funds sold	8	15	63	41
Restricted equity securities	181	125	571	396
Interest-bearing deposits in financial institutions	330	163	1,011	551
Total interest income	22,900	13,124	67,781	51,515
Interest expense:				
Interest-bearing deposits	1,371	608	4,164	2,447
Savings and money market accounts	1,619	827	5,446	3,188
Time deposits	1,472	694	3,940	2,445
Federal funds purchased	—	—	3	13
Securities sold under agreements to repurchase	3	—	3	0
Federal Home Loan Bank advances	719	477	2,533	1,559
Total interest expense	5,184	2,606	16,089	9,652
Net interest income	17,716	10,518	51,692	41,863
Provision for loan losses	1,514	(30)	2,842	12,870
Net interest income after provision for loan losses	16,202	10,548	48,850	28,993
Noninterest income:				
Treasury management and other deposit service charges	793	419	2,150	1,516
Net gain (loss) on sale of securities	1	(108)	3	(66)
Tri-Net fees	276	254	1,503	1,002
Mortgage banking income	1,324	1,621	5,653	6,238
Other noninterest income	3,993	550	6,150	2,218
Total noninterest income	6,387	2,736	15,459	10,908
Noninterest expense:				
Salaries and employee benefits	9,475	5,411	28,586	20,400
Data processing and software	1,424	746	3,835	2,786
Professional fees	534	473	1,608	1,522
Occupancy	736	507	2,336	2,025
Equipment	810	467	2,471	2,071
Regulatory fees	364	234	1,028	1,111
Merger related expenses	8,929	—	9,803	—
Other operating	1,560	861	3,820	3,850
Total noninterest expense	23,832	8,699	53,487	33,765
Income (loss) before income taxes	(1,243)	4,585	10,822	6,136
Income tax expense	(535)	4,494	1,167	4,635
Net income (loss)	\$ (708)	\$ 91	\$ 9,655	\$ 1,501
Per share information:				
Basic net income (loss) per share of common stock	\$ (0.04)	\$ 0.01	\$ 0.73	\$ 0.13
Diluted net income (loss) per share of common stock	\$ (0.04)	\$ 0.01	\$ 0.67	\$ 0.12
Weighted average shares outstanding:				
Basic	17,509,525	11,403,689	13,277,614	11,280,580
Diluted	18,716,562	12,938,288	14,480,347	12,803,511

This information is preliminary and based on company data available at the time of the presentation.



## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

## Fourth Quarter 2018 Earnings Release

	Five Quarter Comparison				
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
<b>Income Statement Data:</b>					
Net interest income	\$ 17,716	\$ 11,543	\$ 11,587	\$ 10,846	\$ 10,518
Provision for loan losses	1,514	481	169	678	(30)
Net interest income after provision for loan losses	16,202	11,062	11,418	10,168	10,548
Treasury management and other deposit service charges	793	528	427	402	419
Net gain (loss) on sale of securities	1	(1)	3	—	(108)
Tri-Net fees	276	374	325	528	254
Mortgage banking income	1,324	1,634	1,383	1,313	1,621
Other noninterest income	3,993	683	627	845	550
Total noninterest income	6,387	3,218	2,765	3,088	2,736
Salaries and employee benefits	9,475	6,514	6,340	6,257	5,411
Data processing and software	1,424	803	810	798	746
Professional fees	534	255	344	474	473
Occupancy	736	544	535	521	507
Equipment	810	520	602	539	467
Regulatory fees	364	228	233	203	234
Merger related expenses	8,929	540	335	—	—
Other operating	1,560	666	806	788	861
Total noninterest expense	23,832	10,070	10,005	9,580	8,699
Net income (loss) before income tax expense	(1,243)	4,210	4,178	3,676	4,585
Income tax (benefit) expense	(535)	554	665	483	4,494
Net income (loss)	\$ (708)	\$ 3,656	\$ 3,513	\$ 3,193	\$ 91
Weighted average shares - basic	17,509,525	12,040,229	11,845,822	11,664,245	11,403,689
Weighted average shares - diluted	18,716,562	13,113,775	13,067,223	12,975,759	12,938,288
Net income (loss) per share, basic	\$ (0.04)	\$ 0.30	\$ 0.30	\$ 0.27	\$ 0.01
Net income (loss) per share, diluted	(0.04)	0.28	0.27	0.25	0.01
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents	\$ 105,443	\$ 52,589	\$ 58,222	\$ 51,125	\$ 82,797
Securities available-for-sale	243,808	187,469	183,364	189,580	192,621
Securities held-to-maturity	3,734	3,740	3,746	3,752	3,759
Loans held for sale	57,618	50,499	65,320	62,286	74,093
Total loans	1,429,794	1,073,870	1,046,525	1,031,821	947,537
Allowance for loan losses	(12,113)	(15,218)	(14,705)	(14,563)	(13,721)
Total assets	1,963,883	1,416,907	1,401,181	1,382,745	1,344,429
Non-interest-bearing deposits	289,552	239,792	223,579	258,161	301,742
Interest-bearing deposits	1,280,456	886,611	921,435	869,393	818,124
Federal Home Loan Bank advances	125,000	125,000	95,000	100,000	70,000
Total liabilities	1,709,504	1,259,397	1,248,035	1,234,052	1,197,483
Shareholders' equity	\$ 254,379	\$ 157,510	\$ 153,146	\$ 148,693	\$ 146,946
Total shares of common stock outstanding	17,724,721	12,125,122	11,931,131	11,773,358	11,582,026
Total shares of preferred stock outstanding	878,048	878,048	878,049	878,049	878,049
Book value per share of common stock	\$ 13.84	\$ 12.25	\$ 12.08	\$ 11.87	\$ 11.91
Tangible book value per share of common stock *	11.25	11.74	11.56	11.34	11.37
Market value per common share	\$ 14.73	\$ 16.72	\$ 18.53	\$ 18.83	\$ 20.77
<b>Capital ratios:</b>					
Total risk based capital	12.84%	12.62%	12.53%	12.22%	12.52%
Tier 1 risk based capital	12.13%	11.49%	11.41%	11.11%	11.41%
Common equity tier 1 capital	11.61%	10.83%	10.73%	10.43%	10.70%
Leverage	11.06%	11.02%	10.87%	10.91%	10.77%

\*This metric is a non-GAAP financial measure. See below for discussion and reconciliation to the most directly comparable GAAP financial measure.

This information is preliminary and based on company data available at the time of the presentation.

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

## Fourth Quarter 2018 Earnings Release

	Five Quarter Comparison				
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
<b>Average Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 83,560	\$ 62,787	\$ 63,064	\$ 60,965	\$ 64,850
Investment securities	256,595	196,031	197,933	203,274	202,818
Loans held for sale	52,131	54,701	58,297	68,084	66,311
Loans	1,439,652	1,070,060	1,041,835	983,496	956,441
Assets	1,940,991	1,421,873	1,396,359	1,351,129	1,329,621
Interest bearing deposits	1,271,602	913,534	901,076	840,871	827,732
Deposits	1,579,250	1,147,274	1,138,400	1,111,182	1,081,380
Federal Home Loan Bank advances	102,304	109,728	99,121	84,533	92,554
Liabilities	1,695,181	1,265,610	1,244,824	1,202,854	1,181,954
Shareholders' equity	\$ 245,811	\$ 156,264	\$ 151,535	\$ 148,276	\$ 147,667
<b>Performance Ratios:</b>					
Annualized return on average assets	-0.14%	1.02%	1.01%	0.96%	0.03%
Annualized return on average equity	-1.14%	9.28%	9.30%	8.74%	0.25%
Net interest margin (1)	3.89%	3.35%	3.46%	3.39%	3.30%
Annualized Non-interest income to average assets	1.31%	0.90%	0.79%	0.93%	0.82%
Efficiency ratio	98.9%	68.2%	69.7%	68.8%	65.6%
<b>Loans by Type (at period end):</b>					
Commercial and industrial	\$ 404,600	\$ 398,626	\$ 386,065	\$ 408,353	\$ 373,248
Commercial real estate - owner occupied	141,932	117,904	121,475	131,741	101,132
Commercial real estate - non-owner occupied	408,514	286,848	286,769	258,016	249,490
Construction and development	174,670	129,799	96,580	91,953	82,586
Consumer real estate	253,562	112,957	109,915	104,224	102,581
Consumer	25,615	8,274	9,671	9,524	6,862
Other	\$ 21,002	\$ 19,792	\$ 36,428	\$ 28,750	\$ 31,984
<b>Asset Quality Data:</b>					
Allowance for loan losses to total loans	0.85%	1.42%	1.41%	1.41%	1.45%
Allowance for loan losses to non-performing loans	583%	271%	271%	1096%	509%
Nonaccrual loans	\$ 2,078	\$ 5,610	\$ 5,419	\$ 1,329	\$ 2,695
Troubled debt restructurings	2,947	1,146	1,173	1,190	1,206
Loans - over 89 days past due and accruing	214	215	216	-	231
Total non-performing loans	2,078	5,610	5,419	1,329	2,695
OREO and repossessed assets	988	-	-	-	-
Total non-performing assets	\$ 3,066	\$ 5,610	\$ 5,419	\$ 1,329	\$ 2,695
Non-performing loans to total loans	0.15%	0.52%	0.52%	0.13%	0.28%
Non-performing assets to total assets	0.16%	0.40%	0.39%	0.10%	0.20%
Non-performing assets to total loans and OREO	0.21%	0.52%	0.52%	0.13%	0.28%
Annualized net charge-offs (recoveries) to average loans	1.27%	(0.01)%	0.01%	-0.07%	0.15%
Net charge-offs (recoveries)	\$ 4,620	\$ (32)	\$ 27	\$ (165)	\$ 372
<b>Interest Rates and Yields:</b>					
Loans	5.49%	5.00%	5.04%	4.74%	4.54%
Securities (1)	3.30%	2.85%	2.82%	2.68%	2.83%
Total interest-earning assets (1)	5.02%	4.58%	4.58%	4.29%	4.11%
Deposits	1.12%	1.22%	1.11%	0.88%	0.78%
Borrowings and repurchase agreements	2.76%	2.53%	2.53%	2.35%	2.04%
Total interest-bearing liabilities	1.50%	1.64%	1.51%	1.27%	1.12%
<b>Other Information:</b>					
Full-time equivalent employees	286	185	183	182	175

This information is preliminary and based on company data available at the time of the presentation.

(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 2018 Earnings Release

	For the Three Months Ended December 31,					
	2018			2017		
	Average Outstanding Balance	Interest Income/Expense	Average Yield/Rate	Average Outstanding Balance	Interest Income/Expense	Average Yield/Rate
<b>Interest-Earning Assets</b>						
Loans (1)	\$ 1,439,652	\$ 19,904	5.49%	\$ 956,441	\$ 10,950	4.54%
Loans held for sale	52,131	650	4.95%	66,311	716	4.28%
Securities:						
Taxable investment securities (2)	198,799	1,592	3.20%	153,882	994	2.58%
Investment securities exempt from federal income tax (3)	57,796	416	3.64%	48,936	286	3.60%
Total securities	256,595	2,008	3.30%	202,818	1,280	2.83%
Cash balances in other banks	67,880	330	1.93%	52,988	163	1.22%
Funds sold	1,047	8	2.92%	2,989	15	2.04%
Total interest-earning assets	1,817,305	22,900	5.02%	1,281,547	13,124	4.11%
Noninterest-earning assets	123,686			48,074		
Total assets	<u>\$ 1,940,991</u>			<u>\$ 1,329,621</u>		
<b>Interest-Bearing Liabilities</b>						
Interest-bearing deposits:						
Interest-bearing transaction accounts	\$ 437,656	1,371	1.24%	\$ 281,881	608	0.86%
Savings and money market deposits	496,319	1,619	1.29%	346,639	827	0.95%
Time deposits	337,628	1,472	1.73%	199,212	694	1.38%
Total interest-bearing deposits	1,271,603	4,462	1.39%	827,732	2,129	1.02%
Borrowings and repurchase agreements	103,655	722	2.76%	92,554	477	2.04%
Total interest-bearing liabilities	1,375,258	5,184	1.50%	920,286	2,606	1.12%
Noninterest-bearing deposits	307,648			253,647		
Total funding sources	1,682,905			1,173,933		
Noninterest-bearing liabilities	12,275			8,021		
Shareholders' equity	245,811			147,667		
Total liabilities and shareholders' equity	<u>\$ 1,940,991</u>			<u>\$ 1,329,621</u>		
Net interest spread (4)			3.53%			2.99%
Net interest income/margin (5)		<u>\$ 17,716</u>	3.89%		<u>\$ 10,518</u>	3.30%

- (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 company data available at the time of the presentation.

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

## Fourth Quarter 2018 Earnings Release

(Amounts in thousands)	For the Year Ended December 31,					
	2018			2017		
	Average Outstanding Balance	Interest Income/Expense	Average Yield/Rate	Average Outstanding Balance	Interest Income/Expense	Average Yield/Rate
<b>Interest-Earning Assets</b>						
Loans (1)	\$ 1,134,836	\$ 57,962	5.11%	\$ 987,710	\$ 43,531	4.41%
Loans held for sale	58,250	2,789	4.79%	49,466	2,070	4.19%
Securities:						
Taxable investment securities (2)	166,287	4,755	2.86%	166,538	4,092	2.46%
Investment securities exempt from federal income tax (3)	47,270	1,201	3.22%	52,153	1,230	3.63%
Total securities	213,557	5,956	2.94%	218,691	5,322	2.74%
Cash balances in other banks	54,454	1,011	1.85%	49,990	551	1.10%
Funds sold	2,483	63	2.55%	2,518	41	1.63%
Total interest-earning assets	1,463,579	67,781	4.65%	1,308,375	51,515	3.99%
Noninterest-earning assets	65,336			49,419		
Total assets	\$ 1,528,915			\$ 1,357,794		
<b>Interest-Bearing Liabilities</b>						
Interest-bearing deposits:						
Interest-bearing transaction accounts	\$ 330,952	4,164	1.26%	\$ 301,411	2,447	0.81%
Savings and money market deposits	424,052	5,446	1.28%	378,640	3,188	0.84%
Time deposits	227,760	3,940	1.73%	194,892	2,444	1.25%
Total interest-bearing deposits	982,764	13,550	1.38%	874,943	8,079	0.92%
Borrowings and repurchase agreements	99,450	2,539	2.55%	98,289	1,572	1.60%
Total interest-bearing liabilities	1,082,214	16,089	1.49%	973,232	9,651	0.99%
Noninterest-bearing deposits	262,280			232,687		
Total funding sources	1,344,494			1,205,919		
Noninterest-bearing liabilities	8,735			8,474		
Shareholders' equity	175,686			143,402		
Total liabilities and shareholders' equity	\$ 1,528,915			\$ 1,357,795		
Net interest spread (4)			3.17%			3.00%
Net interest income/margin (5)		\$ 51,692	3.55%		\$ 41,864	3.25%

(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 company data available at the time of the presentation.

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

## Fourth Quarter 2018 Earnings Release

	Three Months Ended				
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
<b>Operating net income:</b>					
Net income (loss)	\$ (708)	\$ 3,656	\$ 3,513	\$ 3,193	\$ 91
Add: impact of tax reform*	—	—	—	—	3,562
Add: merger related expenses	8,929	540	335	—	—
Less: income tax impact of merger related expenses	(1,985)	(141)	(88)	—	—
Operating net income	<u>\$ 6,236</u>	<u>\$ 4,055</u>	<u>\$ 3,760</u>	<u>\$ 3,193</u>	<u>\$ 3,653</u>
<b>Operating diluted net income per share of common stock:</b>					
Operating net income	\$ 6,236	\$ 4,055	\$ 3,760	\$ 3,193	\$ 3,653
Weighted average shares - diluted	18,716,562	13,113,775	13,067,223	12,975,759	12,938,288
Operating diluted net income per share of common stock	<u>\$ 0.33</u>	<u>\$ 0.31</u>	<u>\$ 0.29</u>	<u>\$ 0.25</u>	<u>\$ 0.28</u>
<b>Operating annualized return on average assets:</b>					
Operating net income	\$ 6,236	\$ 4,055	\$ 3,760	\$ 3,193	\$ 3,653
Average assets	\$ 1,940,991	\$ 1,421,873	\$ 1,396,359	\$ 1,351,129	\$ 1,329,621
Operating annualized return on average assets	<u>1.27%</u>	<u>1.13%</u>	<u>1.08%</u>	<u>0.96%</u>	<u>1.09%</u>
<b>Operating annualized return on average tangible equity:</b>					
Average total shareholders' equity	\$ 245,811	\$ 156,264	\$ 151,535	\$ 148,276	\$ 147,667
Less: average intangible assets	(45,687)	(6,220)	(6,228)	(6,238)	(6,248)
Average tangible equity	200,124	150,044	145,307	142,038	141,419
Operating net income	\$ 6,236	\$ 4,055	\$ 3,760	\$ 3,193	\$ 3,653
Operating annualized return on average tangible equity	<u>12.36%</u>	<u>10.72%</u>	<u>10.38%</u>	<u>9.12%</u>	<u>10.25%</u>
<b>Operating efficiency ratio:</b>					
Total noninterest expense	\$ 23,832	\$ 10,070	\$ 10,005	\$ 9,580	\$ 8,699
Less: merger related expenses	(8,929)	(540)	(335)	—	—
Total operating noninterest expense	14,903	9,530	9,670	9,580	8,699
Net interest income	17,716	11,543	11,587	10,846	10,518
Total noninterest income	6,387	3,218	2,765	3,088	2,736
Total revenues	\$ 24,103	\$ 14,761	\$ 14,352	\$ 13,934	\$ 13,254
Operating efficiency ratio:	<u>61.83%</u>	<u>64.56%</u>	<u>67.38%</u>	<u>68.75%</u>	<u>65.63%</u>
<b>Tangible Equity:</b>					
Total shareholders' equity	\$ 254,379	\$ 157,510	\$ 153,146	\$ 148,693	\$ 146,946
Less: intangible assets	(46,048)	(6,219)	(6,222)	(6,232)	(6,242)
Tangible equity	<u>\$ 208,331</u>	<u>\$ 151,291</u>	<u>\$ 146,924</u>	<u>\$ 142,461</u>	<u>\$ 140,704</u>
<b>Tangible Common Equity:</b>					
Tangible equity	\$ 208,331	\$ 151,291	\$ 146,924	\$ 142,461	\$ 140,704
Less: preferred equity	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Tangible common equity	<u>\$ 199,331</u>	<u>\$ 142,291</u>	<u>\$ 137,924</u>	<u>\$ 133,461</u>	<u>\$ 131,704</u>
<b>Tangible Book Value per Share of Common Stock:</b>					
Tangible common equity	\$ 199,331	\$ 142,291	\$ 137,924	\$ 133,461	\$ 131,704
Total shares of common stock outstanding	17,724,721	12,125,122	11,931,131	11,773,358	11,582,026
Tangible book value per share of common stock	<u>\$ 11.25</u>	<u>\$ 11.74</u>	<u>\$ 11.56</u>	<u>\$ 11.34</u>	<u>\$ 11.37</u>

\*As a result of the Tax Cuts and Jobs Act of 2017, which included a Federal corporate tax rate change from 35% to 21%, we revalued our deferred tax assets, which resulted in a \$3.6 million increase in income tax expense for 2017. The non-GAAP operating ratios above have excluded the impact of this transaction.

## CAPSTAR FINANCIAL HOLDINGS, INC. AND SUBSIDIARY

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

## Fourth Quarter 2018 Earnings Release

	Year Ended	
	December 31, 2018	December 31, 2017
Operating net income:		
Net income	\$ 9,655	\$ 1,501
Add: impact of tax reform*	—	3,562
Add: merger related expenses	9,803	—
Less: income tax impact of merger related expenses	(2,213)	—
Operating net income	<u>\$ 17,245</u>	<u>\$ 5,063</u>
Operating diluted net income per share of common stock:		
Operating net income	\$ 17,245	\$ 5,063
Weighted average shares - diluted	14,480,347	12,803,511
Operating diluted net income per share of common stock	<u>\$ 1.19</u>	<u>\$ 0.40</u>
Operating annualized return on average assets:		
Operating net income	\$ 17,245	\$ 5,063
Average assets	\$ 1,528,915	\$ 1,357,794
Operating annualized return on average assets	<u>1.13%</u>	<u>0.37%</u>
Operating annualized return on average tangible equity:		
Average total shareholders' equity	\$ 175,686	\$ 143,402
Less: average intangible assets	(16,174)	(6,265)
Average tangible equity	159,512	137,137
Operating net income	\$ 17,245	\$ 5,063
Operating annualized return on average tangible equity	<u>10.81%</u>	<u>3.69%</u>
Operating efficiency ratio:		
Total noninterest expense	\$ 53,487	\$ 33,765
Less: merger related expenses	(9,803)	—
Total operating noninterest expense	43,684	33,765
Net interest income	51,692	41,863
Total noninterest income	15,459	10,908
Total revenues	\$ 67,151	\$ 52,771
Operating efficiency ratio:	<u>65.05%</u>	<u>63.98%</u>

\*As a result of the Tax Cuts and Jobs Act of 2017, which included a Federal corporate tax rate change from 35% to 21%, we revalued our deferred tax assets, which resulted in a \$3.6 million increase in income tax expense for 2017. The non-GAAP operating ratios above have excluded the impact of this transaction.



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

**FINANCIAL HOLDINGS, INC.**

**Fourth Quarter 2018  
Earnings Call  
January 25, 2019**

# Disclaimers

## Terminology

The terms “we,” “our,” “us,” “the Company,” “CSTR” and “CapStar” that appear in this presentation refer to CapStar Financial Holdings, Inc. and its wholly owned subsidiary, CapStar Bank. The terms “CapStar Bank,” “the Bank” and “our Bank” that appear in this presentation refer to CapStar Bank.

## Contents of Presentation

Except as is otherwise expressly stated in this presentation, the contents of this presentation are presented as of the date on the front cover of this presentation.

## Market Data

Market data used in this presentation has been obtained from government and independent industry sources and publications available to the public, sometimes with a subscription fee, as well as from research reports prepared for other purposes. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. CSTR did not commission the preparation of any of the sources or publications referred to in this presentation. CSTR has not independently verified the data obtained from these sources, and, although CSTR believes such data to be reliable as of the dates presented, it could prove to be inaccurate. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this presentation.

## Non-GAAP Disclaimer

This presentation includes the following financial measures that have been prepared other than in accordance with generally accepted accounting principles in the United States (“non-GAAP financial measures”): pre-tax, pre-provision net income, pre-tax, pre-provision return on average assets, tangible equity, tangible common equity, tangible assets, return on average tangible equity, return on average tangible common equity, book value per share (as adjusted), tangible book value per share (as reported and as adjusted), tangible equity to tangible assets, tangible common equity to tangible assets and adjusted shares outstanding at the end of the period. CSTR non-GAAP financial measures (i) provide useful information to management and investors that is supplementary to its financial condition, results of operations and cash flows computed in accordance with GAAP, (ii) enable a more complete understanding of factors and trends affecting CSTR’s business, and (iii) allow investors to evaluate CSTR’s performance in a manner similar to management, the financial services industry, bank stock analysts and bank regulators; however, CSTR acknowledges that its non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. See the Appendix to this presentation for a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures.



# Safe Harbor Statements

Certain statements in this presentation are forward-looking statements that reflect our current views with respect to, among other things, future events and our financial and operational performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "aspire," "estimate," "intend," "plan," "project," "projection," "forecast," "roadmap," "goal," "target," "guidance," "would," and "outlook," or the negative version of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. The inclusion of these forward-looking statements should not be regarded as a representation by us or any other person that such expectations, estimates and projections will be achieved. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

The acceptance by customers of Athens of the Company's products and services; the ability of the Company to meet expectations regarding the benefits, costs, synergies, and financial and operational impact of the Athens merger; the possibility that any of the anticipated benefits, costs, synergies and financial and operational improvements of the Athens merger will not be realized or will not be realized as expected; the possibility that the Athens merger integration may be more expensive or take more time to complete than anticipated; the opportunities to enhance market share in certain markets and market acceptance of the Company generally in new markets; economic conditions (including interest rate environment, government economic and monetary policies, the strength of global financial markets and inflation and deflation) that impact the financial services industry as a whole and/or our business; the concentration of our business in the Nashville metropolitan statistical area ("MSA") and the effect of changes in the economic, political and environmental conditions on this market; increased competition in the financial services industry, locally, regionally or nationally, which may adversely affect pricing and the other terms offered to our clients; an increase in the cost of deposits, loss of deposits or a change in the deposit mix, which could increase our cost of funding; an increase in the costs of capital, which could negatively affect our ability to borrow funds, successfully raise additional capital or participate in strategic acquisition opportunities; our dependence on our management team and board of directors and changes in our management and board composition; our reputation in the community; our ability to execute our strategy and to achieve our loan ROAA and efficiency ratio goals, hire seasoned bankers, loan and deposit growth through organic growth and strategic acquisitions; credit risks related to the size of our borrowers and our ability to adequately identify, assess and limit our credit risk; our concentration of large loans to a small number of borrowers; the significant portion of our loan portfolio that originated during the past two years and therefore may less reliably predict future collectability than older loans; the adequacy of reserves (including our allowance for loan and lease losses) and the appropriateness of our methodology for calculating such reserve; non-performing loans and leases; non-performing assets; charge-offs, non-accruals, troubled debt restructurings, impairments and other credit-related issues; adverse trends in the healthcare service industry, which is an integral component of our market's economy; our management of risks inherent in our commercial real estate loan portfolio, and the risk of a prolonged downturn in the real estate market, which could impair the value of our collateral and our ability to sell collateral upon any foreclosure; governmental legislation and regulation, including changes in the nature and timing of the adoption and effectiveness of new requirements under the Dodd-Frank Act of 2010, as amended, Basel guidelines, capital requirements, accounting regulation or standards and other applicable laws and regulations; the impact of the Tax Cuts and Job Act of 2017 on the Company and its financial performance and results of operations; the loss of large depositor relationships, which could force us to fund our business through more expensive and less stable sources; operational and liquidity risks associated with our business, including liquidity risks inherent in correspondent banking; volatility in interest rates and our overall management of interest rate risk, including managing the sensitivity of our interest-earning assets and interest-bearing liabilities to interest rates, and the impact to our earnings from a change in interest rates; the potential for our bank's regulatory lending limits and other factors related to our size to restrict our growth and prevent us from effectively implementing our business strategy; strategic acquisitions we may undertake to achieve our goals; the sufficiency of our capital, including sources of capital and the extent to which we may be required to raise additional capital to meet our goals; fluctuations in the fair value of our investment securities that are beyond our control; deterioration in the fiscal position of the U.S. government and downgrades in Treasury and federal agency securities; potential exposure to fraud, negligence, computer theft and cyber-crime; the adequacy of our risk management framework; our dependence on our information technology and telecommunications systems and the potential for any systems failures or interruptions; our dependence upon outside third parties for the processing and handling of our records and data; our ability to adapt to technological change; the financial soundness of other financial institutions; our exposure to environmental liability risk associated with our lending activities; our engagement in derivative transactions; our involvement from time to time in legal proceedings and examinations and remedial actions by regulators; the susceptibility of our market to natural disasters and acts of God; and the effectiveness of our internal controls over financial reporting and our ability to remediate any future material weakness in our internal controls over financial reporting.

The foregoing factors should not be construed as exhaustive and should be read in conjunction with those factors that are detailed from time to time in the Company's periodic and current reports filed with the Securities and Exchange Commission, including those factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 under the headings "Item 1A. Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" and in the Company's Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date of this presentation, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. New risks and uncertainties may emerge from time to time, and it is not possible for us to predict their occurrence or how they will affect us.

## Fourth Quarter 2018 Highlights

- Fully Diluted GAAP EPS of (\$0.04). Operating EPS<sup>(1)</sup> of \$0.33 which is a 18% increase vs. 4Q17 of \$0.28.
- Excluding Athens loans, Legacy CapStar EOP Loans increased 13.9% from 4Q17.
- Operating ROAA<sup>(1)</sup> of 1.27% vs. 1.09% for 4Q17.
- Current Criticized and Classified loans are at a low level.
- Closed the Athens acquisition on October 1, 2018. On track with synergies and TBV/share earnback less than 4 years.

(1) 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 included in the Appendix at the end of this presentation using a blended statutory income tax rate of 26.14% excluding deductible one-time merger related items.

# 4Q18 Highlights

## Key Financial Highlights

- Fully Diluted GAAP EPS of (\$0.04).
- Operating Fully Diluted EPS<sup>(1)</sup> of \$0.33 an 18% increase over prior year.
- Operating Return on Average Assets<sup>(1)</sup> of 1.27% an 0.18% increase over prior year.
- Deposit costs decreased 10 bps from the prior quarter to 1.12% reflecting the lower deposit costs with Athens.
- Expansion of our net interest margin of 54 bps from the prior quarter to 3.89%.
- Improved operating efficiency ratio to 61.83%.

## Financial Results

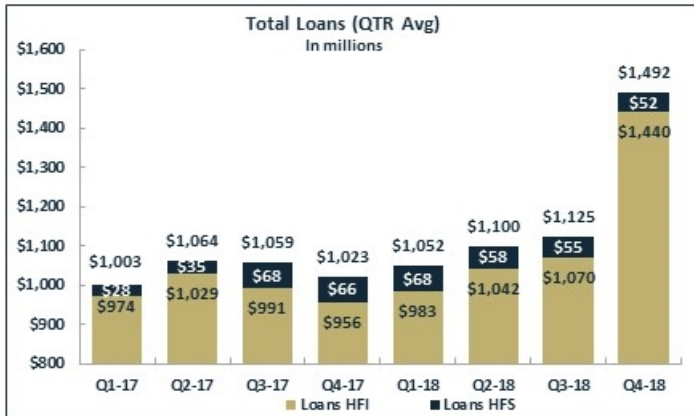
	Q4-18		Q4-17
	GAAP	Non-GAAP Operating <sup>(1)</sup>	Non-GAAP Operating <sup>(1)</sup>
<b>Fully Diluted EPS</b>	<b>(\$0.04)</b>	<b>\$0.33</b>	<b>\$0.28</b>
<b>ROAA</b>	<b>(0.14%)</b>	<b>1.27%</b>	<b>1.09%</b>
<b>ROATE</b>	<b>(1.40%)</b>	<b>12.36%</b>	<b>10.25%</b>
<b>Efficiency Ratio</b>	<b>98.88%</b>	<b>61.83%</b>	<b>65.63%</b>
<b>Net Interest Margin</b>	<b>3.89%</b>	<b>3.89%</b>	<b>3.30%</b>

(1) 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 included in the Appendix at the end of this presentation using a blended statutory income tax rate of 26.14% excluding deductible one-time merger related items.

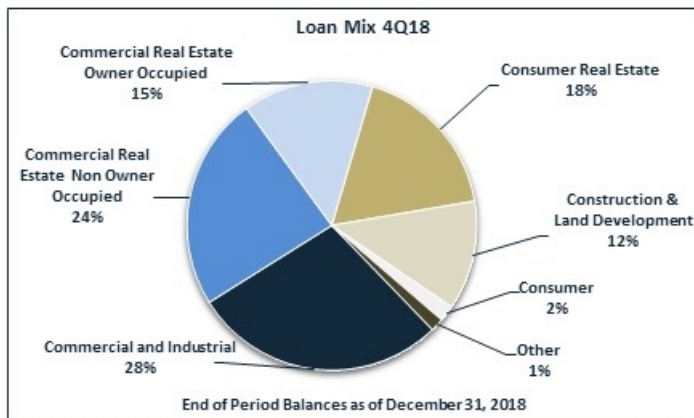
(2) Calculated on a tax equivalent basis.

(3) U.S. Small Business Administration Lender Ranking Report at December 31, 2018.

# Loan Growth

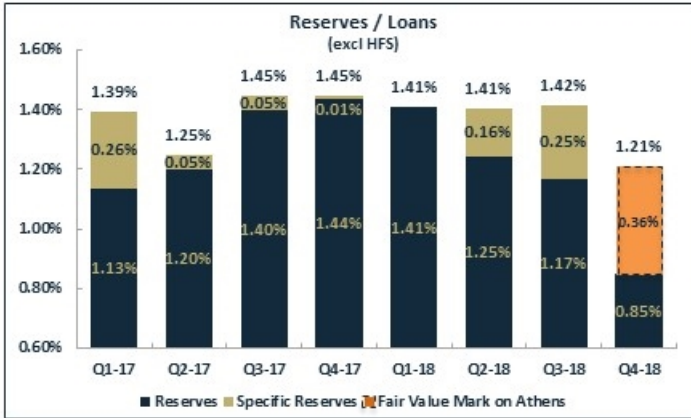


- Excluding Athens loans, EOP Loans increased 13.9% from 4Q17.
- Athens added \$349MM in loans on day 1 and provides further granularity and diversification to our loan portfolio.
- Athens portfolio has an average loan size of \$106K.

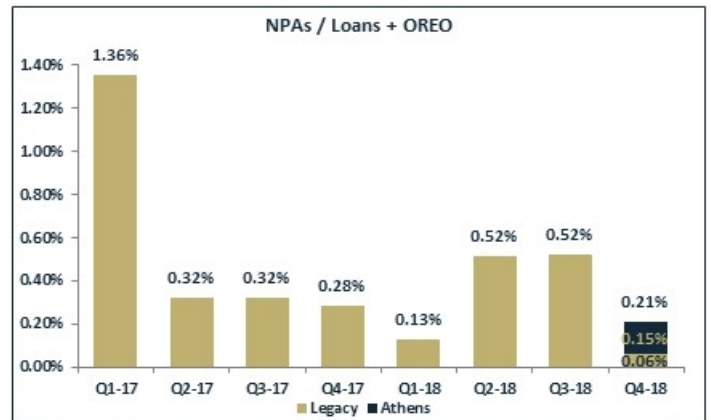
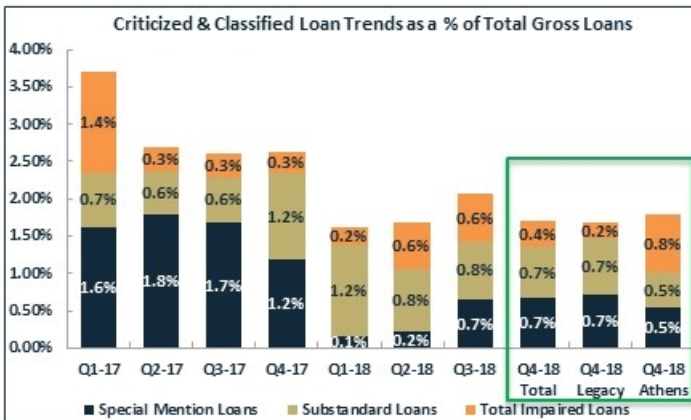


\$ in millions	Q4-18		Change Vs. Q3-18		Change Vs. Q4-17	
	\$	%	\$	%	\$	%
<b>Balance Sheet (EOP Balances)</b>						
Commercial and Industrial	\$ 405	6%	\$ 31	8%		
Commercial Real Estate	550	146%	200	57%		
Consumer Real Estate	254	141%	151	147%		
Construction and Land Development	175	45%	92	112%		
Consumer	26	17%	19	273%		
Other	21	1%	(11)	-34%		
<b>Total Loans HFI</b>	<b>\$ 1,430</b>	<b>33%</b>	<b>\$ 482</b>	<b>51%</b>		

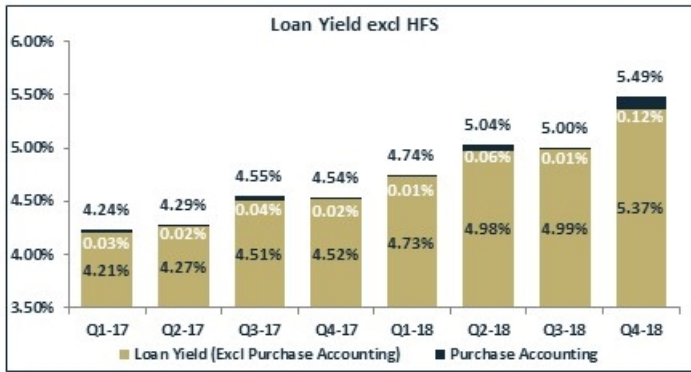
# Credit Quality



- The current reserve of \$12.1MM plus the \$5.2MM fair value mark on acquired loans would equate to a 1.21% reserve/loans.
- The reserve is directionally aligned with the improvement in credit quality and attributes of our criticized and classified loans.
- Current NPAs/Loans + OREO are at a low level.



# Loan Yields

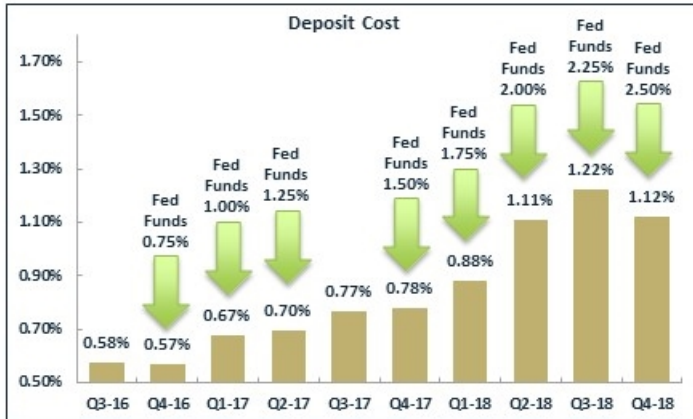


- The loan yield for the quarter was 5.49% and up 49bps from Q3.
- The yield on new loan production in 4Q was 5.74%.
- 57% of loan portfolio is variable rate and overall balance sheet remains asset sensitive.

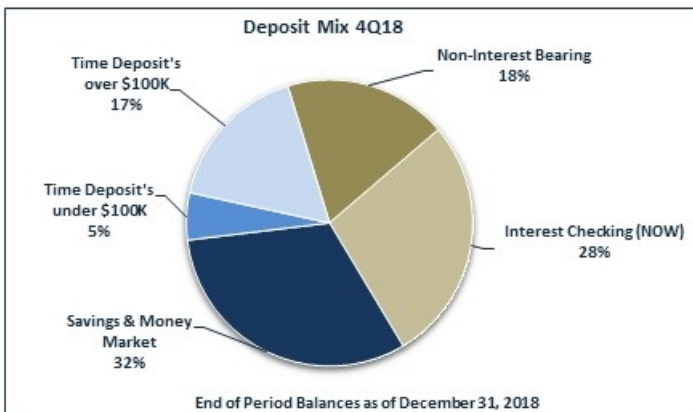
**Loan Yield Rollforward**

Q3-18 (Avg)	5.00%
New Loan Production	0.02%
Repricing of Variable Rate Loans	0.08%
Loan Volume/Mix/Athens	0.17%
Increase in Loan Fees	0.06%
Purchase Accounting	0.12%
Loan Returning to Accrual	0.04%
Q4-18 (Avg)	5.49%

# Deposit Growth and Costs



- Excluding Athens deposits, EOP Deposits grew 4.1% from 4Q17.
- Athens added \$404MM in deposits on day 1 and provides CSTR with a low cost, sticky deposit base.
- Deposit costs decreased 10 bps to 1.12% reflecting lower deposit costs in the Athens deposit base.
- 46% of all deposits are in a checking account (DDA and NOW).



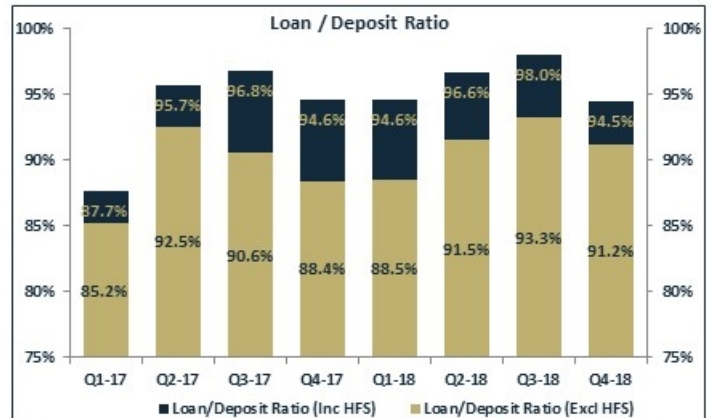
	Q4-18		Change Vs. Q3-18		Change Vs. Q4-17	
	\$	%	\$	%	\$	%
<b>Balance Sheet (EOP Balances)</b>						
Non-Interest Bearing	\$ 290	21%	\$ 50	21%	\$ (12)	-4%
Interest Checking (NOW)	435	42%	128	42%	160	58%
Savings & Money Market	497	32%	120	32%	130	35%
Time Deposit's under \$100K	84	117%	45	117%	47	128%
Time Deposit's over \$100K	265	62%	101	62%	125	90%
<b>Deposits</b>	<b>\$ 1,570</b>	<b>39%</b>	<b>\$ 444</b>	<b>39%</b>	<b>\$ 450</b>	<b>40%</b>

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



- Our NIM was 3.89% and increased 54 bps due to:
  - Addition of Athens balance sheet, increase in loan volumes and pricing with rate increases contributed 27 bps.
  - Increase of 4 bps in loan fees (C&I and CRE).
  - Lower deposit costs from Athens deposits base contributed 9 bps.
- EOP loan to deposit ratio at 94.5% (incl HFS).

Net Interest Margin	
3Q-18 (Avg)	3.35%
Loan Volumes/Pricing/Athens	0.27%
Increase in Loan Fees	0.04%
Purchase Accounting Impact	0.09%
Decrease in Deposit Costs	0.09%
Investment & Cash Mix	0.05%
4Q-18 (Avg)	3.89%



(1) Calculated on a tax equivalent basis



# Non-Interest Income

Non-interest Income at 1.31% of Average Assets with impact of Athens merger and BOLI proceeds.

(Dollars in thousands)	Three Months Ended				
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
<b>Non-Interest Income</b>					
Treasury Management and Other Deposit Service Charges	\$ 793	\$ 528	\$ 427	\$ 402	\$ 419
Net Gain (Loss) on Sale of Securities	1	(1)	3	0	(108)
Tri-Net Fees	276	374	325	528	254
Mortgage Banking Income	1,324	1,634	1,383	1,313	1,621
Other	3,993	683	627	845	550
<b>Total Non-Interest Income</b>	<b>\$ 6,387</b>	<b>\$ 3,218</b>	<b>\$ 2,765</b>	<b>\$ 3,088</b>	<b>\$ 2,736</b>
<b>Average Assets</b>	<b>1,940,991</b>	<b>1,421,873</b>	<b>1,396,359</b>	<b>1,351,129</b>	<b>1,329,621</b>
<b>Non-Interest Income / Average Assets</b>	<b>1.31%</b>	<b>0.90%</b>	<b>0.79%</b>	<b>0.93%</b>	<b>0.82%</b>

- Treasury Management and Deposit Service Charges increase in the 4<sup>th</sup> quarter reflects impact of Athens consumer service charges on deposits.
- Mortgage loan volumes and fees decreased from the third quarter.
- Excluding BOLI proceeds of \$2.0MM, Non-interest income/Average Assets was 0.90%.

# Non-Interest Expense

The partnership with Athens allows us to leverage our expense base: Operating Efficiency Ratio of 61.8%

(Dollars in thousands)	Three Months Ended				
	December 31, 2018	September 30, 2018	June 31, 2018	March 31, 2018	December 31, 2017
<b>Non-Interest Expense</b>					
Salaries and Employee Benefits	\$ 9,475	\$ 6,514	\$ 6,340	\$ 6,257	\$ 5,411
Data Processing & Software	1,424	803	810	798	746
Professional Fees	534	255	344	474	473
Occupancy	736	544	535	521	507
Equipment	810	520	602	539	467
Regulatory Fees	364	228	233	203	234
Merger-Related Charges	8,929	540	335	-	-
Other	1,560	666	806	788	861
<b>Total Non-Interest Expense</b>	<b>\$ 23,832</b>	<b>\$ 10,070</b>	<b>\$ 10,005</b>	<b>\$ 9,580</b>	<b>\$ 8,699</b>
<i>Efficiency Ratio</i>	98.9%	68.2%	69.7%	68.8%	65.6%
<i>Average Assets</i>	\$ 1,940,991	\$ 1,421,873	\$ 1,396,359	\$ 1,351,129	\$ 1,329,621
<i>Non-Interest Expense / Average Assets</i>	4.87%	2.81%	2.87%	2.88%	2.60%
<i>FTE</i>	286	185	183	182	175
<b>Operating Non-Interest Expense<sup>(1)</sup></b>	<b>\$ 14,904</b>	<b>\$ 9,530</b>	<b>\$ 9,671</b>	<b>\$ 9,580</b>	<b>\$ 8,699</b>
<b>Operating Efficiency Ratio<sup>(1)</sup></b>	<b>61.8%</b>	<b>64.6%</b>	<b>67.4%</b>	<b>68.8%</b>	<b>65.6%</b>
<b>Operating Non-Interest Expense / Average Assets<sup>(1)</sup></b>	<b>3.05%</b>	<b>2.66%</b>	<b>2.78%</b>	<b>2.88%</b>	<b>2.60%</b>

(1) 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, using a blended statutory income tax rate of 26.14% excluding one-time merger-related items. See the Appendix to this presentation for reconciliation and discussion of Non-GAAP metrics.

## CapStar continues to move forward with the integration of Athens

- Key Milestones
  - June 11, 2018 – Announcement of transaction
  - August 29, 2018 – Shareholder approvals obtained
  - September 12, 2018 – Regulatory approvals obtained
  - October 1, 2018 – Merger closed

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  - 2Q19 – Core operating systems conversion scheduled
  - 3Q19 – Expected Synergies realized

# Athens Federal Merger Update

## Merger Highlights

- Closed acquisition effective October 1, 2018, adding \$349 million in loans and \$404 million in deposits.
- Transaction rationale consistent with stated M&A objectives
  - Cultural fit
  - Strengthened funding profile
  - Complementary markets
  - Expanded product capabilities
  - Financially compelling

## Merger Economics

Metric	Announced	Results to Date
IRR	> 20%	On Track
TBV Impact	(6.8%)	See table below
TBV Earnback	< 4 years	On Track or better
Cost Saves	25%	On Track for 2019
Merger Charges	\$11.5MM	\$9.8MM

## Capital Impact (Equity and Shares)

*\$'s in millions*

	Total Equity	Intangibles	Tangible Equity	Common and Preferred Shares Issued	Tangible Book Value per Share, Adjusted <sup>(1)</sup>
September 30, 2018 Equity	\$ 157,510	\$ (6,219)	\$ 151,291	\$ 13,003	\$11.64
Impact of Athens to TBV	\$ 92,918	\$ (40,271)	\$ 52,647	\$ 5,182	\$10.16
4Q18 Net Income (Loss)	(708)		(708)		
4Q18 Common Dividends	(695)		(695)		
4Q18 Other (Stock Comp Transactions & Change in AOCI)	5,354	442	5,796	418	
December 31, 2018 Equity	\$ 254,379	\$ (46,048)	\$ 208,331	\$ 18,603	\$11.20

(1) Reconciliation provided in non-GAAP tables in this Appendix. See also "Non-GAAP Disclaimer" on slide 2.

# Capital

- Post acquisition, our capital ratios increased from the third quarter and are above regulatory guidelines.

<u>Capital Ratios</u>	<b>Q4-18</b>	<b>Q3-18</b>	<b>Q2-18</b>	<b>Q1-18</b>	<b>"Well Capitalized" Guidelines</b>
<b>Tangible Equity / Tangible Assets*</b>	<b>10.86%</b>	<b>10.72%</b>	<b>10.53%</b>	<b>10.35%</b>	<b>NA</b>
<b>Tangible Common Equity / Tangible Assets*</b>	<b>10.39%</b>	<b>10.09%</b>	<b>9.89%</b>	<b>9.70%</b>	<b>NA</b>
<b>Tier 1 Leverage Ratio</b>	<b>11.06%</b>	<b>11.02%</b>	<b>10.87%</b>	<b>10.91%</b>	<b>≥ 5.00%</b>
<b>Tier 1 Risk Based Capital Ratio</b>	<b>12.13%</b>	<b>11.49%</b>	<b>11.41%</b>	<b>11.11%</b>	<b>≥ 8.00%</b>
<b>Total Risk Based Capital Ratio</b>	<b>12.84%</b>	<b>12.62%</b>	<b>12.53%</b>	<b>12.22%</b>	<b>≥ 10.00%</b>

- Announced \$8MM share repurchase on December 21, 2018.

\*Reconciliation provided in non-GAAP tables in the Appendix at the end of this presentation.

## Pro Forma Franchise

- Based on the combination with Athens and synergies we expect to realize, our near term guidance includes the following:

Metric	Proforma
Net Interest Margin	3.70% - 3.90%
Efficiency Ratio	Mid/Low 60's% near term
Non-Interest Income/Average Assets	0.80% - 1.10%
ROAA	1.15% - 1.35%
Loan/Deposit Ratio	90% – 100%
Loan Growth	High Single to Low Double Digits
Net Charge Off Ratio	<25 bps
Purchase Accounting Accretion	~\$1MM (2019)
CDI	\$1.7MM (2019)
Effective Tax Rate	~23%

## Key Takeaways\*

- CapStar's strategy remains one of sound, profitable growth.
- Focused on Athens integration and capturing expected synergies.
- Focused on increasing primary bank status with more clients.
- Organic growth opportunities through market share takeaway.
- Continue to explore strategic and opportunistic M&A.



# Appendix: Historical Financials



# Historical Financials

(Dollars in thousands, except per share information)	Three Months Ended December 31,		Twelve Months Ended December 31,				
	2018	2017	2018	2017	2016	2015	2014
<b>STATEMENT OF INCOME DATA</b>							
Interest Income	\$ 22,901	\$ 13,124	\$ 67,781	\$ 51,515	\$ 45,395	\$ 40,504	\$ 38,287
Interest Expense	5,184	2,606	16,088	9,651	6,932	5,731	5,871
Net Interest Income	17,716	10,518	51,692	41,863	38,463	34,773	32,416
Provision for Loan and Lease Losses	1,514	(30)	2,842	12,870	2,829	1,651	3,869
Non-Interest Income	6,387	2,736	15,459	10,908	11,084	8,884	7,419
Non-Interest Expense	23,832	8,699	53,487	33,765	33,129	30,977	28,562
Income before Income Taxes	(1,244)	4,585	10,821	6,136	13,590	11,029	7,404
Income Tax Expense	(535)	4,494	1,167	4,635	4,493	3,470	2,412
Net Income	(708)	91	9,655	1,501	9,097	7,559	4,992
Pre-Tax Pre-Provision Net Income*	271	4,556	13,663	19,006	16,419	12,680	11,273

\* Reconciliation provided in non-GAAP tables in this Appendix. See also "Non-GAAP Disclaimer" on slide 2.

# Historical Financials

	Twelve Months Ended December 31,				
(Dollars in thousands, except per share information)	2018	2017	2016	2015	2014
<b>BALANCE SHEET (AT PERIOD END)</b>					
Cash & Due From Banks	\$ 105,443	\$ 82,797	\$ 80,111	\$ 100,185	\$ 73,934
Investment Securities	259,580	205,186	235,250	221,890	285,514
Loans Held for Sale	57,618	74,093	42,111	35,729	15,386
Gross Loans and Leases (Net of Unearned Income)	1,429,794	947,537	935,251	808,396	713,077
Total Intangibles	46,048	6,242	6,290	6,344	6,398
<b>Total Assets</b>	<b>1,963,883</b>	<b>1,344,429</b>	<b>1,333,675</b>	<b>1,206,800</b>	<b>1,128,395</b>
Deposits	1,570,008	1,119,866	1,128,722	1,038,460	981,057
Borrowings and Repurchase Agreements	126,509	70,000	55,000	48,755	34,837
<b>Total Liabilities</b>	<b>1,709,504</b>	<b>1,197,483</b>	<b>1,194,468</b>	<b>1,098,214</b>	<b>1,025,744</b>
Common Equity	245,379	137,946	130,207	92,086	86,151
Preferred Equity	9,000	9,000	9,000	16,500	16,500
<b>Total Shareholders' Equity</b>	<b>254,379</b>	<b>146,946</b>	<b>139,207</b>	<b>108,586</b>	<b>102,651</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,963,883</b>	<b>1,344,429</b>	<b>1,333,675</b>	<b>1,206,800</b>	<b>1,128,395</b>

# Historical Financials

	Three Months Ended December 31,		Twelve Months Ended December 31,				
(Dollars in thousands, except per share information)	2018	2017	2018	2017	2016	2015	2014
<b>SELECTED PERFORMANCE RATIOS</b>							
Return on Average Assets (ROAA)	(0.14%)	0.03%	0.63%	0.11%	0.72%	0.66%	0.47%
Pre-Tax Pre-Provision Return on Average Assets (PTPP ROAA) <sup>(1)</sup>	0.06%	1.36%	0.89%	1.40%	1.30%	1.11%	1.06%
Return on Average Equity (ROAE)	(1.14%)	0.25%	5.50%	1.05%	7.57%	7.08%	4.94%
Return on Average Tangible Equity (ROATE) <sup>(1)</sup>	(1.40%)	0.26%	6.05%	1.09%	7.99%	7.53%	5.30%
Return on Average Tangible Common Equity (ROATCE) <sup>(1)</sup>	(1.47%)	0.27%	6.41%	1.17%	9.16%	9.01%	6.43%
Net Interest Margin <sup>(2)</sup> (tax equivalent basis)	3.89%	3.30%	3.55%	3.25%	3.22%	3.24%	3.25%
Efficiency Ratio <sup>(3)</sup>	98.88%	65.63%	79.65%	63.98%	66.86%	70.96%	71.70%
Non-Interest Income / Average Assets	1.31%	0.82%	1.01%	0.80%	0.88%	0.78%	0.70%
Non-Interest Expense / Average Assets	4.87%	2.60%	3.50%	2.49%	2.62%	2.72%	2.68%
Loan and Lease Yield	5.49%	4.54%	5.11%	4.41%	4.33%	4.53%	4.74%
Deposit Cost	1.12%	0.78%	1.09%	0.73%	0.59%	0.56%	0.62%

(1) Reconciliation provided in non-GAAP tables in this Appendix. See also "Non-GAAP Disclaimer" on slide 2.

(2) Calculated on a tax equivalent basis

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

# Historical Financials

	Three Months Ended December 31,		Twelve Months Ended December 31,				
(Dollars in thousands, except per share information)	2018	2017	2018	2017	2016	2015	2014
<b>PER SHARE OUTSTANDING DATA</b>							
Basic Net Earnings per Share	(\$0.04)	\$0.01	\$0.73	\$0.13	\$0.98	\$0.90	\$0.59
Diluted Net Earnings per Share	(\$0.04)	\$0.01	\$0.67	\$0.12	\$0.81	\$0.73	\$0.49
Book Value Per Share, Reported	\$13.84	\$11.91	\$13.84	\$11.91	\$11.62	\$10.74	\$10.17
Tangible Book Value Per Share, Reported*	\$11.25	\$11.37	\$11.25	\$11.37	\$11.06	\$10.00	\$9.41
Shares of Common Stock Outstanding at End of Period	17,724,721	11,582,026	17,724,721	11,582,026	11,204,515	8,577,051	8,471,516
<b>CAPITAL RATIOS (AT PERIOD END)</b>							
Tier 1 Leverage Ratio	11.06%	10.77%	11.06%	10.77%	10.46%	9.33%	8.56%
Common Equity Tier 1 Capital (Cet1)	11.61%	10.70%	11.61%	10.70%	10.90%	8.89%	-
Tier 1 Risk-Based Capital	12.13%	11.41%	12.13%	11.41%	11.61%	10.41%	10.32%
Total Risk-Based Capital Ratio	12.84%	12.52%	12.84%	12.52%	12.60%	11.42%	11.54%
Total Shareholders' Equity to Total Assets Ratio	12.95%	10.93%	12.95%	10.93%	10.44%	9.00%	9.10%
Tangible Equity to Tangible Assets*	10.81%	10.51%	10.81%	10.51%	10.01%	8.52%	8.58%

\* Reconciliation provided in non-GAAP tables in this Appendix. See also "Non-GAAP Disclaimer" on slide 2.

# Historical Financials

	Twelve Months Ended December 31,				
(Dollars in thousands, except per share information)	2018	2017	2016	2015	2014
<b>NON-PERFORMING ASSETS (NPA)</b>					
Non-Performing Loans	\$ 2,078	\$ 2,695	\$ 3,619	\$ 2,689	\$ 7,738
Troubled Debt Restructurings	2,947	1,206	1,272	125	2,618
Other Real Estate and Repossessed Assets	988	-	-	216	575
Non-Performing Assets	3,066	2,695	3,619	2,905	8,313
<b>ASSET QUALITY RATIOS</b>					
Non-Performing Assets / Assets	0.16%	0.20%	0.27%	0.24%	0.74%
Non-Performing Loans / Loans	0.15%	0.28%	0.39%	0.33%	1.09%
Non-Performing Assets / Loans + OREO	0.21%	0.28%	0.39%	0.36%	1.16%
Net Charge-Offs to Average Loans (Periods Annualized)	0.39%	1.09%	0.15%	0.38%	0.15%
Allowance for Loan Losses to Total Loans and Leases	0.85%	1.45%	1.24%	1.25%	1.58%
Allowance for Loan to Non-Performing Loans	582.8%	509.1%	321.4%	376.8%	145.8%

\* Reconciliation provided in non-GAAP tables in this Appendix. See also "Non-GAAP Disclaimer" on slide 2.

# Historical Financials

	As of December 31,				
(Dollars in thousands, except per share information)	2018	2017	2016	2015	2014
<b>COMPOSITION OF LOANS HELD FOR INVESTMENT</b>					
Commercial Real Estate	\$ 550,446	\$ 350,622	\$ 302,322	\$ 251,196	\$ 219,793
Consumer Real Estate	253,562	102,581	97,015	93,785	77,688
Construction and Land Development	174,670	82,586	94,491	52,522	46,193
Commercial and Industrial	404,600	373,248	379,620	353,442	332,914
Consumer	25,615	6,862	5,974	8,668	7,910
Other Loans	20,902	31,638	55,829	48,782	28,578
<b>DEPOSIT COMPOSITION</b>					
Non-Interest Bearing	289,552	301,742	197,788	190,580	157,355
Interest Checking	434,921	274,681	299,621	189,983	115,915
Savings & Money Market	497,108	367,245	447,686	437,214	484,600
Time Deposits	348,427	176,197	183,628	220,683	223,187

\* Reconciliation provided in non-GAAP tables in this Appendix. See also "Non-GAAP Disclaimer" on slide 2.

# Historical Financials

	Three Months Ended December 31,		Twelve Months Ended December 31,				
(Dollars in thousands, except per share information)	2018	2017	2018	2017	2016	2015	2014
<b>REAL ESTATE - COMMERCIAL AND CONSTRUCTION CONCENTRATIONS</b>							
Construction and Development	\$ 174,670	\$ 82,586	\$ 174,670	\$ 82,586	\$ 94,491	\$ 52,522	\$ 46,193
Commercial Real Estate and Construction	608,529	382,300	608,529	382,300	282,513	198,285	172,803
Construction and Development to Total Risk Based Capital (Reg. 100%)	78.7%	52.9%	78.7%	52.9%	63.2%	45.3%	42.8%
Coml. Real Estate and Const. to Total Risk Based Capital (Reg. 300%)	274.1%	244.8%	274.1%	244.8%	188.8%	170.9%	160.0%
<b>MORTGAGE METRICS</b>							
Total Origination Volume	\$ 90,682	\$ 116,592	\$ 406,751	\$ 440,132	\$ 522,037	\$ 422,323	\$ 253,099
Total Mortgage Loans Sold	84,918	113,277	407,795	462,506	523,031	407,941	245,891
Purchase Volume as a % of Originations	74%	70%	81%	77%	67%	72%	76%
Mortgage Fees/Gain on Sale of Loans	1,324	1,621	5,653	6,238	7,375	5,962	4,067
Mortgage Fees/Gain on Sale as a % of Loans Sold	1.56%	1.43%	1.39%	1.35%	1.41%	1.46%	1.65%
Mortgage Fees/Gain on Sale as a % of Total Revenue	5.5%	12.2%	8.4%	11.8%	14.9%	13.7%	10.2%

# Non-GAAP Financial Measures

	Three Months Ended December 31,		Twelve Months Ended December 31,				
	2018	2017	2018	2017	2016	2015	2014
<b>(Dollars in thousands, except per share information)</b>							
<b>PRE-TAX PRE-PROVISION INCOME</b>							
Pre-Tax Income	\$ (1,244)	\$ 4,585	\$ 10,821	\$ 6,136	\$ 13,590	\$ 11,029	\$ 7,404
Add: Provision for Loan Losses	1,514	(30)	2,842	12,870	2,829	1,651	3,869
Pre-Tax Pre-Provision Income	271	4,556	13,663	19,006	16,419	12,680	11,273
<b>PRE-TAX PRE-PROVISION RETURN ON AVERAGE ASSETS</b>							
Total Average Assets	\$ 1,940,991	\$ 1,329,621	\$ 1,528,915	\$ 1,357,794	\$ 1,262,763	\$ 1,140,760	\$ 1,064,705
Pre-Tax Pre-Provision Income	271	4,556	13,663	19,006	16,419	12,680	11,273
Pre-Tax Pre-Provision Return on Average Assets	0.06%	1.36%	0.89%	1.40%	1.30%	1.11%	1.06%



# Non-GAAP Financial Measures

	As of December 31,				
(Dollars in thousands, except per share information)	2018	2017	2016	2015	2014
<b>TANGIBLE EQUITY</b>					
Total Shareholders' Equity	\$ 254,379	\$ 146,946	\$ 139,207	\$ 108,586	\$ 102,651
Less: Intangible Assets	46,048	6,242	6,290	6,344	6,398
Tangible Equity	208,331	140,704	132,918	102,242	96,253
<b>TANGIBLE COMMON EQUITY</b>					
Tangible Equity	\$ 208,331	\$ 140,704	\$ 132,918	\$ 102,242	\$ 96,253
Less: Preferred Equity	9,000	9,000	9,000	16,500	16,500
Tangible Common Equity	199,331	131,704	123,918	85,742	79,753
<b>TANGIBLE EQUITY TO TANGIBLE ASSETS</b>					
Tangible Equity	\$ 208,331	\$ 140,704	\$ 132,918	\$ 102,242	\$ 96,253
Total Assets	1,963,883	1,344,429	1,333,675	1,206,800	1,128,395
Less: Intangible Assets	46,048	6,242	6,290	6,344	6,398
Tangible Assets	1,917,835	1,338,188	1,327,385	1,200,456	1,121,997
Tangible Equity to Tangible Assets	10.86%	10.51%	10.01%	8.52%	8.58%
<b>TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS</b>					
Tangible Common Equity	\$ 199,331	\$ 131,704	\$ 123,918	\$ 85,742	\$ 79,753
Tangible Assets	1,917,835	1,338,188	1,327,385	1,200,456	1,121,997
Tangible Common Equity to Tangible Assets	10.39%	9.84%	9.34%	7.14%	7.11%

# Non-GAAP Financial Measures

	Three Months Ended December 31,		Twelve Months Ended December 31,				
(Dollars in thousands, except per share information)	2018	2017	2018	2017	2016	2015	2014
<b>RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>							
Total Average Shareholder's Equity	\$ 245,811	\$ 147,667	\$ 175,686	\$ 143,402	\$ 120,123	\$ 106,727	\$ 101,030
Less: Average Intangible Assets	45,687	6,248	16,174	6,265	6,318	6,371	6,855
Average Tangible Equity	200,124	141,419	159,512	137,137	113,805	100,356	94,175
Net Income to Shareholders	(708)	91	9,655	1,501	9,097	7,559	4,992
Return on Average Tangible Equity (ROATE)	(1.40%)	0.26%	6.05%	1.09%	7.99%	7.53%	5.30%
<b>RETURN ON AVERAGE TANGIBLE COMMON EQUITY (ROATCE)</b>							
Average Tangible Equity	\$ 200,124	\$ 141,419	\$ 59,512	\$ 137,137	\$ 113,805	\$ 100,356	\$ 94,175
Less: Preferred Equity	9,000	9,000	9,000	9,000	14,533	16,500	16,500
Average Tangible Common Equity	191,124	132,419	150,512	128,137	99,273	83,856	77,675
Net Income to Shareholders	(708)	91	9,655	1,501	9,097	7,559	4,992
Return on Average Tangible Common Equity (ROATCE)	(1.47%)	0.27%	6.41%	1.17%	9.16%	9.01%	6.43%

# Non-GAAP Financial Measures

	As of December 31,				
(Dollars in thousands, except per share information)	2018	2017	2016	2015	2014
<b>TANGIBLE BOOK VALUE PER SHARE, REPORTED</b>					
Tangible Common Equity	\$ 199,331	\$ 131,704	\$ 123,918	\$ 85,742	\$ 79,753
Shares of Common Stock Outstanding	17,724,721	11,582,026	11,204,515	8,577,051	8,471,516
Tangible Book Value Per Share, Reported	\$11.25	\$11.37	\$11.06	\$10.00	\$9.41
<b>SHARES OUTSTANDING AT END OF PERIOD</b>					
Shares of Common Stock Outstanding	17,724,721	11,582,026	11,204,515	8,577,051	8,471,516
Shares of Preferred Stock Outstanding	878,048	878,049	878,049	1,609,756	1,609,756
Total Shares Outstanding at End of Period	18,602,769	12,460,075	12,082,564	10,186,807	10,081,272
<b>TANGIBLE BOOK VALUE PER SHARE, ADJUSTED</b>					
Tangible Equity	\$ 208,331	\$ 140,704	\$ 132,918	\$ 102,242	\$ 96,253
Total Shares Outstanding at End of Period	18,602,769	12,460,075	12,082,564	10,186,807	10,081,272
Tangible Book Value Per Share, Adjusted	\$11.20	\$11.29	\$11.00	\$10.04	\$9.55

# Non-GAAP Financial Measures

(Dollars in thousands, except per share information)	Three Months Ended December 31,		Twelve Months Ended December 31,				
	2018	2017	2018	2017	2016	2015	2014
<b>OPERATING NET INCOME</b>							
Net Income	\$ (708)	\$ 91	\$ 9,655	\$ 1,501	\$ 9,097	\$ 7,559	\$ 4,992
Add: Merger-Related Expense	8,929	-	9,803	-	-	-	-
Less: Income Tax Impact	(1,985)	-	(2,213)	-	-	-	-
Less: Impact of Tax Reform		(3,562)		(3,562)			
Operating Net Income	6,236	3,653	17,245	5,063	9,097	7,559	4,992
<b>OPERATING DILUTED NET INCOME PER SHARE</b>							
Operating Net Income	\$ 6,236	\$ 3,653	\$ 17,245	\$ 5,063	\$ 9,097	\$ 7,559	\$ 4,992
Average Diluted Shares Outstanding	18,716,562	12,938,288	14,480,347	12,803,511	12,803,511	11,212,026	10,425,039
Operating Diluted Net Income per Share	\$ 0.33	\$ 0.28	\$ 1.19	\$ 0.40	\$ 0.71	\$ 0.67	\$ 0.48
<b>OPERATING RETURN ON AVERAGE ASSETS (ROAA)</b>							
Operating Net Income	\$ 6,236	\$ 3,653	\$ 17,245	\$ 5,063	\$ 9,097	\$ 7,559	\$ 4,992
Total Average Assets	1,940,991	1,329,621	1,528,915	1,357,794	1,262,763	1,140,760	1,064,705
Operating Return on Average Assets (ROAA)	1.27%	1.09%	1.13%	0.37%	0.72%	0.66%	0.47%
<b>OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>							
Average Tangible Equity	\$ 200,124	\$ 141,419	\$ 159,512	\$ 137,137	\$ 113,805	\$ 100,356	\$ 94,175
Operating Net Income	6,236	3,653	17,245	5,063	9,097	7,559	4,992
Operating Return on Average Tangible Equity (ROATE)	12.36%	0.26%	10.81%	3.69%	7.99%	7.53%	5.30%

The operating non-GAAP amounts and ratios above have excluded the impact of the merger-related items and the impact of the Tax Cuts and Jobs Act of 2017.

# Non-GAAP Financial Measures

(Dollars in thousands, except per share information)	Three Months Ended December 31,		Twelve Months Ended December 31,				
	2018	2017	2018	2017	2016	2015	2014
<b>OPERATING NON-INTEREST EXPENSE</b>							
Non-Interest Expense	\$ 23,832	\$ 8,699	\$ 53,487	\$ 33,765	\$ 33,129	\$ 30,977	\$ 28,562
Less: Merger-Related Expense	(8,929)	-	(9,803)	-	-	-	-
Operating Non-Interest Expense	14,903	8,699	43,684	33,765	33,129	30,977	28,562
<b>OPERATING NON-INTEREST EXPENSE / AVERAGE ASSETS</b>							
Operating Non-Interest Expense	\$ 14,903	\$ 8,699	\$ 43,684	\$ 33,765	\$ 33,129	\$ 30,977	\$ 28,562
Total Average Assets	1,940,991	1,329,621	1,528,915	1,357,794	1,262,763	1,140,760	1,064,705
Operating Non-Interest Income / Average Assets	3.05%	2.60%	2.86%	2.49%	2.62%	2.72%	2.68%
<b>OPERATING EFFICIENCY RATIO</b>							
Operating Non-Interest Expense	\$ 14,903	\$ 8,699	\$ 43,684	\$ 33,765	\$ 33,129	\$ 30,977	\$ 28,562
Net Interest Income	17,716	10,518	51,692	41,863	38,463	34,773	32,416
Non Interest Income	6,387	2,736	15,459	10,908	11,084	8,884	7,419
Total Revenues	24,103	13,254	67,151	52,771	49,548	43,657	39,835
Operating Efficiency Ratio	61.83%	65.63%	65.05%	63.98%	66.86%	70.96%	71.70%

The operating non-GAAP amounts and ratios above have excluded the impact of the merger-related items.

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