



**CAPSTAR**<sup>TM</sup>  
FINANCIAL HOLDINGS, INC.

**First Quarter 2020  
Earnings Call**  
**April 28, 2020**

### **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. These statements are based on current expectations and are provided to assist in the understanding of our operations and future financial performance. Our operations and such performance involves risks and uncertainties, including but in no way limited to the effect of the COVID-19 pandemic, that may cause actual results to differ materially from those expressed or implied in any such statements. For a discussion of some of the risks and other factors that may cause such forward-looking statements to differ materially from actual results, please refer to CapStar’s filings with the Securities and Exchange Commission, including its 2019 Annual Report on Form 10-K under the sections entitled “Forward-Looking Statements” and “Item 1A. Risk Factors”. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements.

### **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.

## **Agenda**

- Financial Highlights and Results
- COVID-19 Response
- Risk Management
- FCB Update
- Looking Forward

# Financial Highlights and Results



# Financial Highlights

- **Solid and improving PTPP and PTPP/A**
  - Positive operating leverage year over year and linked quarter
- **Record noninterest and total deposit balances**
  - 1Q records: 3/9 total \$1.8B, 3/31 DDA \$443.0MM
  - Records extended 4/24: total \$2.0B, DDA \$489.2MM
- **7.6% annualized EOP loan growth**
  - Knoxville \$91MM pipeline; closed \$3.3MM
- **Stable Net Interest Margin**
  - Lowered deposit rates on over \$400MM
  - Emphasizing in-market, traditional fixed rate loans
  - Increased credit spreads to 250 to 400 bps over FHLB (vs. previous 200 to 300 bps)
  - Implemented floors on all variable rate loans and Tri-Net fixed rate loans
- **Continued momentum of mortgage and Tri-Net businesses**
  - Sales and pipelines remain in line with 2019
- **Strong expense management**
  - Creating a culture of accountability – revenue and support productivity per person
  - Implementing expense disciplines – owner-operator mindset
  - Reviewing incentive plans for alignment with shareholder value creation

# Financial Highlights

- **Outstanding credit metrics**
  - Continued low net charge-offs of \$43M for the quarter
  - Low and stable criticized and classified asset levels
- **Provided meaningful allowance for the wide range of potential outcomes of the COVID-19 pandemic**
  - \$7.5MM increase in Allowance for Loan Loss
- **Operating net income was \$1.6MM or \$0.08 per share**
  - Dividend of \$0.05 per share
- **Entering crisis from a position of strength**
  - Significant on and off balance sheet liquidity
  - Solid and improving pre-tax pre-provision Income
  - Strengthened ALLL for range of potential losses due to current uncertainty
  - Strong and growing capital ratios
  - Partnering with two of Tennessee's highest performing banks

## Financial Highlights and Results

# Financial Results

	GAAP <sup>(2)</sup>			Operating <sup>(1)(2)</sup>		
	1Q20	Favorable/(Unfavorable)		1Q20	Favorable/(Unfavorable)	
		4Q19 <sup>(3)</sup>	1Q19		4Q19 <sup>(3)</sup>	1Q19
<b>Net Interest Income</b>	\$16.66	1.9%	(2.0%)	\$16.66	1.9%	(2.0%)
<b>Noninterest Income</b>	\$5.87	10.9%	24.1%	\$5.87	10.9%	24.1%
<b>Revenue</b>	\$22.53	4.2%	3.7%	\$22.53	4.2%	3.7%
<b>Noninterest Expense</b>	\$14.21	27.8%	3.5%	\$13.92	31.5%	1.5%
<b>Pre-tax Pre-provision Income</b>	<b>\$8.32</b>	<b>73.8%</b>	<b>18.7%</b>	<b>\$8.61</b>	<b>79.2%</b>	<b>13.3%</b>
<b>Provision for Loan Losses</b>	\$7.55	N/A	(752.5%)	\$7.55	N/A	(752.5%)
<b>Net Income</b>	\$1.35	(302.4%)	(71.8%)	\$1.56	(289.0%)	(70.1%)
<b>Diluted EPS</b>	\$0.07	(302.3%)	(71.2%)	\$0.08	(289.0%)	(69.5%)

- (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) Dollars in millions, except per share data.
- (3) Annualized % change from 4Q19 to 1Q20.

# Key Performance Indicators

	Operating Metrics <sup>(1)</sup>	1Q20	4Q19	1Q19
<b>Soundness</b>	Net Charge-Offs to Average Loans (Annualized)	0.01%	0.06%	0.01%
	Non-Performing Assets / Loans + OREO	0.26%	0.18%	0.19%
	Allowance for Loan Losses / Loans Held for Investment	1.39%	0.89%	0.88%
	Tangible Common Equity / Tangible Assets	11.43%	11.47%	10.31%
	Total Risk Based Capital	13.64%	13.45%	12.64%
<b>Profitability</b>	Net Interest Margin <sup>(2)</sup> (tax equivalent basis)	3.50%	3.49%	3.75%
	Efficiency Ratio <sup>(3)</sup>	61.78%	67.73%	65.01%
	Pre-tax Pre-provision Income / Assets <sup>(4)</sup>	1.68%	1.41%	1.55%
	Return on Average Assets	0.30%	1.08%	1.06%
	Return on Average Equity	2.25%	8.10%	8.23%
	Return on Average Tangible Equity	2.68%	9.69%	10.02%
<b>Growth<sup>(5)</sup></b>	Total Deposits (Avg)	\$1,736	\$1,711	\$1,588
	Total Loans (Avg)	\$1,421	\$1,431	\$1,462
	Total Assets (Avg)	\$2,059	\$2,030	\$1,988
	Pre-tax Pre-provision Income	\$8.61	\$7.20	\$7.60
	Net Income	\$1.56	\$5.54	\$5.22
	Diluted EPS	\$0.08	\$0.30	\$0.28
	Tangible Book Value per Share	\$12.66	\$12.45	\$11.55

(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

(5) Dollars in millions, except per share data.



# COVID-19 Response



**Three-Step  
Mission**

*We're in this  
Together*

1. Provide care for our employees and clients
2. Protect the bank
3. Make CapStar shine in our communities

# Pandemic Oversight Committee

**Engaged:** March 16

**Meets:** Daily at least five days per week

**Purpose:** Provide direction to daily activities

- Chief Operations and Technology Officer (Chair)
- President and CEO
- East Tennessee Market Leadership
- Middle Tennessee Market Leadership
- Mortgage Director
- Chief Credit Officer
- Chief Culture Officer
- Chief Financial Officer
- Chief Risk Officer
- Bank of Waynesboro CEO (Guest)
- First National Bank of Manchester CEO (Guest)

## Internal Involvement

Risk Committee

Pandemic Credit Committee

## External Involvement

Crowe

Elliott Davis

Federal Reserve

FIS

## Board Involvement

Chair

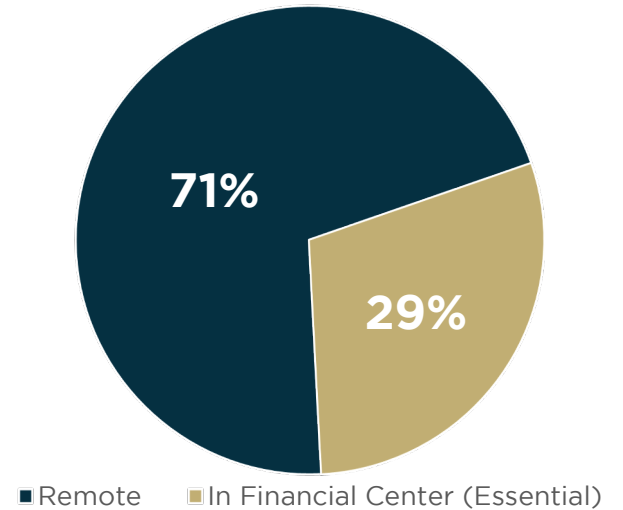
Risk Committee

Board

# Response Initiatives

## Team Member Protection and Support

- Since March 16, have operated 100% remotely, other than financial centers, due to forward-thinking workforce investment in laptops, VPNs, and doubling of bandwidth
- Weekly all-employee calls for health/wellness check, teammate acknowledgments, remote work productivity assessment, response program and announcements/updates, etc.
- Redirected financial center service to drive-thru, digital access and by appointment only on March 23



## Client Support and Assistance

- Led market in offering hassle-free 90-day full payment deferral to all CapStar borrowers
- Suspended all credit agency reporting through June 30
- Deferred consumer foreclosures
- Leader in providing SBA assistance to CapStar and non-CapStar customers

## Community Investment

- To directly support the families and children in our communities most impacted by COVID-19, CapStar donated \$30,000 to local food banks in our markets
- At an average cost of approximately \$3.00 per meal, CapStar's contribution will provide our neighbors over 10,000 meals during this challenging period



**COVID-19  
Response**

# Paycheck Protection Program (PPP)

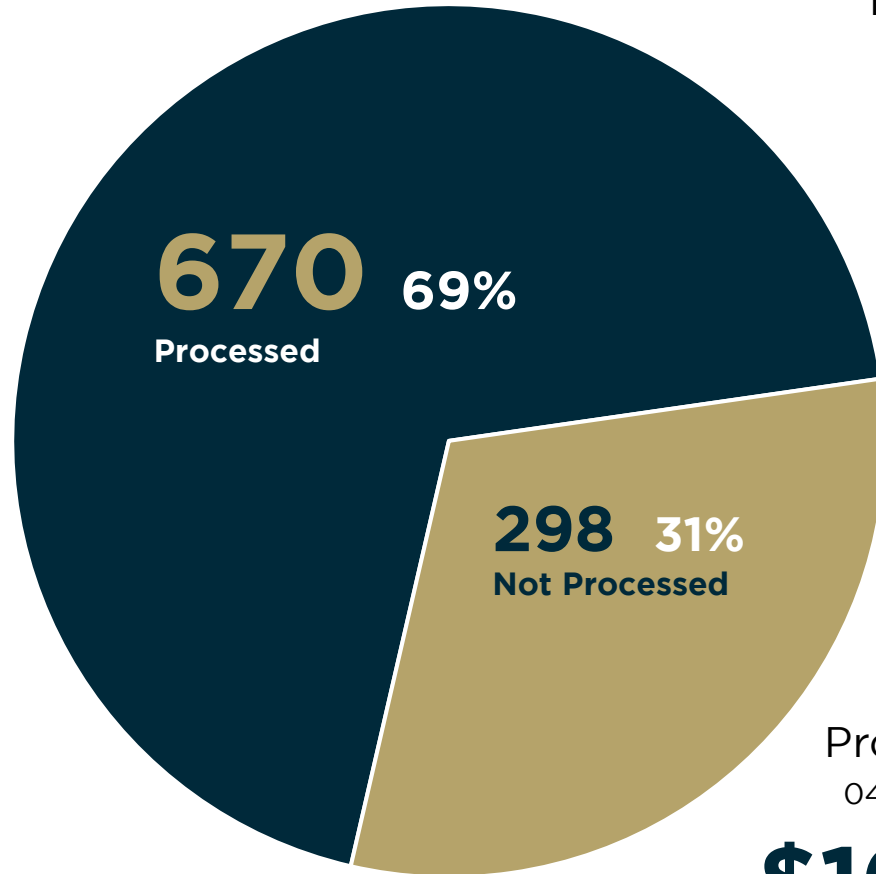
**Round One  
Funding**

Available 04/03  
Depleted 04/16

**Round Two  
Funding**

Available 04/27

~700  
Applications  
being Processed



Total Apps  
04/16/2020

**968**

**PPP Loan Stratification Table**

as of 04/16/2020

SBA Fee	App Count	Approved Dollars	Average Ticket
1%	11	\$37,034,772	\$3,366,793
3%	91	\$77,946,544	\$856,555
5%	568	\$49,176,104	\$86,741
<b>TOTAL</b>	<b>670</b>	<b>\$164,157,370</b>	

Processed  
04/16/2020

**~\$164MM**

# Community Feedback

“Your SBA and PPP information is simple, informative and very well organized. We are even referring our clients to your website for information ... *this will definitely open the door for future business.*”

“**I am bragging all over town about you.** I work with dozens of clients who use a variety of banks and *CapStar has been first over the finish line* for PPP loans. We love you and appreciate you so much.”

“It is evident the CapStar team was **working 110%** to ensure that clients are well informed and receiving the assistance they need as my calls are picked up at all hours – including weekends. *When the going got tough, it was great to know our local banking team was there for us.*”

“I just want to take a minute today and say thank you for your hard work on the SBA and PPP funding. *I'm reading crazy nightmares people are having with their banks.* You and your team have done an awesome job. **I'd recommend Capstar to anyone and everyone.** Thanks so much and we look forward to working with you.”

“While other small businesses are still working with their bank on what needs to be submitted, my business is already SBA approved and will be funded this week. **Thank you, CapStar!**”

“Once again, *CapStar has proven their commitment of going above and beyond for their customers.* My bankers worked 24/7 to accept, process and approve my PPP loan application in less than a week. **During these times of uncertainty, you can certainly count on CapStar.**”

“One of Nashville's homegrown lenders is extending a **financial lifeline to clients** as the coronavirus continues to put a crunch on companies ...”

**Nashville Business Journal**  
March 25, 2020

# Risk Management



# Liquidity

As of 04/17/2020

Funding Sources	Amount Outstanding (\$000)	Available to Draw (\$000)	Total Funding Capacity (\$000)
Cash & Equivalents	\$227,252	N/A	\$227,252
Unpledged AFS Securities <sup>(1)</sup>	152,772	N/A	152,772
Loans Held for Sale	171,259	N/A	171,259
<b>On Balance Sheet</b>	<b>551,283</b>	<b>N/A</b>	<b>551,281</b>
FHLB Advances	10,000	\$221,764	231,764
Fed Funds Lines	-	127,500	127,500
Brokered CDs <sup>(2)</sup>	69,555	195,045	264,600
QwickRate Deposits <sup>(2)</sup>	4,072	260,528	264,600
Fed Discount Window <sup>(3)</sup>	-	N/A	N/A
<b>Off Balance Sheet</b>	<b>83,627</b>	<b>804,837</b>	<b>888,464</b>
<b>Total</b>	<b>\$634,909</b>	<b>\$804,837</b>	<b>\$1,439,747</b>

- Liquidity stress tests performed quarterly using four scenarios
- Liquidity to be expanded further by renewal of Fed Discount Window

(1) Amount outstanding uses fair market value as reported on CSTR's financial statements as of 3/31/20  
(2) Available to draw amounts are based on CSTR ALCO policy guideline of 15% of total deposits  
(3) CSTR has a borrowing arrangement in place and is in process of pledging loan collateral and determining borrowing capacity

# Capital

<b>Capital Ratios</b>	<b>1Q20</b>	<b>4Q19</b>	<b>1Q19</b>	<b>"Well Capitalized" Guidelines</b>
Leverage	11.19%	11.37%	10.97%	≥ 5.00%
Tangible Common Equity / Tangible Assets <sup>1</sup>	11.43%	11.47%	10.31%	NA
Tier 1 Risk Based Capital	12.51%	12.73%	11.90%	≥ 8.00%
Total Risk Based Capital	13.64%	13.45%	12.64%	≥ 10.00%

- Capital ratios significantly above “well capitalized” and higher than a year ago
- Quarterly dividend of \$0.05 per common share on February 21, 2020
- Repurchased 147,800 shares during 1Q20 at an average price of \$9.69 per share for a total of \$1.4MM
- Share repurchases discontinued March 24, 2020; \$7.6MM remain under current authorization

(1) Reconciliation provided in non-GAAP tables in the Appendix at the end of this presentation.

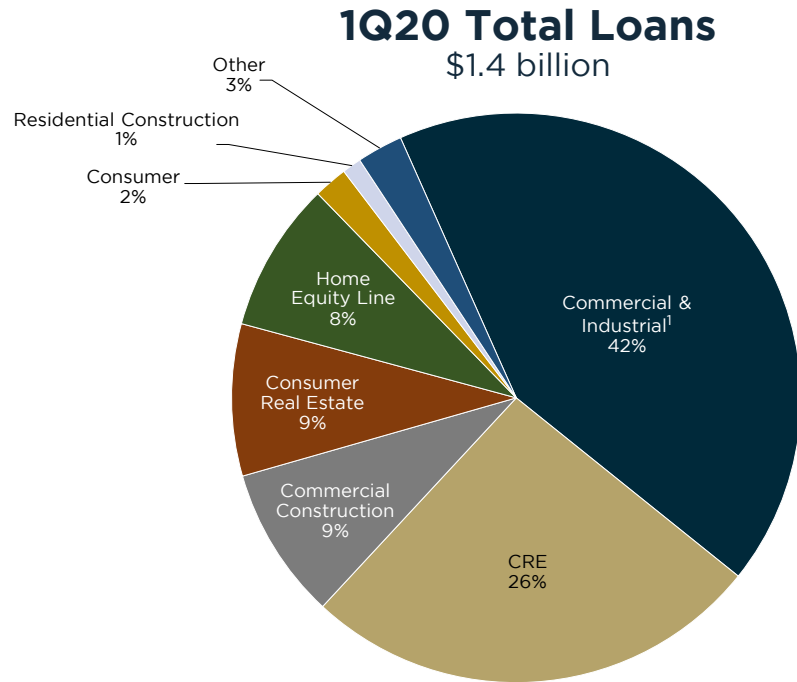


# Loan Portfolio Summary

- Strong credit metrics
- Diversified portfolio in resilient markets
- Initial COVID-19 Impact
  - 20.5% of total loans<sup>(1)</sup> participated in 90-day deferral
    - Some clients opted in as a result of need
    - Others opted in as a result of future uncertainty
  - Draws on line utilization increased from 48.7% to 52.1% in March, but have declined to 49.7% since April 1
  - 11% exposure to COVID-19 sensitive industries
    - Actively managing Lodging, Recreation/Restaurants, Retail, and Senior Living
- CRE portfolio has strong market and underwriting characteristics
- Independent credit validation
  - External firm performs three annual loan reviews
  - External firm performs annual stress test; most recent completed 4/20
- Allowance for loan losses increased to 1.39% due to uncertainty surrounding the potential impact of COVID-19

(1) Excluding HFS as of 04/15.

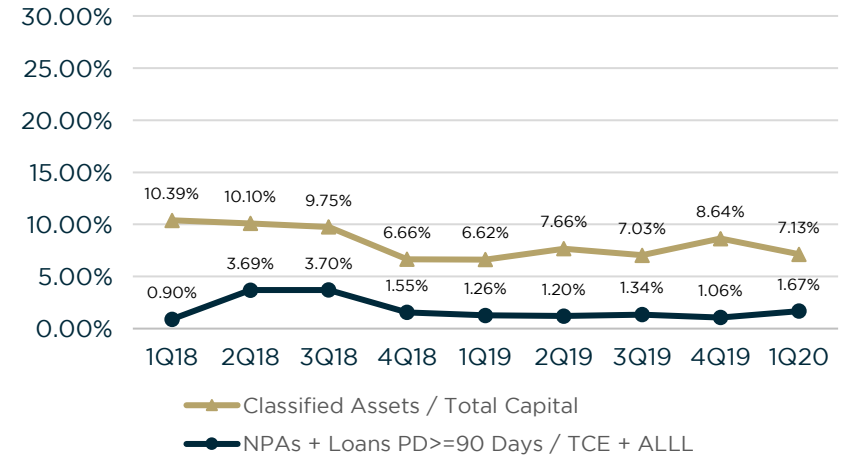
# Loan Portfolio Performance



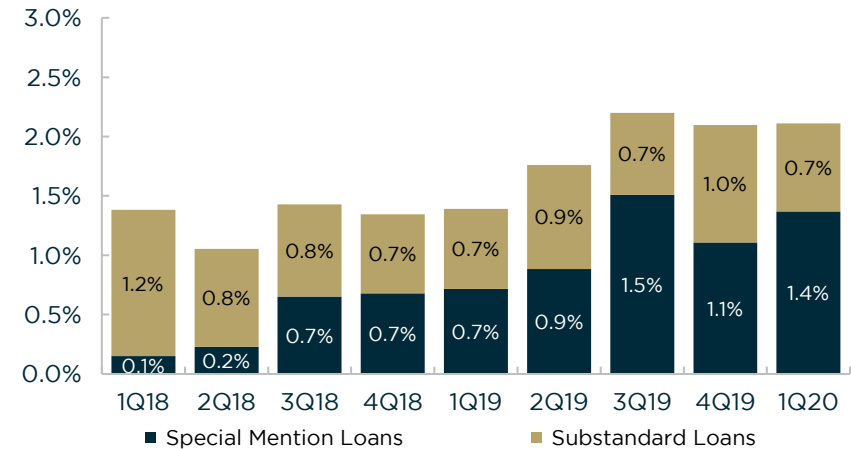
**End of Period Balances as of March 31, 2020**  
Excludes Tri-Net LHFS Balances of \$132MM

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

### Low Classified and Non-Performing Assets (Relative to Total Capital)

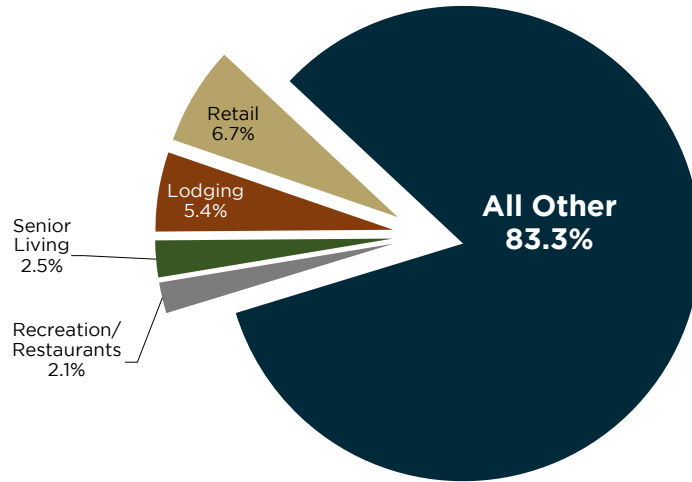


### Criticized & Classified Loan Trends (as a % of Total Gross Loans)

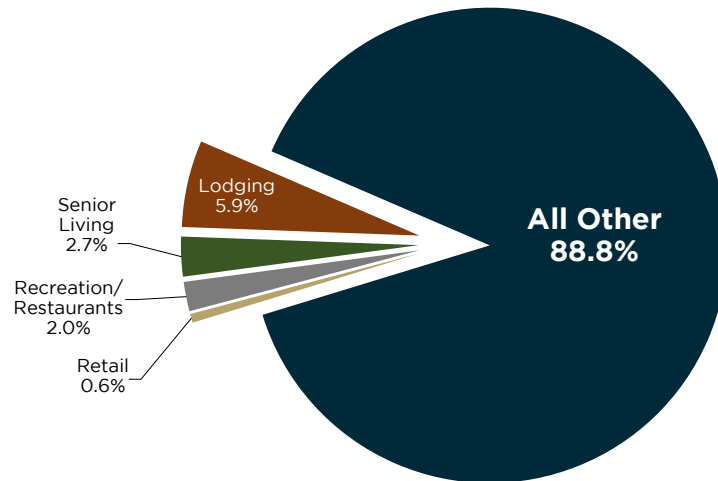


# Select Industries

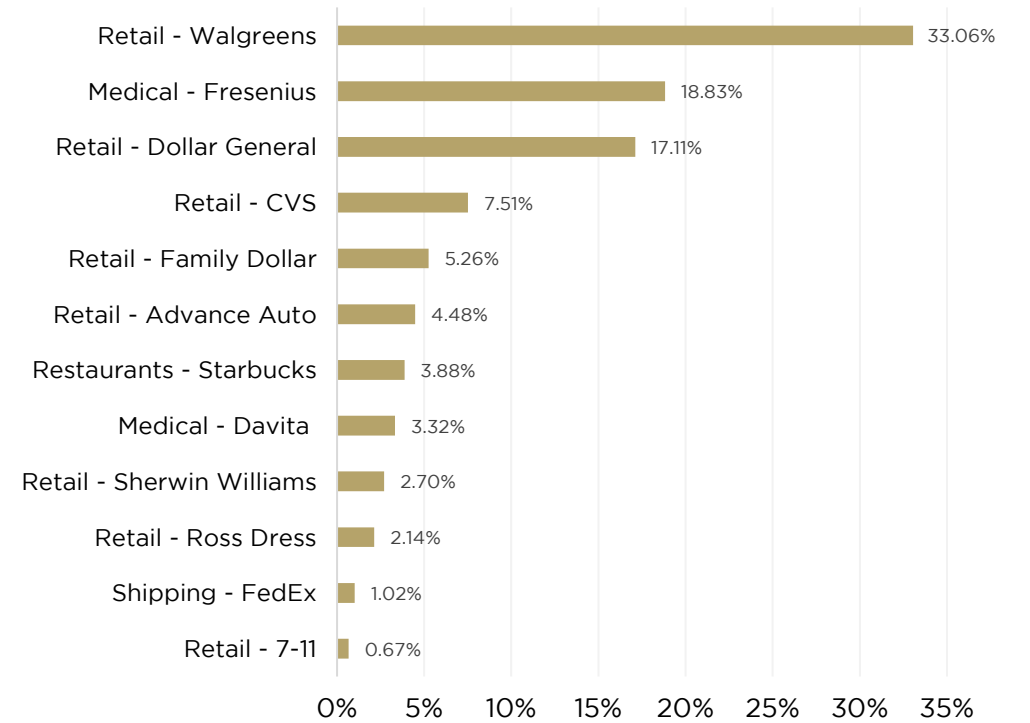
**Loans Including Tri-Net HFS**



**Loans Excluding Tri-Net**



**Tri-Net Funded Balance - Tenants**



# Select Industries

<b>Lodging</b>			
	Funded Balance	Weighted LTV	Weighted DSC
No Deferral Elected	\$48,396,344	53%	1.86
Deferral Opt-In	37,153,595	62%	1.99
<b>Grand Total</b>	<b>\$85,549,939</b>	<b>57%</b>	<b>1.92</b>

**Average Borrower Commitment**                      **\$4,372,000**

- Sector is 5.9% of loans of total loans
- 53% of non-construction balances opted-in to the 90-day deferral program
- 19% is construction in process with high cash equity and projected DSC 2.31 and stabilized LTV below 50%
  - 3 projects with \$8.6MM remaining to fund
- 100% are either in our Tennessee markets or with local developers
  - 9% of exposure is outside Tennessee
- 100% of balances Pass rated

<b>Senior Living</b>			
	Funded Balance	Weighted LTV	Weighted DSC
No Deferral Elected	\$21,653,117	70%	2.11
Deferral Opt-In	17,574,732	62%	1.82
<b>Grand Total</b>	<b>\$39,227,849</b>	<b>67%</b>	<b>1.98</b>

**Average Borrower Commitment**                      **\$3,269,000**

- Sector is 2.7% of loans of total loans
- 45% of balances opted-in to the 90-day deferral program
- No construction; all debt is amortizing term
- 100% are with local borrowers; 71% are projects in Tennessee
- One project rated Criticized/Classified for \$2.1MM due to temporary impact of flood but carries strength of a multi-project owner/operator

# Select Industries

<b>Recreation / Restaurants</b>			
	Funded Balance	Committed Balance	\$ Funded Criticized / Classified
No Deferral Elected	\$12,580,253	\$15,930,138	\$440,872
Deferral Opt-In	16,145,753	16,145,753	1,603,501
<b>Grand Total</b>	<b>\$28,726,006</b>	<b>\$32,075,891</b>	<b>\$2,044,372</b>

**Average Borrower Commitment** **\$668,248**

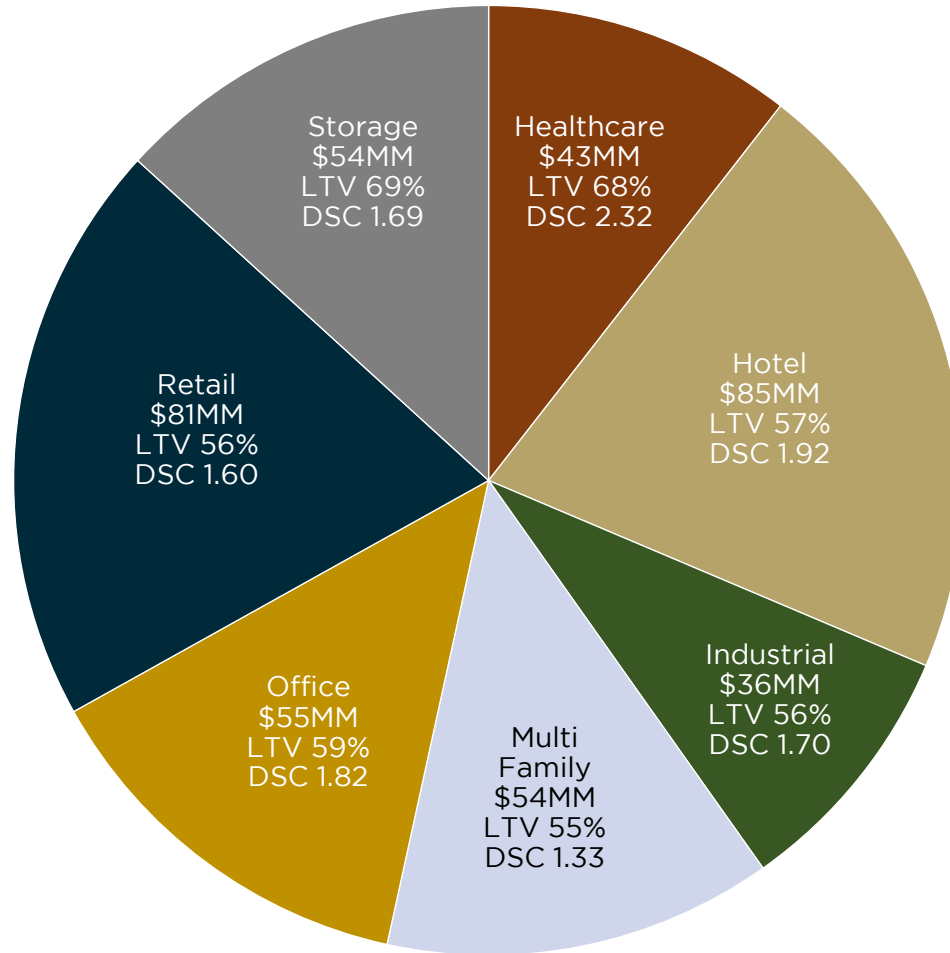
- Sector is 2.0% of loans of total loans
- 50% of balances opted-in to the 90-day deferral program
- 73% of exposure is secured by real estate
- \$2MM of Criticized/Classified balances represents 0.14% of total loans

<b>Retail</b>			
	Funded Balance	Committed Balance	\$ Funded Criticized / Classified
No Deferral Elected	\$8,575,297	\$15,631,565	\$0
Deferral Opt-In	374,665	444,665	0
<b>Grand Total</b>	<b>\$8,949,962</b>	<b>\$16,076,231</b>	<b>\$0</b>

**Average Borrower Commitment** **\$473,000**

- Sector is 0.6% of total loans
- < 3% of balances opted-in to the 90-day deferral program
- 57% of exposure is secured by real estate
- 100% of balances Pass rated

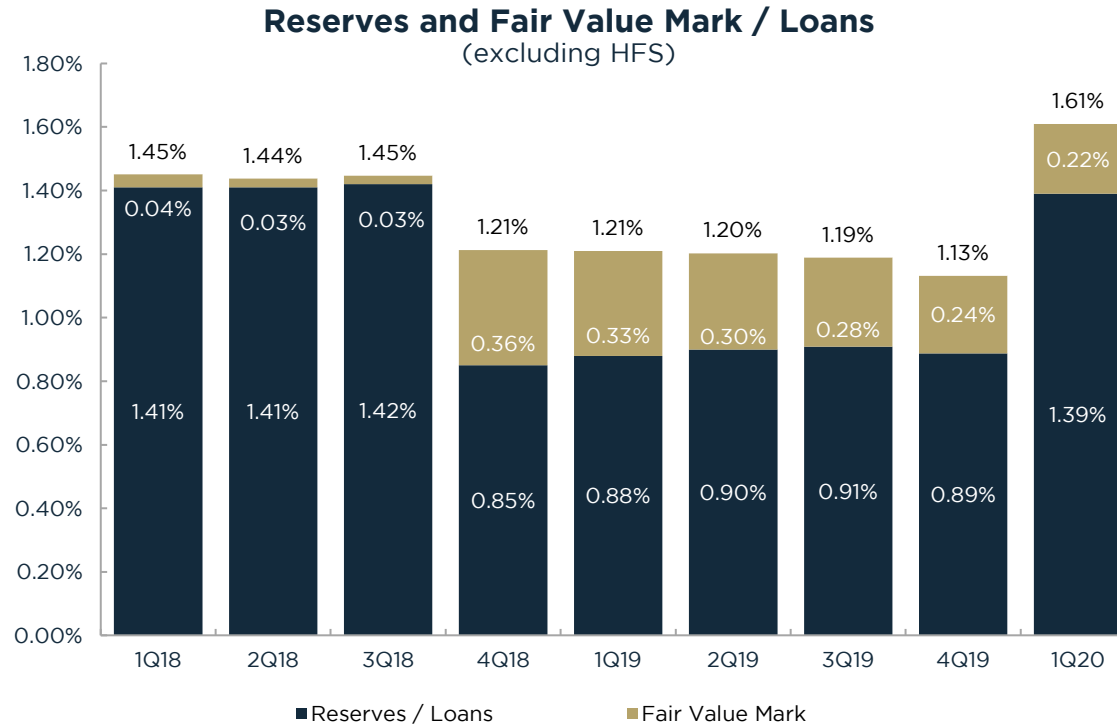
# Commercial Real Estate<sup>1</sup>



- Strong market fundamentals result in exceptionally strong quality metrics
- Focused on highly seasoned and liquid developer/investor profile
- Standard requirement expectation is 30%-35% cash equity
- Result is low LTV, high DSC that mitigates indirect tenant risk exposure
- 100% of balances Pass rated

(1) Balances > \$2MM for Call Report Codes 1A, 1D, 1E2 - HTM; March 31, 2020

# Allowance for Loan Losses



- Multiple stress tests performed to evaluate a range of potential losses
- Due to the uncertainty of the impact of COVID-19, the allowance for loan losses has increased 60% since 4Q19
  - \$6.7MM increase in qualitative factors reflecting uncertain economic environment
  - \$0.7MM increase in specific reserves
  - \$0.1MM other
- The current reserve of \$20.1MM plus the \$3.2MM fair value mark on acquired loans equates to a 1.61% reserve/loans

# Merger Update





# Acquisition Summary

## Strategic Rationale

- Addition of two high-performing banking institutions, each with 115+ year histories
- Expands local banking efforts in dynamic Middle Tennessee
- Strengthens funding capabilities and liquidity profile
- Creates additional scale allowing for larger relationships, diversify risks and increase shareholder liquidity

## Key Dates

- |                                |          |
|--------------------------------|----------|
| ✓ Announced                    | 1Q20     |
| • FNBM & BOW Shareholder Votes | April 30 |
| • Regulatory Approval          | 2Q20     |
| • Close                        | 2Q/3Q20  |
| • System Conversions           | 4Q20     |



## Pandemic Partnership

- BOW and FNBM CEOs participate in daily pandemic oversight committee calls
- SBA Webinars hosted for FNBM and BOW loan officers and sales force regarding SBA Programs and invitation to facilitate client applications as a financial partner
- Co-branded SBA resource packages with both First National Bank of Manchester and Bank of Waynesboro to assist small business clients in respective markets as an introduction to the pending partnership
- CapStar Pandemic Credit team actively working with BOW and FNBM CEOs to further evaluate banks' loan portfolios

# Looking Forward



As we move forward, CapStar has tremendous opportunities to continue to improve our performance.

### **Our priorities include:**

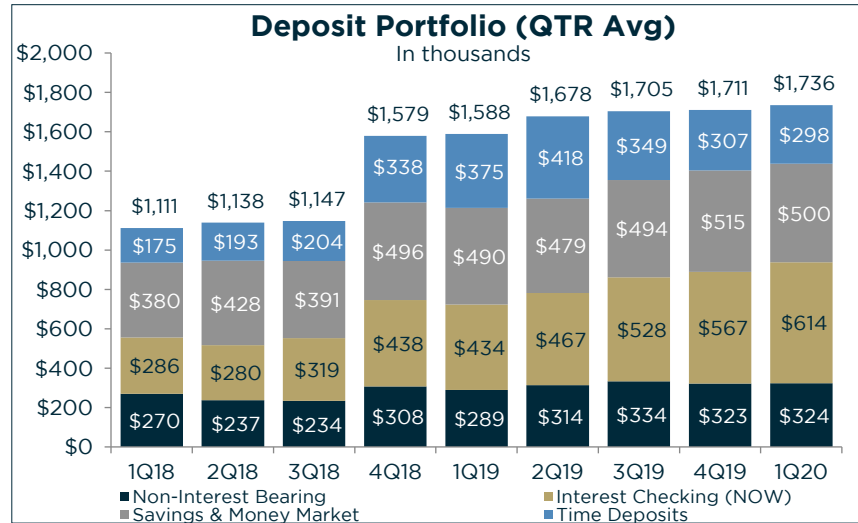
1. Delivering strong risk management practices
  - Build liquidity, reserves, and capital
  - Escalate portfolio monitoring and proactively manage credit portfolio
  - Generate strong PTPP with the intention of maintaining our dividend
2. Enhancing the level and consistency of our profitability
  - Improving our net interest margin and its stability
  - Implementing expense disciplines – proficient and frugal execution
  - Eliminating prior credit “spikes”
3. Expanding and accelerating our growth opportunities
  - Aggressively seeking to expand customer relationships in our existing markets
  - Strategically hiring additional talented bankers in or around our service areas
  - Actively pursuing acquisitions of well-managed, appropriately-priced banks
4. Improving the relative performance of our common stock
  - Creating an accountable, owner-operator culture
  - Reviewing company-wide incentive plans to align to shareholder performance

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

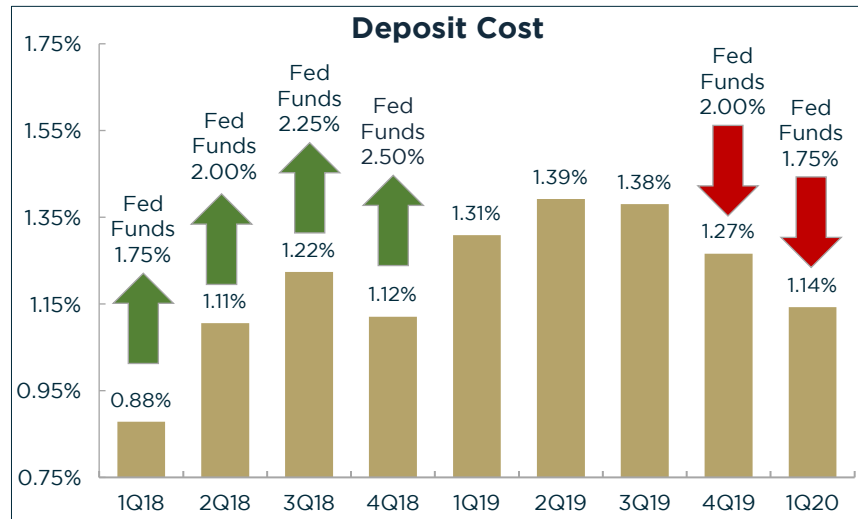


# 1Q20 Financial Results

## Deposit Growth and Costs



- Avg Deposit balances grew 9.3% over prior year (1Q19)
- Avg NOW balances grew 8.3% over prior year (1Q19)
- Deposit costs down 13 bps from 4Q19 due to rate adjustments in the quarter

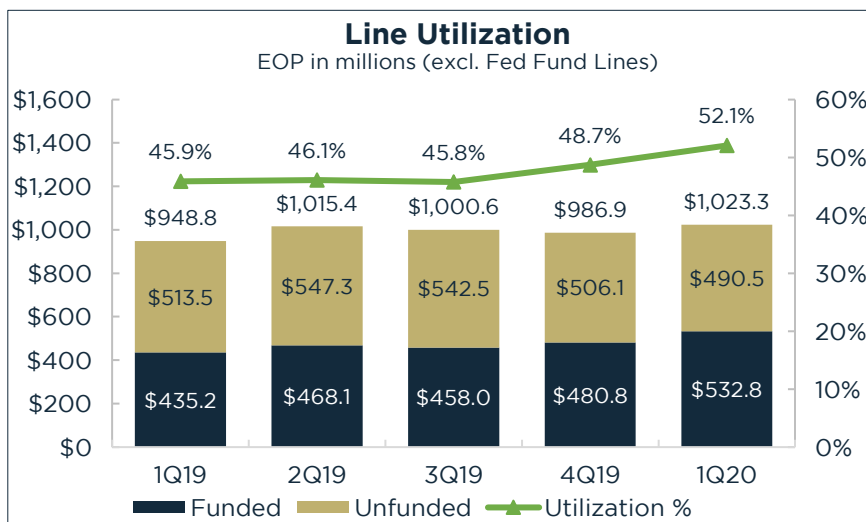
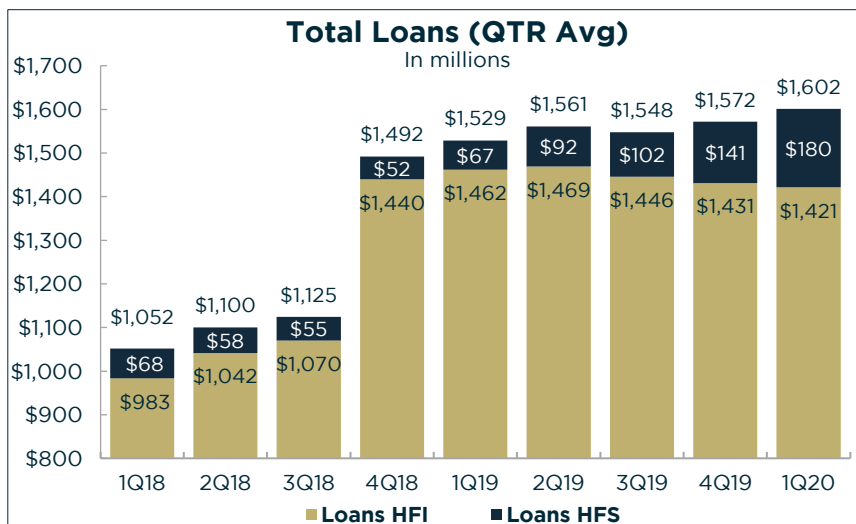


	1Q20	Change Vs. 4Q19*	Change Vs. 1Q19
<i>\$ in millions</i>	\$	\$ %	\$ %
<b>Balance Sheet (EOP Balances)</b>			
Non-Interest Bearing	\$ 443	\$ 131 168.0%	\$ 130 41.6%
Interest Checking (NOW)	548	(60) -39.4%	97 21.6%
Savings & Money Market	473	(34) -26.9%	(20) -4.0%
Time Deposit's under \$100K	71	(2) -9.7%	(49) -40.8%
Time Deposit's over \$100K	230	(1) -1.8%	(74) -24.3%
<b>Deposits</b>	<b>\$ 1,764</b>	<b>\$ 34 7.9%</b>	<b>\$ 85 5.1%</b>

\*Annualized % change from 4Q19 to 1Q20

# 1Q20 Financial Results

## Loan Growth



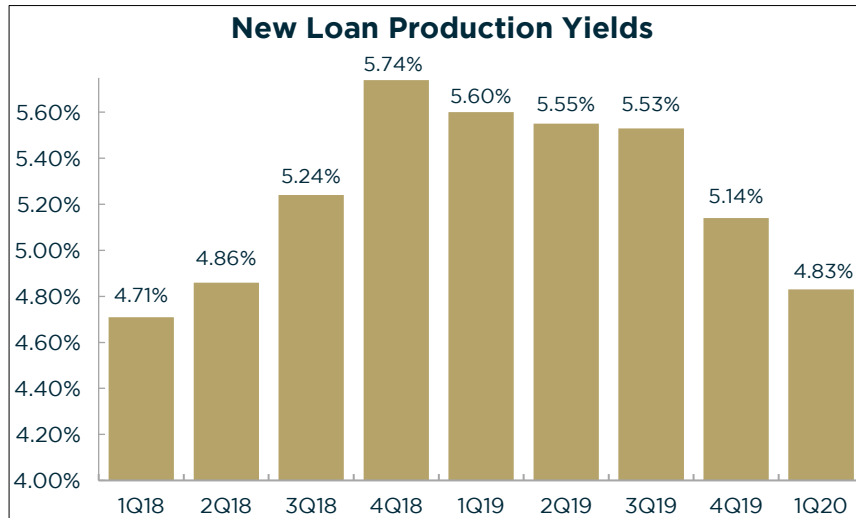
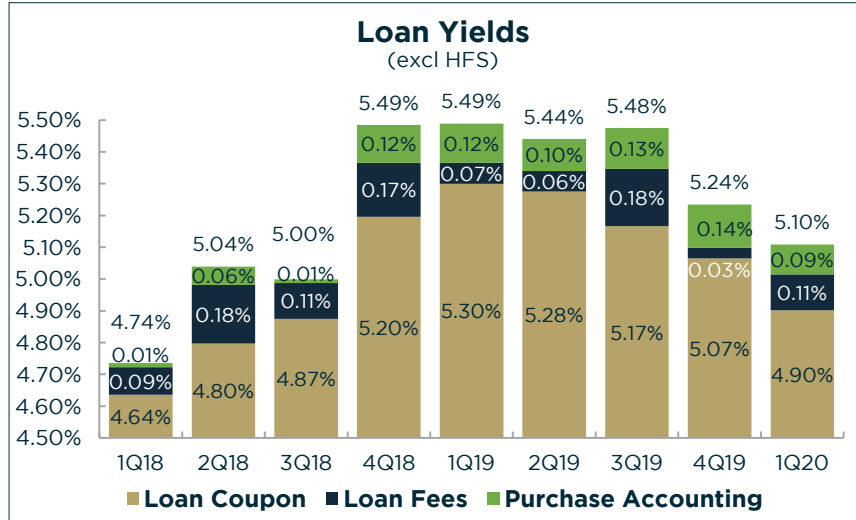
- EOP Loans HFI increased \$27MM or 7.6% annualized from 4Q19. Avg Loans HFI decreased 2.7% on an annualized basis from 4Q19. Payoffs and paydowns remained elevated for the quarter
- Line utilization increased by 3.4% to 52.1%
- Avg HFS loans increased by \$40MM from 4Q19 and was predominately Tri-Net loans expected to be sold in 2Q20

	1Q20	Change Vs. 4Q19*		Change Vs. 1Q19	
	\$	\$	%	\$	%
<b>Balance Sheet (EOP Balances)</b>					
Commercial and Industrial	\$447	\$53	53.8%	\$27	6.5%
Commercial Real Estate (Non-Owner Occupied)	378	(9)	-9.6%	(25)	-6.3%
Commercial Real Estate (Owner Occupied)	167	(6)	-13.5%	(4)	-2.3%
Consumer Real Estate	248	(8)	-12.3%	(1)	-0.3%
Construction & Land Development	141	(2)	-5.7%	(21)	-13.0%
Consumer	28	(1)	-9.7%	1	5.7%
Other	38	(1)	-5.5%	1	3.3%
<b>Total Loans</b>	<b>\$1,447</b>	<b>\$27</b>	<b>7.6%</b>	<b>\$(21)</b>	<b>-1.4%</b>

\*Annualized % change from 4Q19 to 1Q20

# 1Q20 Financial Results

## Loan Yields



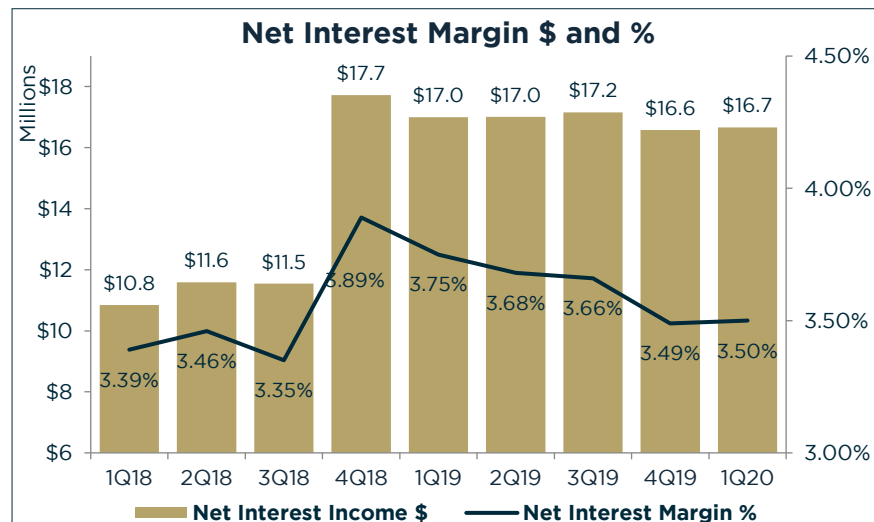
- Overall loan yield was 5.10%, down 14 bps from 4Q19
- The average 1 month Libor rate was 1.41% and down 38 bps from 4Q19, which negatively impacted our variable rate loan book's decline of 17 bps
- Loan fees increased 8 bps from 4Q19 with prepayment and unamortized fees associated with early payoffs
- The yield on new loan production was 4.83% for 1Q20

### Loan Yield Rollforward

<b>4Q19 (Avg)</b>	<b>5.24%</b>
Increase in Loan Fees	0.08%
Decrease in Purchase Accounting	(0.05%)
Repricing of Variable Rate Loans	(0.17%)
<b>1Q20 (Avg)</b>	<b>5.10%</b>

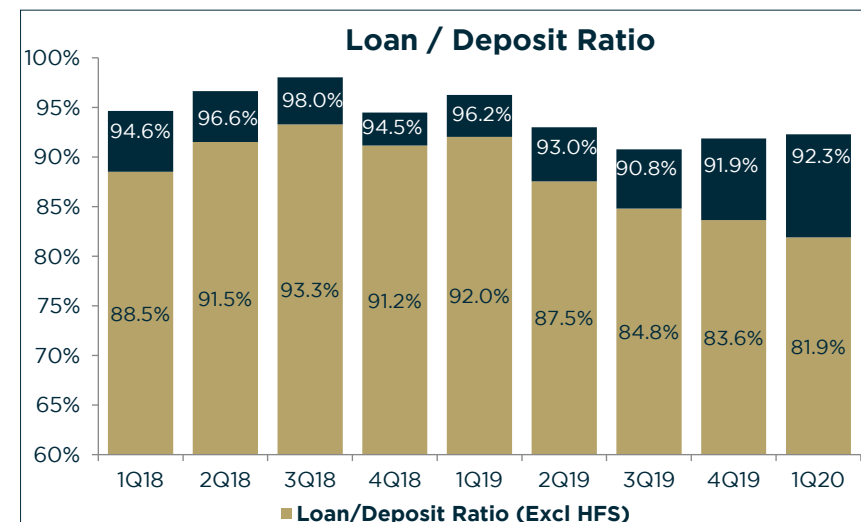
# 1Q20 Financial Results

## Net Interest Margin



- Our NIM was 3.50%, up 1 bp from 4Q19. Driver of this change include:
  - Balance sheet mix (higher deposits with lower costs and increased DDA)
  - Increased prepayment fees
- EOP loan to deposit ratio remains in the low 90s

Net Interest Margin	
<b>4Q19 (Avg)</b>	<b>3.49%</b>
Increase in Investment Yields	0.01%
Increase in Loan HFS Balances	0.08%
Increase in Prepayment Fees	0.06%
Decrease in Loan HFI Balances	(0.03%)
Decrease in Loan HFI Yields	(0.22%)
Change in Deposit Mix & Lower Rates	0.11%
<b>1Q20 (Avg)</b>	<b>3.50%</b>



(1) Calculated on a tax equivalent basis.



## 1Q20 Financial Results

# Noninterest Income

(Dollars in thousands)	Three Months Ended				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
<b>Noninterest Income</b>					
Treasury Management and Other Deposit Service Charges	\$ 775	\$ 736	\$ 788	\$ 813	\$ 798
Net Gain (Loss) on Sale of Securities	27	9	0	(121)	12
Tri-Net Fees	599	274	847	1,024	641
Mortgage Banking Income	2,253	2,316	2,679	3,087 <sup>(1)</sup>	1,385
Wealth Management Fees	407	407	379	334	306
Interchange and Debit Card Transaction Fees	724	928	754	991	579
Other	1,089	1,049	1,341	904	1,014
<b>Total Noninterest Income</b>	<b>\$ 5,874</b>	<b>\$ 5,719</b>	<b>\$ 6,788</b>	<b>\$ 7,032</b>	<b>\$ 4,735</b>
<i>Average Assets</i>	2,059,306	2,030,231	2,005,950	2,004,207	1,988,478
<b><i>Noninterest Income / Average Assets</i></b>	<b>1.15%</b>	<b>1.12%</b>	<b>1.34%</b>	<b>1.41%</b>	<b>0.97%</b>

- **Noninterest Income was 1.15% of Average Assets**
- Treasury Management and other Deposit Service Charges increased due to increased volumes.
- Tri-Net fees in line with guidance and prior year.
- Mortgage income slightly down for the quarter driven by interest rate hedging while mortgage volumes continue to be consistent with prior quarters.

(1) Reflects the impact of the implementation of mandatory mortgage locks as opposed to best efforts mortgage locks. The aggregate accounting impact of the change was \$(912K).

## 1Q20 Financial Results

# Noninterest Expense

(Dollars in thousands)	Three Months Ended				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
<b>Noninterest Expense</b>					
Salaries and Employee Benefits	\$ 8,002	\$ 9,318	\$ 9,229	\$ 8,563	\$ 8,432
Data Processing & Software	1,864	1,835	1,790	1,862	1,474
Professional Fees	636	531	528	501	543
Occupancy	820	795	858	809	883
Equipment	751	834	1,012	1,026	852
Regulatory Fees	163	28	18	272	274
Merger Related Expenses	290	163	187	1,711	594
Amortization of Intangibles	386	397	408	419	430
Other Operating	1,299	1,365	1,501	1,307	1,243
<b>Total Noninterest Expense</b>	<b>\$ 14,211</b>	<b>\$ 15,266</b>	<b>\$ 15,531</b>	<b>\$ 16,470</b>	<b>\$ 14,725</b>
<i>Efficiency Ratio</i>	63.06%	68.46%	64.87%	68.51%	67.74%
<i>Average Assets</i>	\$ 2,059,306	\$ 2,030,231	\$ 2,005,950	\$ 2,004,207	\$ 1,988,478
<i>Noninterest Expense / Average Assets</i>	2.78%	2.98%	3.07%	3.30%	3.00%
<i>FTE</i>	288	289	290	290	289
<b>Operating Noninterest Expense<sup>(1)</sup></b>					
	\$ 13,921	\$ 15,103	\$ 15,344	\$ 14,759	\$ 14,131
<b>Operating Efficiency Ratio<sup>(1)</sup></b>	61.78%	67.73%	64.08%	61.39%	65.01%
<b>Operating Noninterest Expense / Average Assets<sup>(1)</sup></b>	2.72%	2.95%	3.04%	2.95%	2.88%

- **Operating Efficiency of 61.78% for the quarter.**
- Total Expenses (Operating) of \$14MM and down \$1.1MM primarily due to lower incentives and early retirements that occurred in 4Q19.
- Regulatory fees increased due to FDIC credit received in 4Q19.

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

# Non-GAAP Financial Measures

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
(Dollars in thousands, except per share information)					
<b>TANGIBLE EQUITY</b>					
Total Shareholders' Equity	\$ 275,790	\$ 273,046	\$ 268,082	\$ 262,664	\$ 259,751
Less: Intangible Assets	44,008	44,393	44,790	45,199	45,618
Tangible Equity	231,782	228,653	223,292	217,465	214,133
<b>TANGIBLE COMMON EQUITY</b>					
Tangible Equity	\$ 231,782	\$ 228,653	\$ 223,292	\$ 217,465	\$ 214,133
Less: Preferred Equity	-	-	-	9,000	9,000
Tangible Common Equity	231,782	228,653	223,292	208,465	205,133
<b>TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS</b>					
Tangible Common Equity	\$ 231,782	\$ 228,653	\$ 223,292	\$ 208,465	\$ 205,133
Total Assets	2,072,585	2,037,201	2,033,911	2,018,421	2,035,811
Less: Intangible Assets	44,008	44,393	44,790	45,199	45,618
Tangible Assets	2,028,577	1,992,808	1,989,121	1,973,223	1,990,193
Tangible Common Equity to Tangible Assets	11.43%	11.47%	11.23%	10.56%	10.31%

# Non-GAAP Financial Measures

	Three Months Ended				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
(Dollars in thousands, except per share information)					
<b>RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Total Average Shareholders' Equity	\$ 278,550	\$ 271,568	\$ 266,441	\$ 261,197	\$ 257,105
Less: Average Intangible Assets	44,253	44,646	45,050	45,456	45,890
Average Tangible Equity	234,297	226,922	221,391	215,741	211,215
Net Income	1,346	5,421	6,466	5,756	4,780
Return on Average Tangible Equity (ROATE)	2.31%	9.48%	11.59%	10.70%	9.18%
<b>RETURN ON AVERAGE TANGIBLE COMMON EQUITY (ROATCE)</b>					
Average Tangible Equity	\$ 234,297	\$ 226,922	\$ 221,391	\$ 215,741	\$ 211,215
Less: Preferred Equity	-	-	7,043	9,000	9,000
Average Tangible Common Equity	234,297	226,922	214,347	206,741	202,215
Net Income	1,346	5,421	6,466	5,756	4,780
Return on Average Tangible Common Equity (ROATCE)	2.31%	9.48%	11.97%	11.17%	9.59%

# Non-GAAP Financial Measures

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
(Dollars in thousands, except per share information)					
<b>TANGIBLE BOOK VALUE PER SHARE, REPORTED</b>					
Tangible Common Equity	\$ 231,782	\$ 228,653	\$ 223,292	\$ 208,465	\$ 205,133
Shares of Common Stock Outstanding	18,307,802	18,361,922	18,343,403	17,561,476	17,765,124
Tangible Book Value Per Share, Reported	\$12.66	\$12.45	\$12.17	\$11.87	\$11.55
<b>SHARES OUTSTANDING AT END OF PERIOD</b>					
Shares of Common Stock Outstanding	18,307,802	18,361,922	18,343,403	17,561,476	17,765,124
Shares of Preferred Stock Outstanding	-	-	-	878,048	878,048
Total Shares Outstanding at End of Period	18,307,802	18,361,922	18,343,403	18,439,524	18,643,172
<b>TANGIBLE BOOK VALUE PER SHARE, ADJUSTED</b>					
Tangible Equity	\$ 231,782	\$ 228,653	\$ 223,292	\$ 217,465	\$ 214,133
Total Shares Outstanding at End of Period	18,307,802	18,361,922	18,343,403	18,439,524	18,643,172
Tangible Book Value Per Share, Adjusted	\$12.66	\$12.45	\$12.17	\$11.79	\$11.49

# Non-GAAP Financial Measures

	Three Months Ended				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
(Dollars in thousands, except per share information)					
<b>OPERATING NET INCOME</b>					
Net Income (Loss)	\$ 1,346	\$ 5,421	\$ 6,466	\$ 5,756	\$ 4,780
Add: Merger Related Expense	290	163	187	1,711	594
Less: Income Tax Impact	(76)	(43)	(49)	(447)	(155)
Operating Net Income	1,560	5,541	6,604	7,020	5,219
<b>OPERATING DILUTED NET INCOME PER SHARE</b>					
Operating Net Income	\$ 1,560	\$ 5,541	\$ 6,604	\$ 7,020	\$ 5,219
Average Diluted Shares Outstanding	18,443,725	18,443,916	18,532,479	18,650,706	18,830,933
Operating Diluted Net Income per Share	\$0.08	\$0.30	\$0.36	\$0.38	\$0.28
<b>OPERATING RETURN ON AVERAGE ASSETS (ROAA)</b>					
Operating Net Income	\$ 1,560	\$ 5,541	\$ 6,604	\$ 7,020	\$ 5,219
Total Average Assets	2,059,306	2,030,231	2,005,950	2,004,207	1,988,478
Operating Return on Average Assets (ROAA)	0.30%	1.08%	1.31%	1.40%	1.06%
<b>OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)</b>					
Average Tangible Equity	\$ 234,297	\$ 226,922	\$ 221,391	\$ 215,741	\$ 211,215
Operating Net Income	1,560	5,541	6,604	7,020	5,219
Operating Return on Average Tangible Equity (ROATE)	2.68%	9.69%	11.83%	13.05%	10.02%

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, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
(Dollars in thousands, except per share information)					
<b>OPERATING NONINTEREST EXPENSE</b>					
Noninterest Expense	\$ 14,211	\$ 15,266	\$ 15,531	\$ 16,470	\$ 14,725
Less: Merger Related Expense	(290)	(163)	(187)	(1,711)	(594)
Operating Noninterest Expense	13,921	15,103	15,344	14,759	14,131
<b>OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS</b>					
Operating Noninterest Expense	\$ 13,921	\$ 15,103	\$ 15,344	\$ 14,759	\$ 14,131
Total Average Assets	2,059,306	2,030,231	2,005,950	2,004,207	1,988,478
Operating Noninterest Income / Average Assets	2.72%	2.95%	3.04%	2.95%	2.88%
<b>OPERATING EFFICIENCY RATIO</b>					
Operating Noninterest Expense	\$ 13,921	\$ 15,103	\$ 15,344	\$ 14,759	\$ 14,131
Net Interest Income	16,661	16,581	17,156	17,008	17,002
Noninterest Income	5,874	5,719	6,788	7,032	4,735
Total Revenues	22,535	22,300	23,944	24,040	21,737
Operating Efficiency Ratio	61.78%	67.73%	64.08%	61.39%	65.01%

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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