



CAPSTAR™

FINANCIAL HOLDINGS, INC.

Fourth Quarter 2021

Earnings Call

January 28, 2022

Disclosures

FORWARD-LOOKING STATEMENTS

This investor presentation contains forward-looking statements, as defined by federal securities laws, including statements about CapStar Financial Holdings, Inc. (“CapStar”) and its financial outlook and business environment. All statements, other than statements of historical fact, included in this release and any oral statements made regarding the subject of this release, including in the conference call referenced herein, that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “expect”, “anticipate”, “intend”, “may”, “should”, “plan”, “believe”, “seek”, “estimate” and similar expressions are intended to identify such forward-looking statements, but other statements not based on historical information may also be considered forward-looking statements. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the statements, including, but not limited to: (I) deterioration in the financial condition of borrowers of the Company and its subsidiaries, resulting in significant increases in loan losses and provisions for those losses; (II) the effects of the emergence of widespread health emergencies or pandemics, including the magnitude and duration of the Covid-19 pandemic and its impact on general economic and financial market conditions and on the Company’s customer’s business, results of operations, asset quality and financial condition; (III) the ability to grow and retain low-cost, core deposits and retain large, uninsured deposits, including during times when the Company is seeking to lower rates it pays on deposits; (IV) the impact of competition with other financial institutions, including pricing pressures and the resulting impact on the Company’s results, including as a result of compression to net interest margin; (V) fluctuations or differences in interest rates on loans or deposits from those that the Company is modeling or anticipating, including as a result of the Company’s inability to better match deposit rates with the changes in the short term rate environment, or that affect the yield curve; (VI) difficulties and delays in integrating required businesses or fully realizing cost savings or other benefits from acquisitions; (VII) the Company’s ability to profitably grow its business and successfully execute on its business plans; (VIII) any matter that would cause the Company to conclude that there was impairment of any asset, including goodwill or other intangible assets; (IX) the vulnerability of the Company’s network and online banking portals, and the systems of customers or parties with whom the Company contracts, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches; (X) the availability of and access to capital; (XI) adverse results (including costs, fines, reputational harm, inability to obtain necessary approvals, and/or other negative affects) from current or future litigation, regulatory examinations or other legal and/or regulatory actions, including as a result of the Company’s participation in and execution of government programs related to the Covid-19 pandemic; and (XII) general competitive, economic, political and market conditions. Additional factors which could affect the forward-looking statements can be found in the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, filed with the SEC. The Company disclaims any obligation to update or revise any forward-looking statements contained in this press release (we speak only as of the date hereof), whether as a result of new information, future events, or otherwise.

NON-GAAP MEASURES

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

4Q21 Highlights

Executing on strategic objectives

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

Delivering high performance

- Earnings per share of \$0.56
- PTPPA and ROAA of 1.94% and 1.57%, respectively, despite ~ \$400MM of excess liquidity
- ROATCE of 15.02%, despite ~ 200 basis points of excess capital
- Improved absolute and relative 1, 2, and 3-year total shareholder returns

Proactively managing risk

- ~ 100% of 2021 loan production CapStar-led to Tennessee borrowers
- Strong credit culture
- Slightly asset sensitive balance sheet

Deploying capital in a disciplined manner

- Entered Chattanooga in 4Q21; provided \$53MM 4Q21 EOP loan growth
- Actively speaking with leading bankers in several metro markets
- Prepared for opportunistic share repurchase with \$30 million renewed authorization

Financial Results

(Dollars in millions,
except per share data)

	GAAP			Operating ⁽¹⁾		
	4Q21	Favorable/(Unfavorable)		4Q21	Favorable/(Unfavorable)	
		3Q21	4Q20		3Q21	4Q20
Net Interest Income	\$22.99	0%	3%	\$22.99	0%	3%
Noninterest Income	\$11.13	-4%	-5%	\$11.13	-4%	-5%
Revenue	\$34.12	-1%	0%	\$34.12	-1%	0%
Noninterest Expense	\$18.68	-2%	-13%	\$18.68	-2%	-4%
Pre-tax Pre-provision Income	\$15.44	-5%	23%	\$15.44	-5%	5%
Provision for Loan Losses	(\$0.65)	NM	454%	(\$0.65)	NM	454%
Net Income	\$12.47	-5%	29%	\$12.47	-5%	11%
Diluted Earnings per Share	\$0.56	-5%	27%	\$0.56	-5%	10%

(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 merger related items.

Key Performance Indicators

(Dollars in millions,
except for per share data)

	Operating Metrics ⁽¹⁾	4Q21	3Q21	4Q20
Profitability	Net Interest Margin ⁽²⁾	3.14%	3.12%	3.12%
	Efficiency Ratio ⁽³⁾	54.74%	53.06%	56.85%
	Pretax Preprovision Income / Assets ⁽⁴⁾	1.94%	2.03%	1.93%
	Return on Average Assets	1.57%	1.64%	1.48%
	Return on Average Tangible Common Equity	15.02%	16.28%	15.38%
Growth	Total Assets (Avg)	\$3,159	\$3,171	\$3,028
	Total Deposits (Avg)	\$2,713	\$2,732	\$2,613
	Total Loans HFI (Avg) (Excl PPP)	\$1,846	\$1,790	\$1,680
	Diluted Earnings per Share	\$0.56	\$0.59	\$0.51
	Tangible Book Value per Share	\$14.99	\$14.53	\$13.36
Soundness	Net Charge-Offs to Average Loans (Annualized)	0.04%	0.05%	0.02%
	Non-Performing Assets / Loans + OREO	0.18%	0.20%	0.28%
	Allowance for Loan Losses + Fair Value Mark / Loans Excl PPP	1.27%	1.41%	1.58%
	Common Equity Tier 1 Capital	14.11%	13.95%	13.52%
	Total Risk Based Capital	16.29%	16.23%	16.03%

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(2) Calculated on a tax equivalent basis.

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

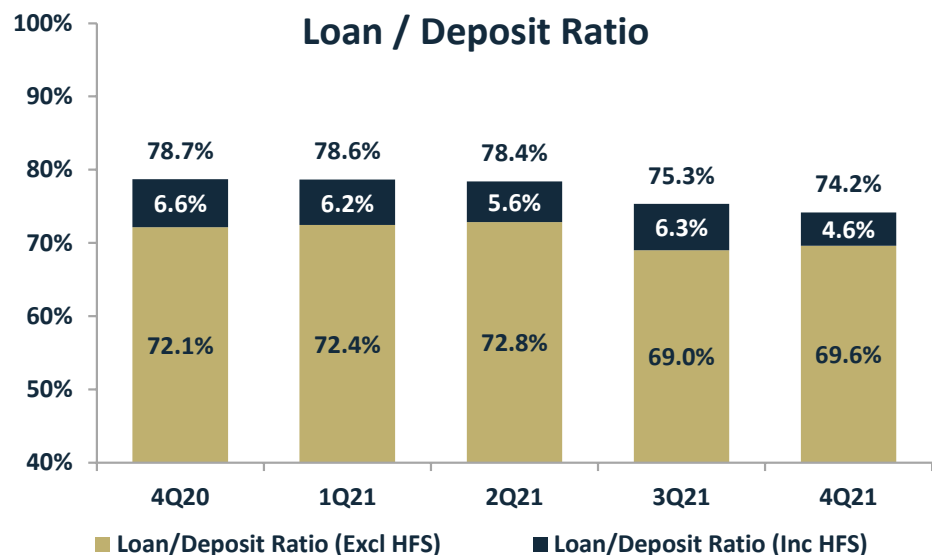
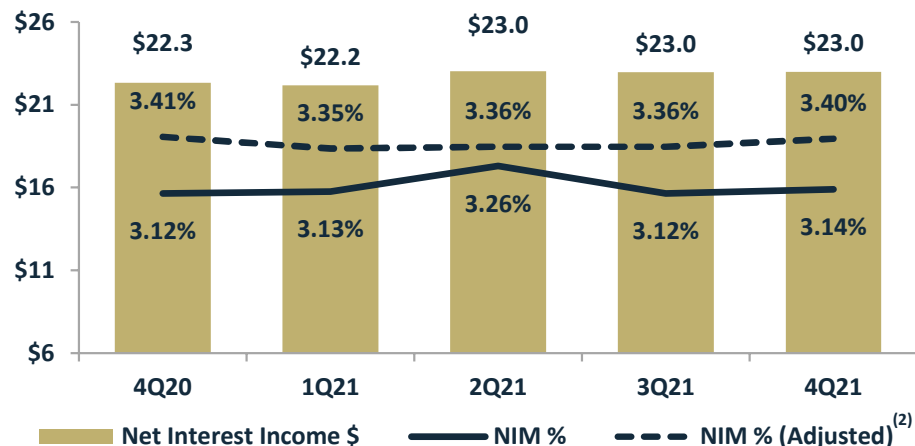
(4) Pre-tax Pre-provision Operating ROA calculated as ROA excluding the effect of income tax expense, provision expense and merger expenses.

Financial Detail

Net Interest Income / Margin⁽¹⁾

Net Interest Margin \$ and %

\$ in millions



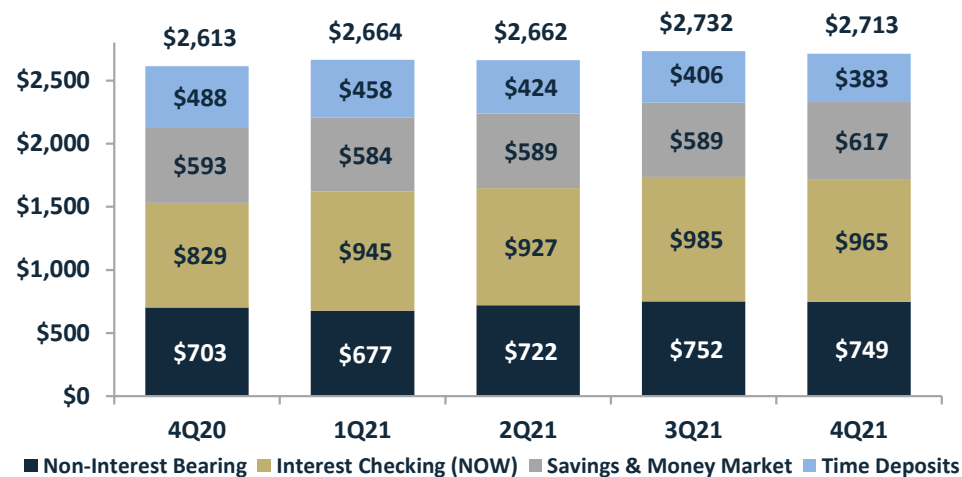
- Net interest income of \$23MM, equal to 3Q21
- NIM increased 2 bps vs 3Q21 principally due to higher loan balances, rates and continued PPP fees
 - \$0.6MM of PPP fees remaining to be recognized
- NIM, adjusted for PPP and excess liquidity, increased 4 bps over 3Q21
- While managing to a more neutral interest rate risk profile in order to enhance earnings consistency, net interest income over the next year is expected to benefit modestly from rising rates
- Significant opportunity to benefit net interest income, net income, PTPPA, ROAA, and ROATCE through deploying excess liquidity in loan growth

(1) Calculated on a tax equivalent basis.
 (2) Adjusted for excess Cash and PPP Loan impact.

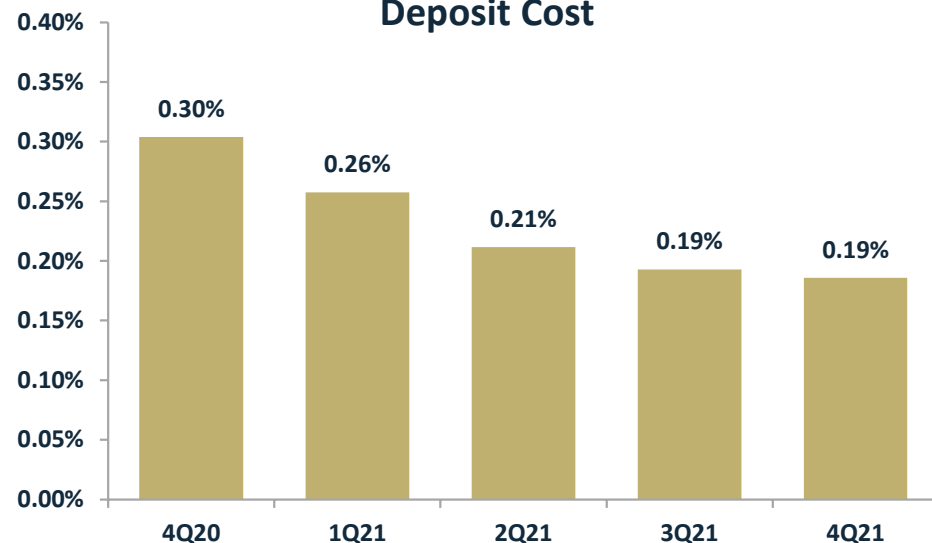
Deposit Growth and Costs

Deposit Portfolio (QTR Avg)

In millions



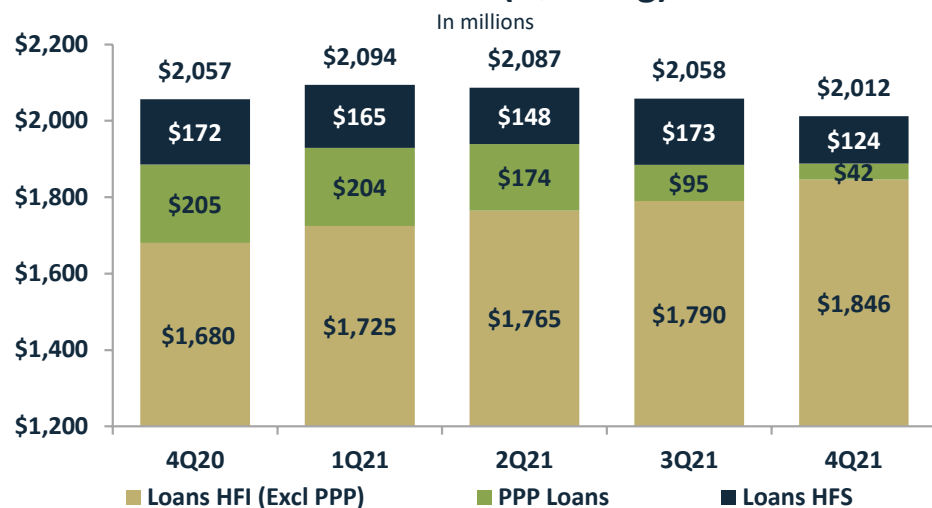
Deposit Cost



- Total deposits and non-interest bearing deposits remained near record levels
- Total deposit cost held flat at 0.19%
 - Reduction in interest expense from higher-cost time deposits offset partially by an increase in correspondent banking deposits
- ~ \$400MM of excess liquidity
 - Relatively earnings neutral as cash investment yield approximates average cost of deposits
 - Negatively impacts key ratios – NIM, PTPPA, and ROA
- While the Company is currently faced with excess deposits, a priority is to develop a deposit first culture to ensure strong core funding into the future

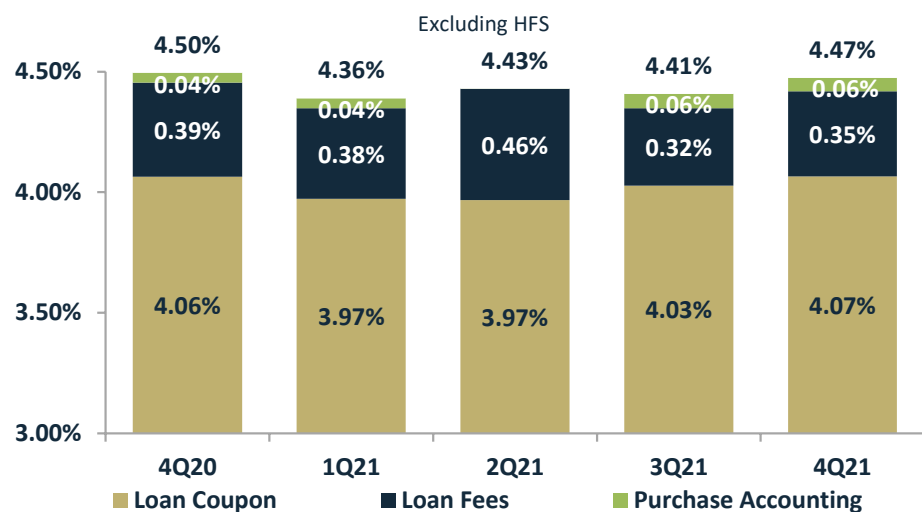
Loan Growth and Yields

Total Loans (QTR Avg)



- Strong core loan growth, excluding PPP loans
 - 12.5% AVG linked-quarter annualized
 - 23.7% EOP linked-quarter annualized
 - PPP loans totaled \$26.5MM at 12/31/21
- 4Q21 annualized production of loans held for investment accelerated to \$1.0B
 - 2021 totaled \$674MM
 - 2020 totaled \$445MM
 - 2019 totaled \$296MM

Loan Yields



- 4Q21 loan yield increased 6 bps over 3Q21
 - Disciplined pricing with 4Q21 matched funding spread of ~ 2.50%
- \$90MM reduction in shared national credits since 2Q19
 - Total participations declined \$133MM over the same period
- Commercial loan pipeline exceeds \$500MM
 - Strong contribution across all markets

Noninterest Income

(Dollars in thousands)	Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Noninterest Income					
Deposit Service Charges	\$ 1,117	\$ 1,187	\$ 1,109	\$ 1,102	\$ 964
Interchange and Debit Transaction Fees	1,261	1,236	1,227	1,092	782
Mortgage Banking	2,740	4,693	3,910	4,716	5,971
Tri-Net	3,996	1,939	1,536	1,143	1,165
Wealth Management	438	481	471	459	411
SBA Lending	279	911	377	492	916
Net Gain on Sale of Securities	8	7	(13)	26	51
Other	1,295	1,197	1,266	984	1,488
Total Noninterest Income	\$ 11,134	\$ 11,651	\$ 9,883	\$ 10,014	\$ 11,748
Average Assets	3,159,308	\$ 3,171,182	\$ 3,078,748	\$ 3,078,745	\$ 3,028,225
Noninterest Income / Average Assets	1.40%	1.46%	1.29%	1.32%	1.54%
Revenue	34,126	\$ 34,615	\$ 32,915	\$ 32,196	\$ 34,079
% of Revenue	32.63%	33.66%	30.03%	31.10%	34.47%

- Unique fee businesses contributed to noninterest income as % of revenue > 30% over the past seven quarters
- Strong contribution across all categories
- 4Q21 records:
 - Interchange and Debit Card
 - Tri-Net
- Continued strength in Mortgage, SBA, and Wealth

Noninterest Expense

(Dollars in thousands)	Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Noninterest Expense					
Salaries and Employee Benefits	\$ 10,549	\$ 10,980	\$ 10,803	\$ 9,427	\$ 11,996
Data Processing and Software	2,719	2,632	3,070	2,827	2,548
Occupancy	1,012	1,028	1,057	1,108	975
Equipment	867	760	980	899	900
Professional Services	521	469	460	704	370
Regulatory Fees	284	279	211	257	368
Acquisition Related Expenses	-	-	256	67	2,105
Amortization of Intangibles	461	477	493	508	524
Other	2,268	1,741	1,750	1,616	1,692
Total Noninterest Expense	\$ 18,682	\$ 18,366	\$ 19,080	\$ 17,413	\$ 21,478
Efficiency Ratio	54.74%	53.06%	57.97%	54.08%	63.02%
Average Assets	\$ 3,159,308	\$ 3,171,182	\$ 3,078,748	\$ 3,078,745	\$ 3,028,225
Noninterest Expense / Average Assets	2.35%	2.30%	2.49%	2.29%	2.82%
FTE	397	392	383	379	380
Operating Noninterest Expense⁽¹⁾					
	\$ 18,682	\$ 18,366	\$ 18,824	\$ 17,346	\$ 19,373
Operating Efficiency Ratio⁽¹⁾					
	54.74%	53.06%	57.19%	53.88%	56.85%
Operating Noninterest Expense/Average Assets⁽¹⁾					
	2.35%	2.30%	2.45%	2.28%	2.55%

- Strong expense discipline with adoption of productivity mindset across the organization
- Excluding \$408K of costs for the Company's 4Q21 Chattanooga investment, noninterest expense declined from 3Q21

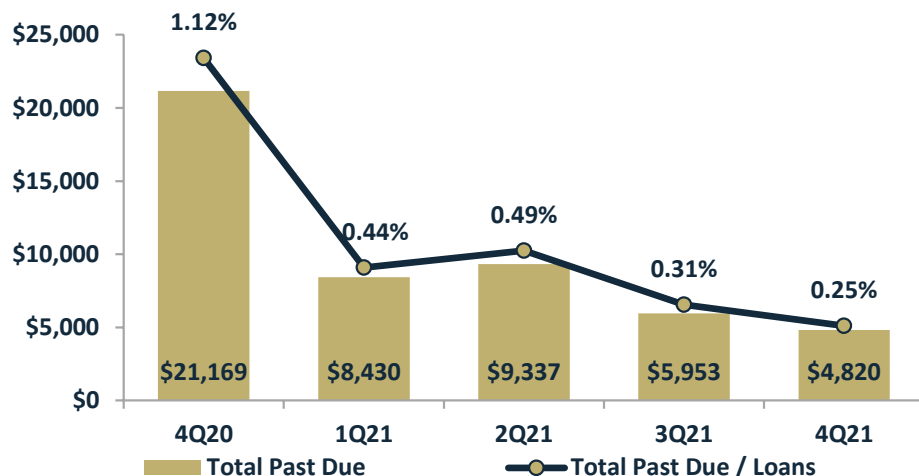
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Risk Management

Loan Portfolio Performance

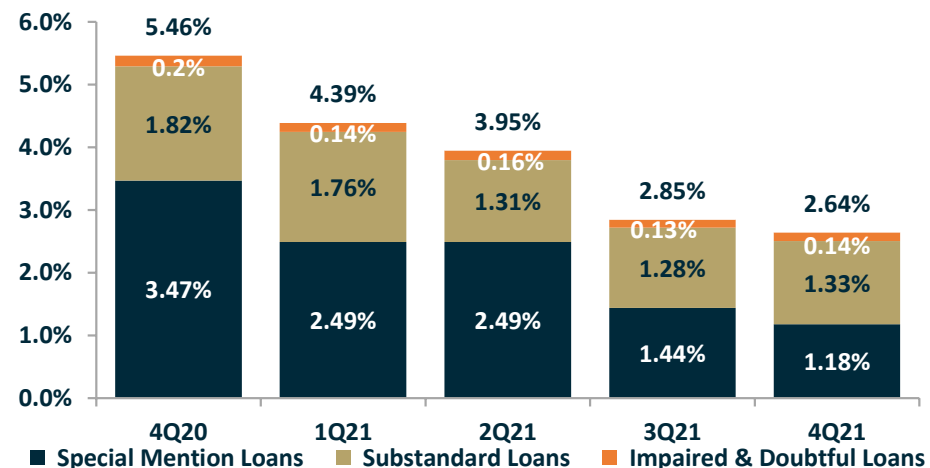
Past Due Trend

In thousands

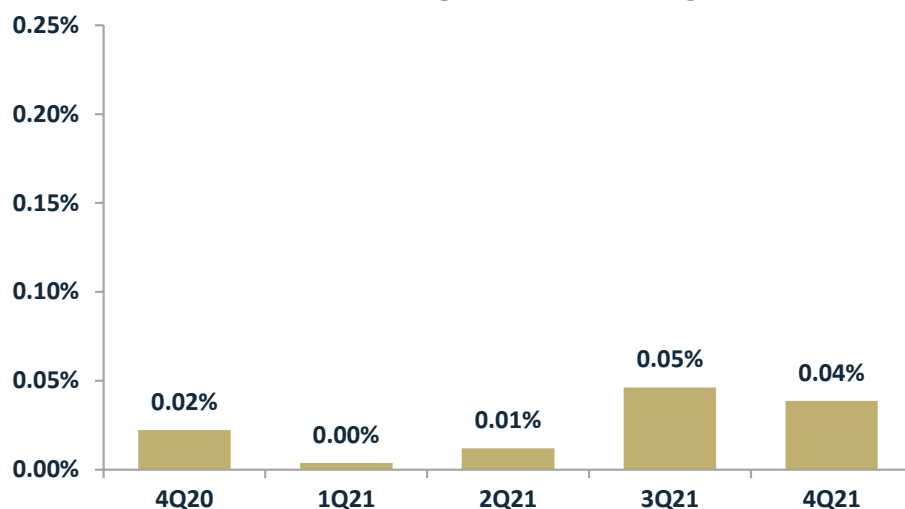


Criticized & Classified Loan Trends

As a % of Total Gross Loans



Annualized Net Charge-Offs / Average Loans

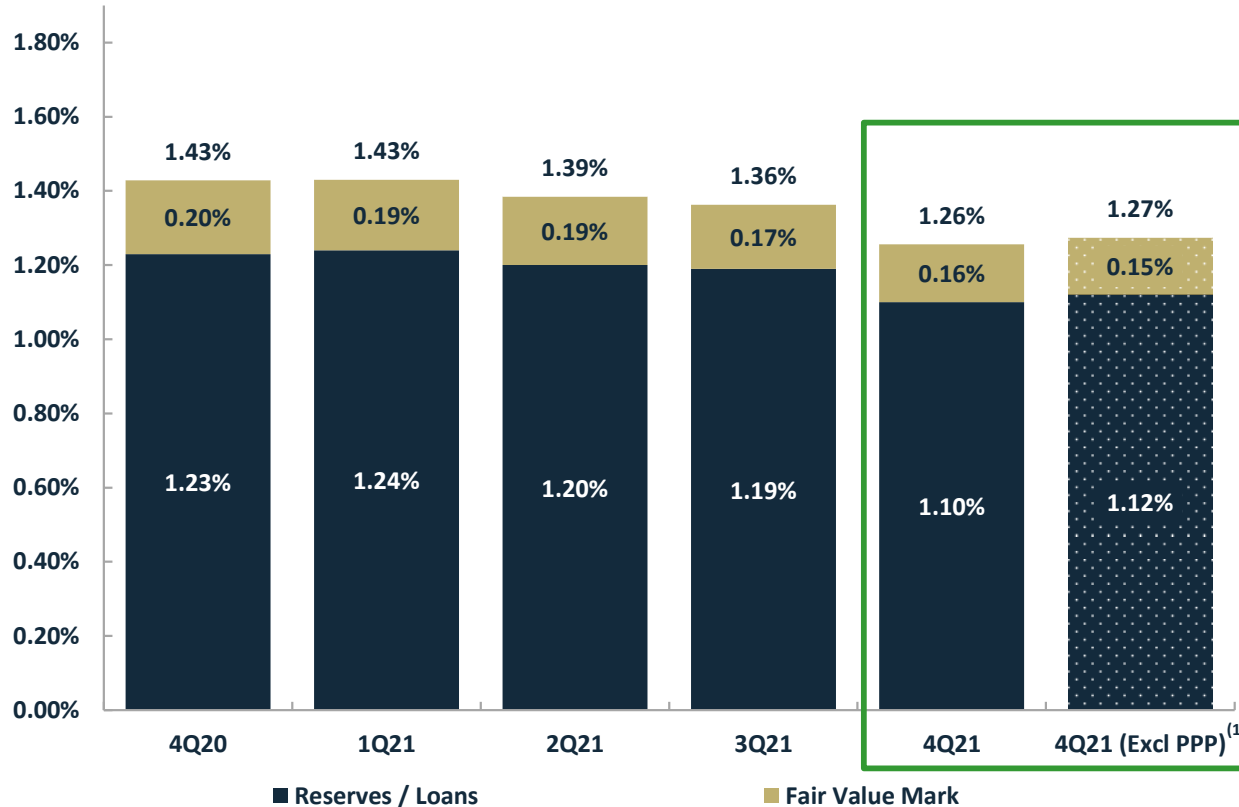


- Proforma for acquisitions, year-end past dues near record low level
 - \$1.2MM of total that failed to be renewed at quarter end has now renewed in January
- Net charge-offs remained low and have averaged less than \$165K over the last 8 quarters
- Positive 2022 credit outlook

Allowance for Loan Losses

Reserves and Fair Value Mark / Loans

Excluding HFS



- Improved economic conditions and asset quality trends allowed for reduced reserves of \$3.8MM for which \$3.1MM was used to provide for new loan growth, resulting in a \$651K net release
- The Allowance for Loan Losses at 4Q21 of \$21.7MM plus the \$3.0MM fair value mark on acquired loans was 1.27% of non-PPP Loans

(1) PPP Loan balances net of unearned fees as of 12/31/2021.

Profitability & Capital Management

Return on Tangible Common Equity Illustration

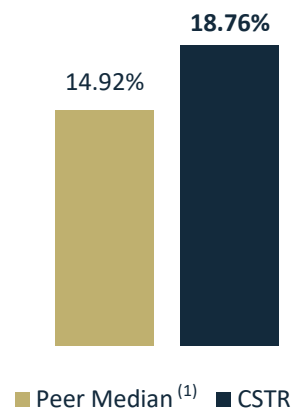
Reported Return on Tangible Common Equity

As of 12/31/21



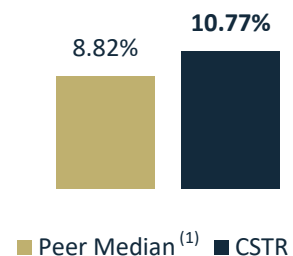
Adjusted Return on Tangible Common Equity

As of 12/31/21



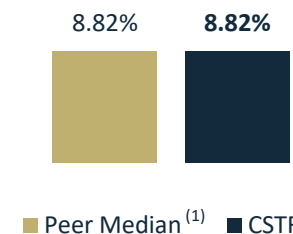
Tangible Common Equity / Tangible Assets

As of 12/31/21



Adjusted Tangible Common Equity / Tangible Assets

As of 12/31/21



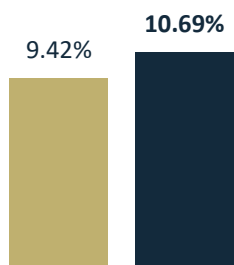
- CapStar's earnings power and capital generation is understated relative to peers
 - Compared to industry, ~ \$40MM - \$80MM of excess capital
- Company cash levels exceed \$350MM or 10% of assets
 - excess capital has nominal earnings
 - available for organic loan growth, dividend increases, or share repurchases
- Valuation implications
 - ~ \$1.80 - \$3.60 dividend per share could theoretically occur, relatively EPS neutral
 - Comparatively, investing excess capital at the core ROATCE equates to EPS of ~ \$0.34 - \$0.68
 - Equates to ~ 8.5 - 9.5x '23 consensus EPS for remaining bank if excess capital is valued at 1x book value today

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

Capital Allocation Strategies

Leverage

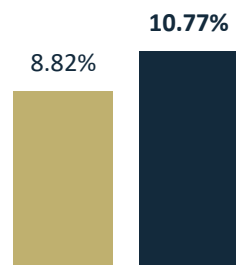
As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

Tangible Common Equity / Tangible Assets

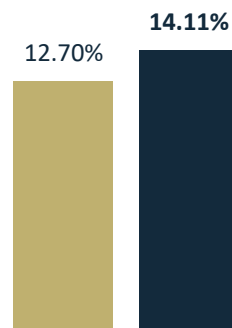
As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

Common Equity Tier 1 Capital

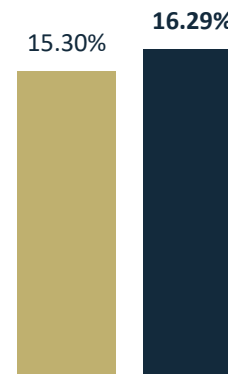
As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

Total Risk Based Capital

As of 12/31/21



■ Peer Median⁽¹⁾ ■ CSTR

1 Internal Investment

- Primary Focus – investing in our core business
- Seeking organic growth and acquisitions that meet or exceed our cost of capital
- Added Chattanooga in 4Q21

2 Dividends

- Targeting 10-35% payout ratio
- Announced \$0.06 dividend in 4Q21

3 Share Repurchase

- At times, our stock is our best investment
- Recently renewed \$30MM authorization
- Focus is opportunistic repurchases

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

Shareholder Performance

Expanded Research Coverage

Aided by expanded institutional research

- Added three firms over the past year increasing coverage to seven firms

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

- Keefe, Bruyette & Woods (October 25, 2021)

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

- Raymond James (October 22, 2021)

The valuation gap with SE bank peers [is] narrowing as [CSTR] continues to outpace on core loan growth, solid profitability, and upside EPS surprises relative to consensus expectations are the biggest catalysts for the shares over the next few quarters.

- Hovde (October 25, 2021)

We think CSTR's improved lending strategy will continue to pay benefits within the bank's vibrant footprint, and believe it manifested itself in the liftout of 9 bankers (5 producers) in Chattanooga that managed a \$600M book prior.

- Piper Sandler (October 22, 2021)

Today's company is certainly not yesterday's, as the relatively new leadership team has transformed CSTR into a new company, with an improved risk profile ... as well as a lower-cost deposit mix, a focus on organic loan growth, and increased emphasis on specialty banking (fee) businesses, and, in turn, enhanced profitability.

- DA Davidson (January 11, 2022)

We remain confident that the company can achieve 6% to 10% core loan growth per annum, given the number of hires the company has made over the last several months, including the Chattanooga expansion, and the favorable footprint.

- Truist (October 25, 2021)

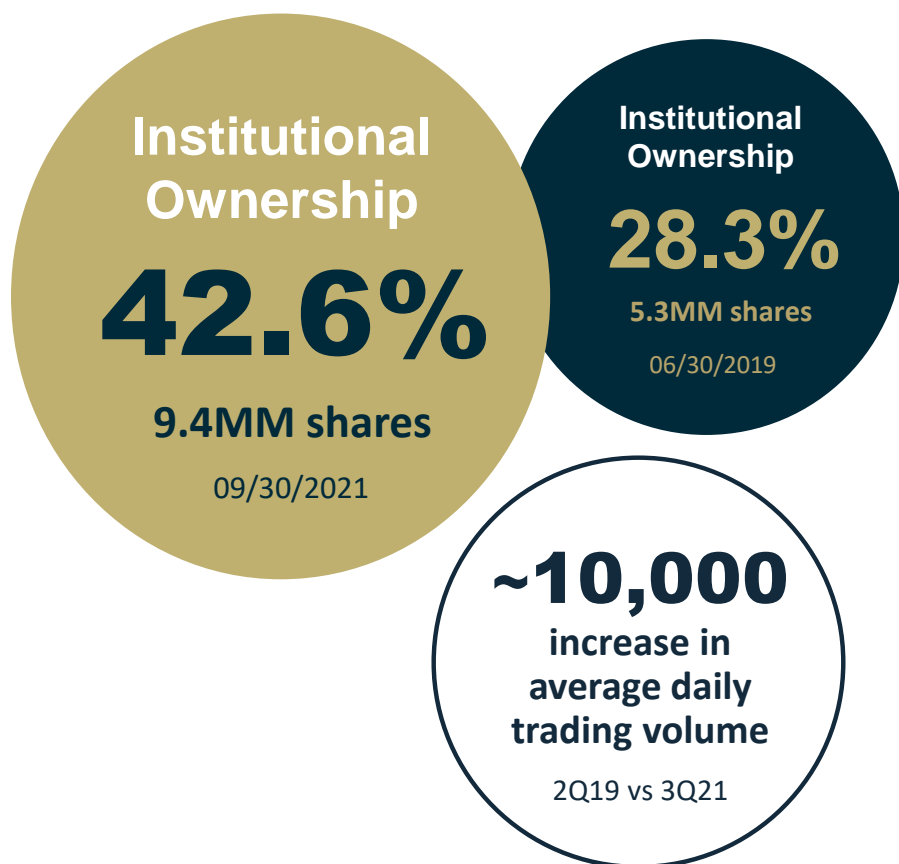
We favor Management's decision to invest in future growth via the Chattanooga expansion and believe this market, Knoxville and the core Nashville market, will continue to provide strong loan growth opportunities for CSTR. Strong earnings and capital levels provide optionality for Management, and we anticipate a \$0.02 quarterly dividend increase in 1Q-2022 and 1Q-2023.

- Janney (October 25, 2021)

Improved Shareholder Profile

Increased institutional ownership and shareholder liquidity

- Institutional ownership approaching 50%

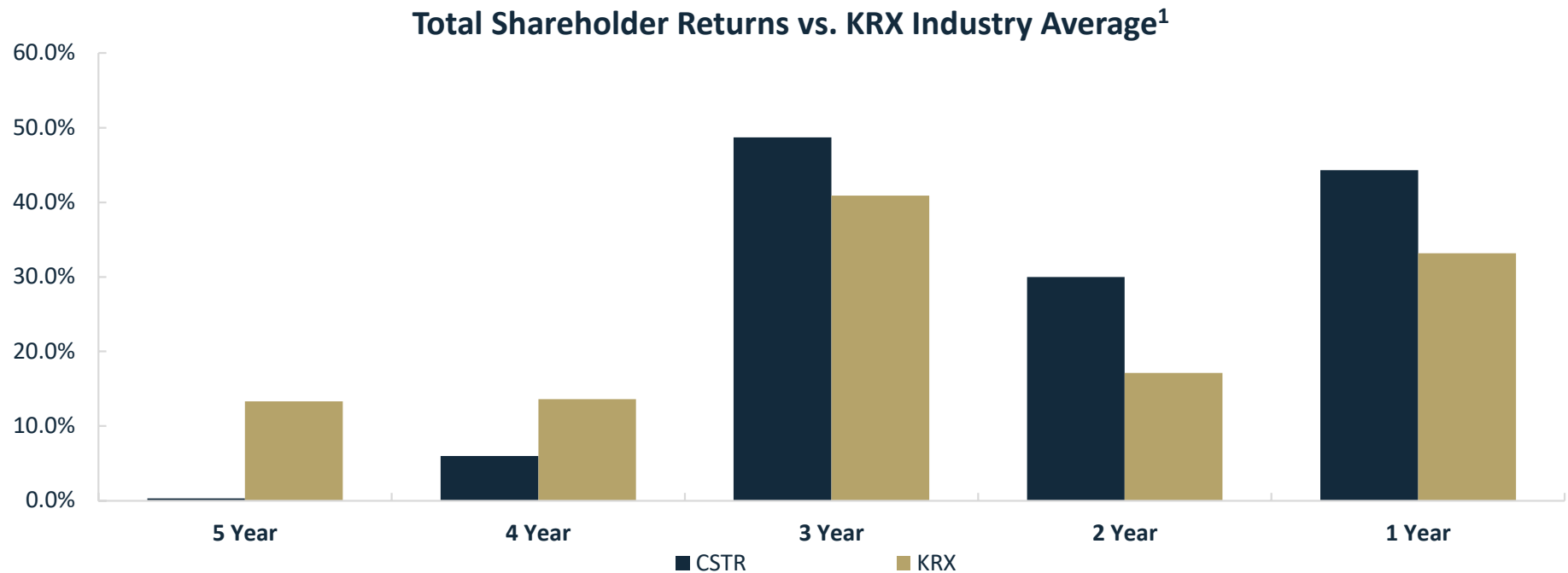


Institutional Investors		
6/30/2019		9/30/2021
BlackRock	1	BlackRock
Corsair	2	Vanguard
Vanguard	3	Wellington
Elizabeth Park	4	Dimensional
Ranger	5	BHZ Capital
Foresters	6	Private Capital
Dimensional	7	DePrince Race
BHZ Capital	8	Geode
Cypress Capital	9	Renaissance
Penn Capital	10	Russell

Improving Absolute and Relative Performance

Strategic objectives increasing relative competitiveness

- 1, 2, and 3-year 12/31/21 total shareholder returns exceed KRX industry average



(1) Source: KBW

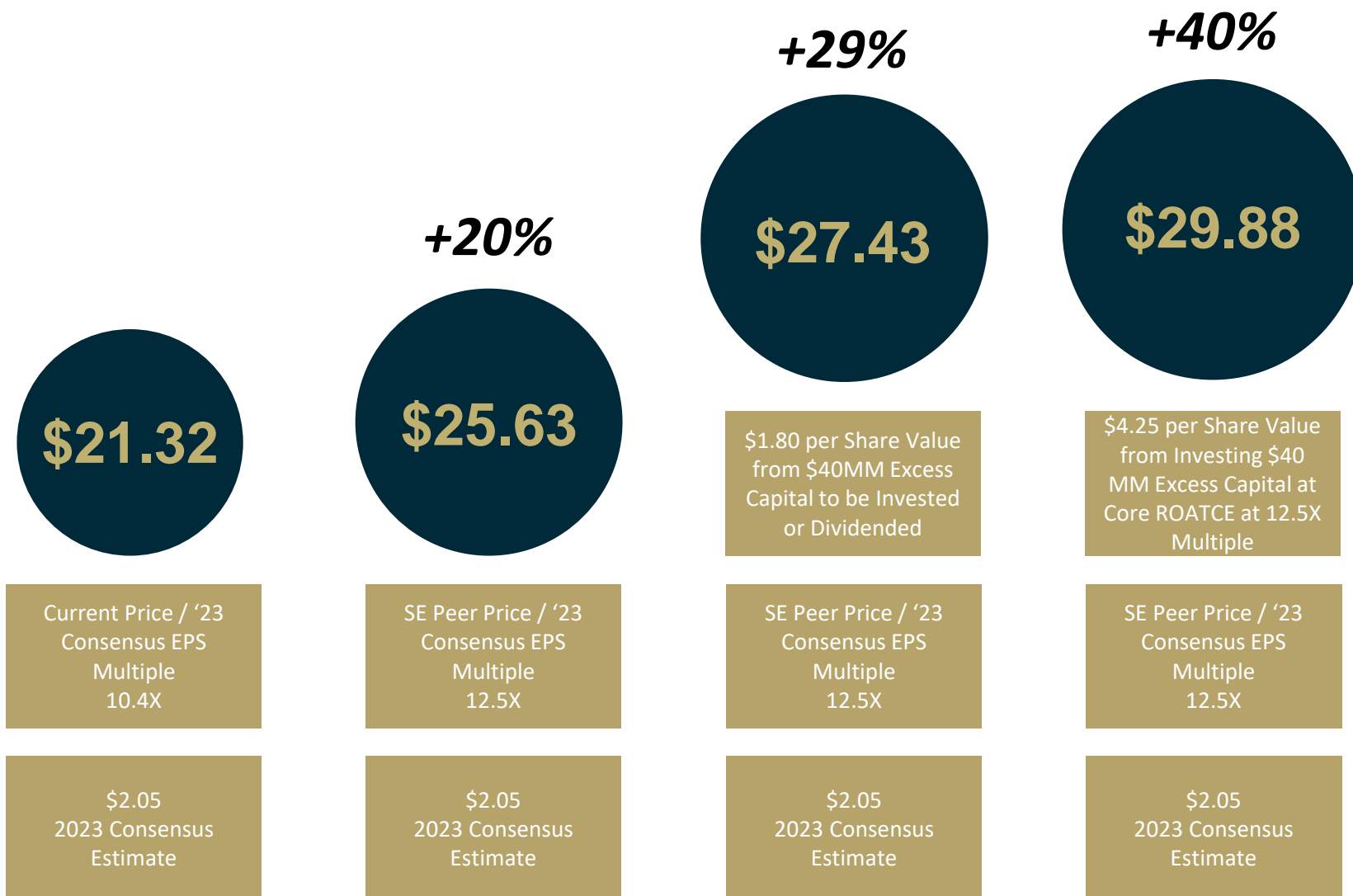
Southeast Bank Performance and Valuation Comps

Superior profitability, growth, and soundness franchise with 20% Price / '23 consensus EPS multiple upside

	Professional Holding Corp	Southern FIRST	First Community Bankshares, Inc.	AMERICAN NATIONAL	PRIMIS	HomeTrust Bank	Capital City Bank	Peer Median	CAP STAR	
Market Performance / Multiples	2 Yr. Price Performance	6%	45%	10%	7%	(1%)	19%	(3%)	7%	40%
	LTM Price Performance	32	47	49	35	23	54	21	35	48
	P / '23E EPS	13.2x	11.9x	12.5x	11.9x	11.7x	14.7x	12.5x	12.5x	10.4x
	P / TBV	1.41x	1.73x	1.96x	1.60x	1.26x	1.40x	1.60x	1.60x	1.48x
Profitability (2023E)	NIM (2023E)	2.98%	3.43%	3.76%	2.83%	3.24%	3.31%	3.04%	3.24%	3.25%
	NIM Δ bps ('20 - '23E)	(52)	(5)	(53)	(47)	(12)	14	(26)	(26)	16
	Fee Income / Rev (2023E)	7%	14%	26%	19%	10%	27%	48%	19%	29%
	Efficiency Ratio (2023E)	63	52	NA	62	64	71	74	63	57
	ROAA (2023E)	0.82	1.25	NA	0.95	0.84	0.94	0.85	0.90	1.33
	ROATCE (2023E)	9.1	11.7	14.1	11.6	9.6	8.7	12.7	11.6	11.8
Growth	TBVPS Growth ('20 - '23E)	32.7%	54.8%	23.2%	26.8%	21.4%	13.6%	18.7%	23.2%	38.0%
	Project Population Growth ('22 - '27E)	4.0	4.0	(0.2)	1.2	2.9	2.7	2.5	2.7	5.4
	Project HHI Growth ('22 - '27E)	13.8	11.9	9.7	10.7	9.1	11.3	11.7	11.3	13.0
Soundness	TCE / TA (MRQ)	7.7%	9.5%	9.7%	8.2%	9.0%	10.7%	6.5%	9.0%	10.8%
	Total Capital Ratio (MRQ)	14.0	14.9	9.1	14.8	19.1	11.9	16.7	14.8	16.3
	NPAs / Loans + OREO (MRQ)	0.18	0.74	1.46	0.14	0.86	0.64	0.55	0.64	0.18

(1) Source: S&P Capital IQ and FactSet; Market data as of 1/26/2022

Illustrative Valuation Opportunity



Looking Forward

2022 Outlook

As of January 28, 2022	
Economy	<ul style="list-style-type: none"> • Gradual increases in the 10-yr Treasury yield and Fed Funds rate throughout 2023
Loan Growth	<ul style="list-style-type: none"> • Low double-digit growth
Deposit Growth	<ul style="list-style-type: none"> • Continue to develop core deposit capabilities to provide an improved long-term funding base • Low single-digit growth as a result of excess liquidity
Net Interest Income	<ul style="list-style-type: none"> • Opportunities to improve NII and NIM by redeploying excess liquidity into loans • NIM (excluding PPP) benefiting modestly from rising rates • \$0.6MM of PPP fees with anticipated forgiveness
Provision Expense	<ul style="list-style-type: none"> • Continued low net charge-offs • Modest decline allowance for loan loss percentage with continued economic improvement • Adoption of CECL 1/1/23
Non-Interest Income	<ul style="list-style-type: none"> • Mortgage and TriNet volumes expected to return to more normalized levels. Anticipate \$2.5-3 million in revenues per quarter in Mortgage and \$750K-1.3 million per quarter in TriNet • Continued growth in SBA fees
Non-Interest Expense	<ul style="list-style-type: none"> • Bank-only expense of approximately \$16.5MM per quarter; other expenses influenced by mortgage operations • Actively recruiting high quality bankers with average PTPP break even at or around 12 months
Income Taxes	<ul style="list-style-type: none"> • Expected tax rate to remain at approximately 20% for 2022
Capital	<ul style="list-style-type: none"> • Progression toward targeted capital levels through loan growth, lift-outs, and increased dividends • \$30MM authorization available for opportunistic share repurchases

Investment Thesis

Quality Management Team

- Strong operational and capital allocation experience
- Insiders own ~10% of the company
- Shareholder-friendly culture

Catalyst for Improved Profitability and Growth

- Excess liquidity and capital levels available to support balance sheet growth or share repurchases
- Opportunity to lever expenses from bankers added in 2021
- Three recent acquisitions provide greater scale to leverage

Repeatable Investment Opportunities

- Beneficiary of significant in-migration and growing number of dissatisfied large regional bank customers
- Lift-out opportunities of bankers who value an entrepreneurial culture and size where they make an impact
- M&A available to capitalize on continued Tennessee consolidation

Attractive Valuation

- Opportunity for superior shareholder returns through multiple expansion and earnings growth
- Top quartile performance and franchise scarcity value trading at ~ 15% discount
- Strong organic growth, excess liquidity and capital, and asset sensitivity provide earnings momentum

Appendix: Other Financial Results and Non-GAAP Reconciliations

Non-GAAP Financial Measures

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
(Dollars in thousands, except per share information)					
TANGIBLE COMMON EQUITY					
Total Shareholders' Equity	\$ 380,094	\$ 370,328	\$ 359,752	\$ 343,944	\$ 343,486
Less: Intangible Assets	47,759	48,220	48,697	49,190	49,698
Tangible Common Equity	332,335	322,108	311,055	294,754	293,788
TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS					
Tangible Common Equity	\$ 332,335	\$ 322,108	\$ 311,055	\$ 294,754	\$ 293,788
Total Assets	3,133,046	3,112,127	3,212,390	3,150,457	2,987,006
Less: Intangible Assets	47,759	48,220	48,697	49,190	49,698
Tangible Assets	3,085,287	3,063,907	3,163,693	3,101,268	2,934,404
Tangible Common Equity to Tangible Assets	10.77%	10.51%	9.83%	9.50%	10.01%
TANGIBLE BOOK VALUE PER SHARE, REPORTED					
Tangible Common Equity	\$ 332,335	\$ 322,108	\$ 311,055	\$ 294,754	\$ 293,788
Shares of Common Stock Outstanding	22,166,129	22,165,760	22,165,547	22,089,873	21,988,803
Tangible Book Value Per Share, Reported	\$14.99	\$14.53	\$14.03	\$13.34	\$13.36

Non-GAAP Financial Measures

	Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
(Dollars in thousands, except per share information)					
RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Total Average Shareholders' Equity	\$ 377,357	\$ 367,807	\$ 358,850	\$ 350,681	\$ 340,709
Less: Average Intangible Assets	48,054	48,527	49,012	49,514	50,038
Average Tangible Equity	329,303	319,280	309,838	301,167	290,671
Net Income	12,470	13,102	12,076	11,030	9,681
Return on Average Tangible Equity (ROATE)	15.02%	16.28%	15.63%	14.85%	13.25%

Non-GAAP Financial Measures

	Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
(Dollars in thousands, except per share information)					
OPERATING NET INCOME					
Net Income	\$ 12,470	\$ 13,102	\$ 12,076	\$ 11,030	\$ 9,681
Add: Merger Related Expense	-	-	256	67	2,105
Less: Income Tax Impact	-	-	(67)	(18)	(550)
Operating Net Income	12,470	13,102	12,265	11,079	11,236
OPERATING DILUTED NET INCOME PER SHARE					
Operating Net Income	\$ 12,470	\$ 13,102	\$ 12,265	\$ 11,079	\$ 11,236
Average Diluted Shares Outstanding	22,221,989	22,218,402	22,198,829	22,076,600	21,978,925
Operating Diluted Net Income per Share	\$ 0.56	\$ 0.59	\$ 0.55	\$ 0.50	\$ 0.51
OPERATING RETURN ON AVERAGE ASSETS (ROAA)					
Operating Net Income	\$ 12,470	\$ 13,102	\$ 12,265	\$ 11,079	\$ 11,236
Total Average Assets	3,159,308	3,171,182	3,078,748	3,078,745	3,028,225
Operating Return on Average Assets (ROAA)	1.57%	1.64%	1.60%	1.46%	1.48%
OPERATING RETURN ON AVERAGE TANGIBLE EQUITY (ROATE)					
Average Tangible Equity	\$ 329,303	\$ 319,280	\$ 309,838	\$ 301,167	\$ 290,671
Operating Net Income	12,470	13,102	12,265	11,079	11,236
Operating Return on Average Tangible Equity (ROATE)	15.02%	16.28%	15.88%	14.92%	15.38%

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 merger related items.

Non-GAAP Financial Measures

	Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
(Dollars in thousands, except per share information)					
OPERATING NONINTEREST EXPENSE					
Noninterest Expense	\$ 18,682	\$ 18,366	\$ 19,080	\$ 17,413	\$ 21,478
Less: Merger Related Expense	-	-	(256)	(67)	(2,105)
Operating Noninterest Expense	18,682	18,366	18,824	17,346	19,373
OPERATING NONINTEREST EXPENSE / AVERAGE ASSETS					
Operating Noninterest Expense	\$ 18,682	\$ 18,366	\$ 18,824	\$ 17,346	\$ 19,373
Total Average Assets	3,159,308	3,171,182	3,078,748	3,078,745	3,028,225
Operating Noninterest Expense / Average Assets	2.35%	2.30%	2.45%	2.28%	2.55%
OPERATING EFFICIENCY RATIO					
Operating Noninterest Expense	\$ 18,682	\$ 18,366	\$ 18,824	\$ 17,346	\$ 19,373
Net Interest Income	22,992	22,964	23,032	22,182	22,331
Noninterest Income	11,134	11,651	9,883	10,014	11,748
Total Revenues	34,126	34,615	32,915	32,196	34,079
Operating Efficiency Ratio	54.74%	53.06%	57.19%	53.88%	56.85%

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 merger related items.

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