UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 21, 2020 (July 1, 2020)

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

Tennessee	001-37886	81-1527911
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1201 Demonbreun Street, Suite 700 Nashville, Tennessee	37203
(Address of principal executive offices)	(Zip Code)

(615) 732-6400
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value per share	**CSTR**	**Nasdaq Global Select Market**

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. ☒

EXPLANATORY NOTE

On July 1, 2020, CapStar Financial Holdings, Inc., a Tennessee corporation ("CapStar"), filed with the U.S. Securities and Exchange Commission (the "SEC") a Current Report on Form 8-K (the "Initial 8-K") to disclose that it had completed its previously announced acquisitions of FCB Corporation, a Tennessee corporation ("FCB") and The Bank of Waynesboro, a Tennessee chartered bank ("BOW"). This Form 8-K/A amends the Initial 8-K to include the historical audited and unaudited financial statements of FCB and BOW and the pro forma combined financial information required by Items 9.01(a) and 9.01(b) of Form 8-K that were excluded from the Initial 8-K in reliance on the instructions to such items.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated financial statements of FCB and its subsidiaries as of and for the year ended December 31, 2019, and the notes related thereto, included in Amendment No. 1 to CapStar's Registration Statement on Form S-4 (No. 333-236961) filed with the SEC on March 27, 2020 and declared effective on March 31, 2020 (the "Registration Statement") are incorporated herein by reference as Exhibit 99.1 to this Form 8-K/A. The audited consolidated financial statements of BOW and its subsidiary as of and for the year ended December 31, 2019, and the notes related thereto, included in the Registration Statement are incorporated herein by reference as Exhibit 99.2 to this Form 8-K/A.

The unaudited consolidated financial statements of FCB as of March 31, 2020 and for the three months ended March 31, 2019 and March 31, 2020, and the notes related thereto, are attached as Exhibit 99.3 to this Form 8-K/A and incorporated herein by reference.

The unaudited consolidated financial statements of BOW as of March 31, 2020 and for the three months ended March 31, 2019 and March 31, 2020, and the notes related thereto, are attached as Exhibit 99.4 to this Form 8-K/A and incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma combined consolidated financial information of CapStar, FCB and BOW for the year ended December 31, 2019, and the notes related thereto, included in the Registration Statement are incorporated herein by reference as Exhibit 99.5 to this Form 8-K/A.

The unaudited pro forma combined consolidated financial information of CapStar, FCB and BOW as of and for the three months ended March 31, 2020, and the notes related thereto, are attached as Exhibit 99.6 to this Form 8-K/A and incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description of Exhibit
23.1	Consent of Blankenship CPA Group, PLLC.
23.2	Consent of Blankenship CPA Group, PLLC.
23.3	Consent of Elliott Davis, LLC.
99.1	Audited consolidated financial statements of FCB Corporation as of and for the year ended December 31, 2019, and the notes related thereto (incorporated by reference to Amendment No. 1 to CapStar Financial Holdings, Inc.'s Registration Statement on Form S-4 filed with the SEC on March 27, 2020).

99.2	Audited consolidated financial statements of The Bank of Waynesboro as of and for the year ended December 31, 2019, and the notes related thereto (incorporated by reference to Amendment No. 1 to CapStar Financial Holdings, Inc.'s Registration Statement on Form S-4 filed with the SEC on March 27, 2020).
99.3	Unaudited consolidated financial statements of FCB Corporation as of March 31, 2020 and for the three months ended March 31, 2019 and March 31, 2020, and the notes related thereto.
99.4	Unaudited consolidated financial statements of The Bank of Waynesboro as of March 31, 2020 and for the three months ended March 31, 2019 and March 31, 2020, and the notes related thereto.
99.5	Unaudited pro forma combined consolidated financial information of CapStar Financial Holdings, Inc., FCB Corporation and The Bank of Waynesboro as of and for the year ended December 31, 2019, and the notes related thereto (incorporated by reference to Amendment No. 1 to CapStar Financial Holdings, Inc.'s Registration Statement on Form S-4 filed with the SEC on March 27, 2020).
99.6	Unaudited pro forma combined consolidated financial information of CapStar Financial Holdings, Inc., FCB Corporation and The Bank of Waynesboro as of and for the three months ended March 31, 2020, and the notes related thereto.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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/ Steve Groom
Name:	Steve Groom
Title:	Chief Risk Officer and General Counsel

Date: August 21, 2020

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the Registration Statement on Form S-4 (No. 333-236961) of CapStar Financial Holdings, Inc. of our report, dated February 20, 2020, with respect to the consolidated financial statements of FCB Corporation and its subsidiaries as of and for the years ended December 31, 2019 and 2018, incorporated by reference in this Current Report on Form 8-K/A of CapStar Financial Holdings, Inc.

BLANKENSHIP CPA GROUP, PLLC

/s/ BLANKENSHIP CPA GROUP, PLLC

Brentwood, Tennessee
August 21, 2020

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the Registration Statement on Form S-4 (No. 333-236961) of CapStar Financial Holdings, Inc. of our report, dated February 20, 2020, with respect to the consolidated financial statements of The Bank of Waynesboro and subsidiary as of and for the years ended December 31, 2019 and 2018, incorporated by reference in this Current Report on Form 8-K/A of CapStar Financial Holdings, Inc.

BLANKENSHIP CPA GROUP, PLLC

/s/ BLANKENSHIP CPA GROUP, PLLC

Brentwood, Tennessee
August 21, 2020

Exhibit 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Form 8-K/A of CapStar Financial Holdings, Inc. of our report dated March 6, 2020, with respect to the consolidated financial statements of CapStar Financial Holdings, Inc. and its subsidiary as of December 31, 2019 and 2018 and for each of the years in the three-year period ended December 31, 2019 appearing in the Annual Report on Form 10-K of CapStar Financial Holdings, Inc.

/s/ Elliott Davis, LLC

Franklin, Tennessee
August 21, 2020

FCB Corporation

Unaudited Consolidated Financial Statements

As of and For the Three Months Ended

March 31, 2020

FCB Corporation

Unaudited Financial Statements

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FCB Corporation
Unaudited Consolidated Balance Sheet
(Dollars in thousands, except share data)
March 31, 2020

Assets	
Cash and due from banks	$ 12,062
Interest-bearing deposits in financial institutions	42,023
Total cash and cash equivalents	54,085
Certificates of deposit with other banks	11,532
Securities available-for-sale, at fair value	76,040
Loans	316,266
Less allowance for loan losses	(4,384)
Loans, net	311,882
Premises and equipment, net	10,031
Restricted equity securities	1,090
Accrued interest receivable	1,769
Other real estate owned, net	321
Other assets	14,962
Total assets	$481,712
Liabilities and Shareholders' Equity	
Deposits:	
Non-interest-bearing	$ 87,232
Interest-bearing	92,758
Savings and money market accounts	85,549
Time	145,836
Total deposits	411,375
Other liabilities	8,382
Total liabilities	419,757
Shareholders' equity:	
Common stock, $10 par value; 300,000 shares authorized, 220,052 shares issued; 216,678 shares outstanding	2,167
Additional paid-in capital	537
Retained earnings	47,883
Accumulated other comprehensive income, net of income tax	12
Noncontrolling interest	11,356
Total shareholders' equity	61,955
Total liabilities and shareholders' equity	$481,712

See accompanying notes to consolidated financial statements.

FCB Corporation
Unaudited Consolidated Statements of Income
(Dollars in thousands, except share data)
For the Three Months Ended March 31, 2020 and 2019

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Interest income:		
Loans, including fees	$ 4,831	$ 4,846
Securities:		
Taxable	310	352
Tax-exempt	91	76
Restricted equity securities	3	14
Interest-bearing deposits in financial institutions	210	179
Total interest income	5,445	5,467
Interest expense:		
Interest-bearing deposits	46	54
Savings and money market accounts	65	73
Time deposits	658	538
Total interest expense	769	665
Net interest income	4,676	4,802
Provision for loan losses	193	102
Net interest income after provision for loan losses	4,483	4,700
Noninterest income:		
Treasury management and other deposit service charges	297	287
Interchange and debit card transaction fees	126	142
Other noninterest income	125	405
Total noninterest income	548	834
Noninterest expense:		
Salaries and employee benefits	1,724	1,817
Data processing and software	230	205
Professional fees	350	181
Occupancy	229	241
Equipment	283	295
Regulatory fees	42	68
Other operating	489	479
Total noninterest expense	3,347	3,286
Income before income taxes	1,684	2,248
Income tax expense	514	610
Net income before noncontrolling interest	1,170	1,638
Noncontrolling interest	(223)	(346)
Net income	$ 947	$ 1,292
Per share information:		
Basic net income per share of common stock	$ 4.37	$ 5.96
Diluted net income per share of common stock	$ 4.37	$ 5.96
Weighted average shares outstanding:		
Basic	216,678	216,678
Diluted	216,678	216,678

See accompanying notes to consolidated financial statements.

FCB Corporation
Unaudited Consolidated Statements of Comprehensive Income
(Dollars in thousands)
For the Three Months Ended March 31, 2020 and 2019

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net income	$ 947	$ 1,292
Other comprehensive income (loss):		
Unrealized gains (losses) on securities available-for-sale:		
Unrealized holding gains (losses) arising during the period	(324)	721
Reclassification adjustment for gains included in net income	(9)	(9)
Tax effect	87	(186)
Other comprehensive income (loss)	(246)	526
Comprehensive income before noncontrolling interest	701	1,818
Noncontrolling interest	223	346
Comprehensive income	$ 924	$ 2,164

See accompanying notes to consolidated financial statements.

FCB Corporation
Unaudited Consolidated Statement of Changes in Shareholders' Equity
(Dollars in thousands, except share data)
For the Three Months Ended March 31, 2020

	Common stock, voting (shares)	Common stock, voting (amount)	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Noncontrolling interest	Total shareholders' equity
Balance December 31, 2019	216,678	$ 2,167	$ 537	$46,936	$ 52	$ 11,339	$ 61,031
Net income	—	—	—	947	—	223	1,170
Other comprehensive loss	—	—	—	—	(40)	(206)	(246)
Balance March 31, 2020	216,678	$ 2,167	$ 537	$47,883	$ 12	$ 11,356	$ 61,955

See accompanying notes to consolidated financial statements.

FCB Corporation
Unaudited Consolidated Statements of Cash Flows
(Dollars in thousands)
For the Three Months Ended March 31, 2020 and 2019

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Cash flows from operating activities:		
Net income	$ 947	$ 1,292
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	193	102
Depreciation and amortization	126	135
Securities (gains) losses, net	(9)	(9)
Net gain on sale of other real estate owned	(2)	(62)
Noncontrolling interest	223	346
Net (increase) decrease in accrued interest receivable and other assets	(4,224)	(4,946)
Net increase (decrease) in accrued interest payable and other liabilities	3,745	3,396
Net cash provided by operating activities	999	254
Cash flows from investing activities:		
Activities in securities available-for-sale:		
Purchases	(38,323)	(14,373)
Sales	—	2,898
Maturities, prepayments and calls	30,685	3,926
Activities in securities held-to-maturity:		
Maturities, prepayments and calls	2,999	7,998
Activities in certificates of deposits with other banks:		
Purchases	(2,239)	—
Maturities	1,233	604
Net decrease in loans	5,272	2,990
Proceeds from sale of other real estate	110	201
Purchase of premises and equipment	(18)	(49)
Net cash provided by (used in) investing activities	(281)	4,195
Cash flows from financing activities:		
Net increase in deposits	13,805	15,216
Net cash provided by financing activities	13,805	15,216
Net increase in cash and cash equivalents	14,523	19,665
Cash and cash equivalents at beginning of period	39,562	20,925
Cash and cash equivalents at end of period	$ 54,085	$ 40,590
Supplemental disclosures of cash paid:		
Interest paid	$ 2,002	$ 1,544
Income taxes	481	431

See accompanying notes to consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements as of and for the period ended March 31, 2020 include FCB Corporation, its wholly owned subsidiary, First National Bank, and its 50.56% owned subsidiary, The Bank of Waynesboro (the "Banks", together referred to as the "Company"). Significant intercompany transactions and accounts are eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X as promulgated by the SEC. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation of the financial condition and results of operations for the periods presented have been included. Operating results for the three months ended March 31, 2020, are not necessarily indicative of the results that may be expected for the full year or in any other period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses ("ALL") and the valuation of the investment portfolio. There have been no significant changes to the Company's critical accounting policies as disclosed in the Company's Annual Report for the year ended December 31, 2019.

Subsequent Events

Accounting Standards Codification ("ASC") 855, Subsequent Events, establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The Company evaluated all events or transactions that occurred after March 31, 2020 through the date of the issued financial statements.

NOTE 2 – LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the loan portfolio as of March 31, 2020 follows (dollars in thousands):

Commercial real estate	$ 87,475
Consumer real estate	115,543
Construction and land development	50,588
Commercial and industrial	31,743
Consumer	23,477
Other	7,440
Total	316,266
Allowance for loan losses	(4,384)
Total loans, net	$311,882

The following tables detail the changes in the ALL for the three months ended March 31, 2020 (dollars in thousands):

	Commercial real estate	Consumer real estate	Construction and land development	Commercial and industrial	Consumer	Other	Total
Balance, beginning of period	$ 1,062	$ 1,396	$ 777	$ 412	$ 330	$237	$4,214
Charged-off loans	—	(10)	—	(2)	(10)	(15)	(37)
Recoveries	—	—	—	1	9	4	14
Provision for loan losses	43	66	31	18	14	21	193
Balance, end of period	$ 1,105	$ 1,452	$ 808	$ 429	$ 343	$247	$4,384

A breakdown of the ALL and the loan portfolio by loan category at March 31, 2020 follows (dollars in thousands):

	Commercial real estate	Consumer real estate	Construction and land development	Commercial and industrial	Consumer	Other	Total
Allowance for Loan Losses:							
Collectively evaluated for impairment	$ 1,105	$ 1,452	$ 808	$ 429	$ 343	$ 247	$ 4,384
Individually evaluated for impairment	—	—	—	—	—	—	—
Balances, end of period	$ 1,105	$ 1,452	$ 808	$ 429	$ 343	$ 247	$ 4,384
Loans:							
Collectively evaluated for impairment	$ 87,281	$114,743	$ 50,588	$ 31,442	$ 23,198	$7,440	$314,692
Individually evaluated for impairment	194	800	—	301	279	—	1,574
Balances, end of period	$ 87,475	$115,543	$ 50,588	$ 31,743	$ 23,477	$7,440	$316,266

The following table presents the Company's impaired loans that were evaluated for specific loss allowance as of March 31, 2020 (dollars in thousands):

	Recorded investment	Unpaid principal balance	Related allowance
With no related allowance recorded:			
Commercial real estate	$ 194	$ 194	$ —
Consumer real estate	800	800	—
Construction and land development	—	—	—
Commercial and industrial	301	301	—
Consumer	279	279	—
Other	—	—	—
Subtotal	1,574	1,574	—
With an allowance recorded:			
Commercial real estate	—	—	—
Consumer real estate	—	—	—
Construction and land development	—	—	—
Commercial and industrial	—	—	—
Consumer	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	$ 1,574	$ 1,574	$ —

The following table presents the recorded investment in non-accrual loans, past due loans over 89 days outstanding and accruing and troubled debt restructurings ("TDR") by class of loans as of March 31, 2020 (dollars in thousands):

	Non-Accrual	Past Due Over 89 Days and Accruing	Troubled Debt Restructurings
Commercial real estate	$ 194	$ —	$ —
Consumer real estate	800	99	—
Construction and land development	—	—	—
Commercial and industrial	301	16	—
Consumer	279	49	—
Other	—	—	—
Total	$ 1,574	$ 164	$ —

NOTE 3 – EARNINGS PER SHARE

The following is a summary of the basic and diluted earnings per share calculation for the three months ended March 31, 2020 and 2019 (dollars in thousands, except share data):

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Basic net income per share calculation:		
Numerator – Net income	$ 947	$ 1,292
Denominator – Average common shares outstanding	216,678	216,678
Basic net income per share	$ 4.37	$ 5.96
Diluted net income per share calculation:		
Numerator – Net income	$ 947	$ 1,292
Denominator – Average common shares outstanding	216,678	216,678
Dilutive shares contingently issuable	—	—
Average diluted common shares outstanding	216,678	216,678
Diluted net income per share	$ 4.37	$ 5.96

NOTE 4 – SUBSEQUENT EVENT

On July 1, 2020, pursuant to the Agreement and Plan of Merger, dated as of January 23, 2020 (the "FCB Merger Agreement"), by and between CapStar Financial Holdings, Inc., a Tennessee corporation ("CapStar"), and FCB Corporation, a Tennessee corporation ("FCB"), FCB was merged with and into CapStar, with CapStar continuing as the surviving entity (the "FCB Merger"). Immediately following the FCB Merger, The First National Bank of Manchester, a national banking association, a wholly owned subsidiary of FCB, merged with and into CapStar Bank, a wholly owned subsidiary of CapStar (the "Bank Merger"), with CapStar Bank continuing as the surviving entity in the Bank Merger.

Effective July 1, 2020, following the FCB Merger, pursuant to the Plan of Bank Merger, dated as of January 23, 2020 (the "BOW Merger Agreement," and together with the FCB Merger Agreement, the "Merger Agreements"), by and among CapStar, CapStar Bank and The Bank of Waynesboro, a Tennessee chartered bank ("BOW"), BOW was merged with and into CapStar Bank, with CapStar Bank continuing as the surviving entity (the "BOW Merger," and together with the FCB Merger, the "Mergers"). Prior to the FCB Merger, FCB owned 50.56% of the issued and outstanding shares of common stock, par value $10.00 per share, of BOW ("BOW Common Stock"); other shareholders owned the remaining 49.44% of the issued and outstanding shares of BOW Common Stock.

On the terms and subject to the conditions set forth in the FCB Merger Agreement, at the effective time of the FCB Merger, holders of common stock (the "FCB Common Stock"), par value $10.00 per share, of FCB collectively had the right to receive, without interest, 2,969,418 shares of common stock, par value $1.00 per share, of CapStar ("CapStar Common Stock"), with cash (without interest) in lieu of fractional shares, and $22,182,262.97 in cash, without interest.

On the terms and subject to the conditions set forth in the BOW Merger Agreement, at the effective time of the BOW Merger, holders of BOW Common Stock other than CapStar (such shareholders, the "BOW Minority Shareholders"), collectively had the right to receive, without interest, 664,800 shares of CapStar Common Stock, with cash (without interest) in lieu of fractional shares, and $5,096,990.31 in cash, without interest. Each share of BOW Common Stock held by CapStar will be converted into the number of shares of CapStar Common Stock equal in value to the per share merger consideration received by the BOW Minority Shareholders.

Total acquisition consideration resulting from the Mergers amounted to approximately $70.9 million.

The foregoing description of the Merger Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreements, copies of which were attached as Exhibits 2.1 and 2.2 to CapStar's Form 8-K filed with the U.S. Securities and Exchange Commission on January 29, 2020 and the terms of which are incorporated herein by reference.

Exhibit 99.4

The Bank of Waynesboro & Subsidiary

(A 50.56% Owned Subsidiary of FCB Corporation)

Unaudited Financial Statements

As of and For the Three Months Ended

March 31, 2020

The Bank of Waynesboro & Subsidiary

Unaudited Financial Statements

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The Bank of Waynesboro & Subsidiary
Unaudited Consolidated Balance Sheet
(Dollars in thousands, except share data)
March 31, 2020

Assets	
Cash and due from banks	$ 6,740
Interest-bearing deposits in financial institutions	14,050
Total cash and cash equivalents	20,790
Certificates of deposit with other banks	10,197
Securities available-for-sale, at fair value	20,444
Loans	119,012
Less allowance for loan losses	(1,898)
Loans, net	117,114
Premises and equipment, net	3,663
Restricted equity securities	420
Accrued interest receivable	763
Other real estate owned, net	321
Other assets	3,542
Total assets	$177,254
Liabilities and Shareholders' Equity	
Deposits:	
Non-interest-bearing	$ 32,110
Interest-bearing	26,305
Savings and money market accounts	43,126
Time	52,028
Total deposits	153,569
Other liabilities	713
Total liabilities	154,282
Shareholders' equity:	
Common stock, $10 par value; 30,000 shares authorized, issued and outstanding	300
Additional paid-in capital	1,000
Retained earnings	22,022
Accumulated other comprehensive loss, net of income tax	(350)
Total shareholders' equity	22,972
Total liabilities and shareholders' equity	$177,254

See accompanying notes to consolidated financial statements.

The Bank of Waynesboro & Subsidiary
Unaudited Consolidated Statements of Income
(Dollars in thousands, except share data)
For the Three Months Ended March 31, 2020 and 2019

	Three Months Ended March 31, 2020	2019
Interest income:		
Loans, including fees	$ 1,904	$ 1,971
Securities:		
Taxable	93	112
Tax-exempt	37	33
Restricted equity securities	3	6
Interest-bearing deposits in financial institutions	111	62
Total interest income	2,148	2,184
Interest expense:		
Interest-bearing deposits	20	19
Savings and money market accounts	47	48
Time deposits	205	163
Total interest expense	272	230
Net interest income	1,876	1,954
Provision for loan losses	158	12
Net interest income after provision for loan losses	1,718	1,942
Noninterest income:		
Treasury management and other deposit service charges	161	139
Interchange and debit card transaction fees	58	54
Other noninterest income	49	124
Total noninterest income	268	317
Noninterest expense:		
Salaries and employee benefits	848	838
Data processing and software	120	112
Professional fees	90	47
Occupancy	91	92
Equipment	75	84
Regulatory fees	13	18
Other operating	150	131
Total noninterest expense	1,387	1,322
Income before income taxes	599	937
Income tax expense	146	235
Net income	$ 453	$ 702
Per share information:		
Basic net income per share of common stock	$ 1.51	$ 2.34
Diluted net income per share of common stock	$ 1.51	$ 2.34
Weighted average shares outstanding:		
Basic	300,000	300,000
Diluted	300,000	300,000

See accompanying notes to consolidated financial statements.

The Bank of Waynesboro & Subsidiary
Unaudited Consolidated Statements of Comprehensive Income
(Dollars in thousands)
For the Three Months Ended March 31, 2020 and 2019

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net income	$ 453	$ 702
Other comprehensive income:		
Unrealized gains (losses) on securities available-for-sale:		
Unrealized holding gains (losses) arising during the period	(558)	249
Reclassification adjustment for gains included in net income	(6)	(9)
Tax effect	147	(63)
Other comprehensive income (loss)	(417)	177
Comprehensive income	$ 36	$ 879

See accompanying notes to consolidated financial statements.

The Bank of Waynesboro & Subsidiary
Unaudited Consolidated Statement of Changes in Shareholders' Equity
(Dollars in thousands, except share data)
For the Three Months Ended March 31, 2020

	Common stock, voting (shares)	Common stock, voting (amount)	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance December 31, 2019	300,000	$ 300	$ 1,000	$ 21,569	$ 67	$ 22,936
Net income	—	—	—	453	—	453
Other comprehensive loss	—	—	—	—	(417)	(417)
Balance March 31, 2020	300,000	$ 300	$ 1,000	$ 22,022	$ (350)	$ 22,972

See accompanying notes to consolidated financial statements.

The Bank of Waynesboro & Subsidiary
Unaudited Consolidated Statements of Cash Flows
(Dollars in thousands)
For the Three Months Ended March 31, 2020 and 2019

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Cash flows from operating activities:		
Net income	$ 453	$ 702
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	158	12
Depreciation and amortization	39	46
Securities (gains) losses, net	(6)	(9)
Net gain on sale of other real estate owned	(2)	(64)
Net (increase) decrease in accrued interest receivable and other assets	(407)	17
Net increase (decrease) in accrued interest payable and other liabilities	(84)	36
Net cash provided by operating activities	151	740
Cash flows from investing activities:		
Activities in securities available-for-sale:		
Purchases	(6,000)	(2,399)
Sales	—	2,898
Maturities, prepayments and calls	10,397	580
Activities in certificates of deposits with other banks:		
Purchases	(2,239)	—
Maturities	496	497
Net increase in loans	193	723
Proceeds from sale of other real estate	110	74
Purchase of premises and equipment	—	(21)
Net cash provided by investing activities	2,957	2,352
Cash flows from financing activities:		
Net increase in deposits	2,699	5,532
Net cash provided by financing activities	2,699	5,532
Net increase in cash and cash equivalents	5,807	8,624
Cash and cash equivalents at beginning of period	14,983	4,097
Cash and cash equivalents at end of period	$ 20,790	$ 12,721
Supplemental disclosures of cash paid:		
Interest paid	$ 672	$ 487
Income taxes	48	39

See accompanying notes to consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements as of and for the period ended March 31, 2020 include The Bank of Waynesboro and its wholly owned subsidiary, Waynesboro Holdings, Inc. (the "Bank", together referred to as the "Company"). Significant intercompany transactions and accounts are eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X as promulgated by the SEC. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation of the financial condition and results of operations for the periods presented have been included. Operating results for the three months ended March 31, 2020, are not necessarily indicative of the results that may be expected for the full year or in any other period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses ("ALL") and the valuation of our investment portfolio. There have been no significant changes to the Company's critical accounting policies as disclosed in the Company's Annual Report for the year ended December 31, 2019.

Subsequent Events

Accounting Standards Codification ("ASC") 855, Subsequent Events, establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The Company evaluated all events or transactions that occurred after March 31, 2020 through the date of the issued financial statements.

NOTE 2 – LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the loan portfolio as of March 31, 2020 follows (dollars in thousands):

Commercial real estate	$ 36,362
Consumer real estate	46,456
Construction and land development	10,015
Commercial and industrial	11,980
Consumer	10,022
Other	4,177
Total	119,012
Allowance for loan losses	(1,898)
Total loans, net	$117,114

The following tables detail the changes in the ALL for the three and nine months ended March 31, 2020 (dollars in thousands):

	Commercial real estate	Consumer real estate	Construction and land development	Commercial and industrial	Consumer	Other	Total
Balance, beginning of period	$ 513	$ 606	$ 114	$ 176	$ 137	$ 205	$1,751
Charged-off loans	—	(10)	—	—	(1)	(9)	(20)
Recoveries	—	—	—	—	5	4	9
Provision for loan losses	104	152	41	37	22	(198)	158
Balance, end of period	$ 617	$ 748	$ 155	$ 213	$ 163	$ 2	$1,898

A breakdown of the ALL and the loan portfolio by loan category at March 31, 2020 follows (dollars in thousands):

	Commercial real estate	Consumer real estate	Construction and land development	Commercial and industrial	Consumer	Other	Total
Allowance for Loan Losses:							
Collectively evaluated for impairment	$ 617	$ 748	$ 155	$ 213	$ 163	$ 2	$ 1,898
Individually evaluated for impairment	—	—	—	—	—	—	—
Balances, end of period	$ 617	$ 748	$ 155	$ 213	$ 163	$ 2	$ 1,898
Loans:							
Collectively evaluated for impairment	$ 36,362	$ 46,251	$ 10,015	$ 11,707	$ 9,998	$ 4,177	$ 118,510
Individually evaluated for impairment	—	205	—	273	24	—	502
Balances, end of period	$ 36,362	$ 46,456	$ 10,015	$ 11,980	$ 10,022	$ 4,177	$ 119,012

The following table presents the Company's impaired loans that were evaluated for specific loss allowance as of March 31, 2020 (dollars in thousands):

	Recorded investment	Unpaid principal balance	Related allowance
With no related allowance recorded:			
Commercial real estate	$ —	$ —	$ —
Consumer real estate	205	205	—
Construction and land development	—	—	—
Commercial and industrial	273	273	—
Consumer	24	24	—
Other	—	—	—
Subtotal	502	502	—
With an allowance recorded:			
Commercial real estate	—	—	—
Consumer real estate	—	—	—
Construction and land development	—	—	—
Commercial and industrial	—	—	—
Consumer	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	$ 502	$ 502	$ —

The following table presents the recorded investment in non-accrual loans, past due loans over 89 days outstanding and accruing and troubled debt restructurings ("TDR") by class of loans as of March 31, 2020 (dollars in thousands):

	Non-Accrual	Past Due Over 89 Days and Accruing	Troubled Debt Restructurings
Commercial real estate	$ —	$ —	$ —
Consumer real estate	205	36	—
Construction and land development	—	—	—
Commercial and industrial	273	—	—
Consumer	24	—	—
Other	—	—	—
Total	$ 502	$ 36	$ —

NOTE 3 – EARNINGS PER SHARE

The following is a summary of the basic and diluted earnings per share calculation for the three months ended March 31, 2020 and 2019 (dollars in thousands, except share data):

	Three Months Ended March 31, 2020	2019
Basic net income per share calculation:		
Numerator – Net income	$ 453	$ 702
Denominator – Average common shares outstanding	300,000	300,000
Basic net income per share	$ 1.51	$ 2.34
Diluted net income per share calculation:		
Numerator – Net income	$ 453	$ 702
Denominator – Average common shares outstanding	300,000	300,000
Dilutive shares contingently issuable	—	—
Average diluted common shares outstanding	300,000	300,000
Diluted net income per share	$ 1.51	$ 2.34

NOTE 4 – SUBSEQUENT EVENT

On July 1, 2020, pursuant to the Agreement and Plan of Merger, dated as of January 23, 2020 (the "FCB Merger Agreement"), by and between CapStar Financial Holdings, Inc., a Tennessee corporation ("CapStar"), and FCB Corporation, a Tennessee corporation ("FCB"), FCB was merged with and into CapStar, with CapStar continuing as the surviving entity (the "FCB Merger"). Immediately following the FCB Merger, The First National Bank of Manchester, a national banking association, a wholly owned subsidiary of FCB, merged with and into CapStar Bank, a wholly owned subsidiary of CapStar (the "Bank Merger"), with CapStar Bank continuing as the surviving entity in the Bank Merger.

Effective July 1, 2020, following the FCB Merger, pursuant to the Plan of Bank Merger, dated as of January 23, 2020 (the "BOW Merger Agreement," and together with the FCB Merger Agreement, the "Merger Agreements"), by and among CapStar, CapStar Bank and The Bank of Waynesboro, a Tennessee chartered bank ("BOW"), BOW was merged with and into CapStar Bank, with CapStar Bank continuing as the surviving entity (the "BOW Merger," and together with the FCB Merger, the "Mergers"). Prior to the FCB Merger, FCB owned 50.56% of the issued and outstanding shares of common stock, par value $10.00 per share, of BOW ("BOW Common Stock"); other shareholders owned the remaining 49.44% of the issued and outstanding shares of BOW Common Stock.

On the terms and subject to the conditions set forth in the FCB Merger Agreement, at the effective time of the FCB Merger, holders of common stock (the "FCB Common Stock"), par value $10.00 per share, of FCB collectively had the right to receive, without interest, 2,969,418 shares of common stock, par value $1.00 per share, of CapStar ("CapStar Common Stock"), with cash (without interest) in lieu of fractional shares, and $22,182,262.97 in cash, without interest.

On the terms and subject to the conditions set forth in the BOW Merger Agreement, at the effective time of the BOW Merger, holders of BOW Common Stock other than CapStar (such shareholders, the "BOW Minority Shareholders"), collectively had the right to receive, without interest, 664,800 shares of CapStar Common Stock, with cash (without interest) in lieu of fractional shares, and $5,096,990.31 in cash, without interest. Each share of BOW Common Stock held by CapStar will be converted into the number of shares of CapStar Common Stock equal in value to the per share merger consideration received by the BOW Minority Shareholders.

Total acquisition consideration resulting from the Mergers amounted to approximately $70.9 million.

The foregoing description of the Merger Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreements, copies of which were attached as Exhibits 2.1 and 2.2 to CapStar's Form 8-K filed with the U.S. Securities and Exchange Commission on January 29, 2020 and the terms of which are incorporated herein by reference.

UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma combined consolidated financial information and accompanying notes showing the impact on the historical financial conditions and results of operations of CapStar Financial Holdings, Inc., a Tennessee corporation (“CapStar”), FCB Corporation, a Tennessee corporation (“FCB”), and The Bank of Waynesboro, a Tennessee chartered bank (“BOW”), have been prepared to illustrate the effects of the merger of FCB with and into CapStar, with CapStar as the entity surviving the merger (the “FCB merger”), and the merger of BOW into CapStar Bank, a Tennessee chartered bank and wholly owned subsidiary of CapStar, with CapStar Bank as the entity surviving the merger (the “BOW merger,” and together with the FCB merger, the “mergers”), under the acquisition method of accounting.

The unaudited pro forma combined consolidated balance sheet as of March 31, 2020 is presented as if the FCB merger and the BOW merger had occurred on March 31, 2020. The unaudited pro forma combined consolidated statements of income for the year ended December 31, 2019 and for the three months ended March 31, 2020 are presented as if the FCB merger and the BOW merger had occurred on January 1, 2019. The actual completion date of the FCB merger and the BOW merger was July 1, 2020.

The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the mergers and, with respect to the income statement only, expected to have a continuing impact on consolidated results of operations. As such, one-time merger costs are not included.

The unaudited pro forma combined consolidated financial statements are provided for informational purposes only. The unaudited pro forma combined consolidated financial statements are not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the merger been completed as of the dates indicated or that may be achieved in the future. The preparation of the unaudited pro forma combined consolidated financial statements and related adjustments required management to make certain assumptions and estimates. The unaudited pro forma combined consolidated financial statements should be read together with:

- the accompanying notes to the unaudited pro forma combined consolidated financial statements;
- CapStar’s audited consolidated financial statements and accompanying notes as of and for the twelve months ended December 31, 2019, included in CapStar’s Annual Report on Form 10-K for the year ended December 31, 2019;
- CapStar’s Quarterly Report on Form 10-Q for the three months ended March 31, 2020;
- FCB’s audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2019, included as Exhibit 99.1 to this Form 8-K/A;
- FCB’s unaudited consolidated financial statements and accompanying notes as of and for the three months ended March 31, 2020, included as Exhibit 99.3 to this Form 8-K/A;
- BOW’s audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2019, included as Exhibit 99.2 to this Form 8-K/A; and
- BOW’s unaudited consolidated financial statements and accompanying notes as of and for the three months ended March 31, 2020, included as Exhibit 99.4 to this Form 8-K/A.

Unaudited Pro Forma Combined Consolidated Balance Sheet
At March 31, 2020
(in thousands, except per share data)

	CapStar Financial Holdings, Inc. Consolidated	FCB Corporation Consolidated	Pro Forma Adjustments		Pro Forma Combined
Assets					
Cash and due from financial institutions	$ 91,450	$ 54,085	$ 183	a,i,l	$ 145,718
Federal funds sold	—		—		—
Total cash and cash equivalents	91,450	54,085	183		145,718
Certificates of deposit with other banks	—	11,532	—		11,532
Securities	222,519	76,040	159	d	298,718
Loans held for sale	186,937	—	—		186,937
Loans	1,446,835	316,266	(4,857)	e	1,758,244
Less allowance for loan losses	(20,114)	(4,384)	4,384	b	(20,114)
Loans, net	1,426,721	311,882	(473)		1,738,130
Premises and equipment, net	18,896	10,031	1,540	f	30,467
Restricted equity securities	13,573	1,090	—		14,663
Accrued interest receivable	5,786	1,769	—		7,555
Goodwill	37,510	—	7,297	k	44,807
Core deposit intangible	6,498	—	3,570	c	10,068
Other real estate owned, net	147	321	—		468
Other assets	62,548	14,962	(507)	g	77,003
Total assets	$ 2,072,585	$ 481,712	$ 11,769		$2,566,066
Liabilities and Shareholders' Equity					
Deposits:					
Non-interest-bearing	$ 442,789	$ 87,232	$ —		$ 530,021
Interest-bearing	1,320,920	324,143	113	a,h	1,645,176
Total deposits	1,763,709	411,375	113		2,175,197
Federal Home Loan Bank advances and other borrowings	10,000	—	30,000	l	40,000
Other liabilities	23,086	8,382	—		31,468
Total liabilities	1,796,795	419,757	30,113		2,246,665
Shareholders' equity:					
Common stock	18,308	2,167	1,467	i,j	21,942
Additional paid-in capital	206,043	537	39,440	i,j	246,020
Retained earnings	46,648	47,883	(47,883)	j	46,648
Accumulated other comprehensive loss, net of income tax	4,791	12	(12)	j	4,791
Noncontrolling interest	—	11,356	(11,356)	j	—
Total shareholders' equity	275,790	61,955	(18,344)		319,401
Total liabilities and shareholders' equity	$ 2,072,585	$ 481,712	$ 11,769		$2,566,066

See accompanying notes to Unaudited Pro Forma Combined Consolidated Financial Information

Unaudited Pro Forma Combined Consolidated Statement of Income
For the year ended December 31, 2019
(in thousands, except per share data)

	CapStar Financial Holdings, Inc. Consolidated	FCB Corporation Consolidated	Income Statement Reclassifications		Pro Forma Adjustments		Pro Forma Combined
Interest income:							
Loans, including fees	$ 82,828	$ 19,845	$ —		$ 475	p	$ 103,148
Securities:							
Taxable	4,619	1,422	—		—		6,041
Tax-exempt	1,438	329	—		—		1,767
Federal funds sold	26	—	—		—		26
Restricted equity securities	755	—	—		—		755
Interest-bearing deposits in financial institutions	1,881	855	—		(73)	s	2,663
Total interest income	91,547	22,451	—		402		114,400
Interest expense:							
Deposits	22,346	3,056	—		(1,583)	q,s	23,819
Federal funds purchased	4	—	—		—		4
Securities sold under agreements to repurchase	5	—	—		—		5
Federal Home Loan Bank advances	1,444	—	—		—		1,444
Other	—	30	—		1,575	u	1,605
Total interest expense	23,799	3,086	—		(8)		26,877
Net interest income	67,748	19,365	—		410		87,523
Provision for loan losses	761	721	—		—		1,482
Net interest income after provision for loan losses	66,987	18,644	—		410		86,041
Noninterest income:							
Treasury management and other deposit service charges	3,135	1,322	—		—		4,457
Net gain (loss) on sale of securities	(99)	64	—		—		(35)
Tri-Net fees	2,785	—	—		—		2,785
Mortgage banking income	9,467	311	—		—		9,778
Other noninterest income	8,986	1,404	—		—		10,390
Total noninterest income	24,274	3,101	—		—		27,375
Noninterest expense:							
Salaries and employee benefits	35,542	7,409	—		—		42,951
Data processing and software	6,961	—	786	n	—		7,747
Professional fees	2,102	—	465	n	—		2,567
Occupancy	3,345	643	462	m	—		4,450
Equipment	3,723	—	941	m,n	—		4,664
Regulatory fees	591	—	181	n	—		772
Merger related expenses	2,654	—	—		—		2,654
Amortization of intangibles	1,655	—	—		676	o	2,331
Depreciation	—	515	(515)	m	—		—
Other operating	5,422	4,277	(2,320)	n	—		7,379
Total noninterest expense	61,995	12,844	—		676		75,515
Income before income taxes	29,266	8,901	—		(266)		37,901
Income tax expense (benefit)	6,844	2,138	—		(70)	r	8,912
Net income before noncontrolling interest	22,422	6,763	—		(196)		28,989
Noncontrolling interest	—	(1,344)	—		1,344	t	—
Net income	$ 22,422	$ 5,419	$ —		$ 1,148		$ 28,989
Per share information:							
Basic net income per share of common stock	$ 1.25						$ 1.35
Diluted net income per share of common stock	$ 1.20						$ 1.30
Weighted average shares outstanding:							
Basic	17,886,164						21,520,382
Diluted	18,613,224						22,247,442

See accompanying notes to Unaudited Pro Forma Combined Consolidated Financial Information

Unaudited Pro Forma Combined Consolidated Statement of Income
For the three months ended March 31, 2020
(in thousands, except per share data)

	CapStar Financial Holdings, Inc. Consolidated	FCB Corporation Consolidated	Pro Forma Adjustments		Pro Forma Combined
Interest income:					
Loans, including fees	$ 19,738	$ 4,831	$ 88	p	$ 24,657
Securities:					
Taxable	1,174	310	—		1,484
Tax-exempt	321	91	—		412
Restricted equity securities	142	3	—		145
Interest-bearing deposits in financial institutions	363	210	(25)	s	548
Total interest income	21,738	5,445	63		27,246
Interest expense:					
Deposits	4,933	769	(208)	q,s	5,494
Federal Home Loan Bank advances and other borrowings	144	—	394	u	538
Total interest expense	5,077	769	186		6,032
Net interest income	16,661	4,676	(123)		21,214
Provision for loan losses	7,553	193	—		7,746
Net interest income after provision for loan losses	9,108	4,483	(123)		13,468
Noninterest income:					
Treasury management and other deposit service charges	775	297	—		1,072
Net gain on sale of securities	27	9	—		36
Tri-Net fees	599	—	—		599
Mortgage banking income	2,253	—	—		2,253
Wealth management fees	407	—	—		407
Interchange and debit card transaction fees	724	126	—		850
Other noninterest income	1,089	116	—		1,205
Total noninterest income	5,874	548	—		6,422
Noninterest expense:					
Salaries and employee benefits	8,002	1,724	—		9,726
Data processing and software	1,864	230	—		2,094
Professional fees	636	350	—		986
Occupancy	820	229	—		1,049
Equipment	751	283	—		1,034
Regulatory fees	163	42	—		205
Merger related expenses	290	—	—		290
Amortization of intangibles	386	—	158	o	544
Other operating	1,299	489	—		1,788
Total noninterest expense	14,211	3,347	158		17,716
Income before income taxes	771	1,684	(281)		2,174
Income tax expense (benefit)	(575)	514	(73)	r	(134)
Net income before noncontrolling interest	1,346	1,170	(207)		2,309
Noncontrolling interest	—	(223)	223	t	—
Net income	$ 1,346	$ 947	$ 16		$ 2,309
Per share information:					
Basic net income per share of common stock	$ 0.07				$ 0.10
Diluted net income per share of common stock	$ 0.07				$ 0.10
Weighted average shares outstanding:					
Basic	18,392,913				22,027,131
Diluted	18,443,725				22,077,943

See accompanying notes to Unaudited Pro Forma Combined Consolidated Financial Information

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(all amounts are in thousands, except per share data, unless otherwise indicated)

Note 1—Basis of Pro Forma Presentation

The unaudited pro forma combined balance sheet as of March 31, 2020 and the unaudited pro forma combined statements of income for the year ended December 31, 2019 and the three months ended March 31, 2020 are based on the historical financial statements of CapStar, FCB and BOW after giving effect to the completion of the mergers and the assumptions and adjustments described in the accompanying notes. Such financial statements do not reflect cost savings or operating synergies expected to result from the mergers, or the costs to achieve these cost savings or operating synergies, or any anticipated disposition of assets that may result from the integration of the operations of the three companies. Certain historical financial information has been reclassified to conform to the current presentation.

FCB owns 50.56% of BOW and therefore all of BOW's historical balances and activity are reflected in the FCB Corporation Consolidated amounts presented. Therefore, addition of the FCB Corporation Consolidated amounts with the CapStar Financial Holdings, Inc. Consolidated amounts, after factoring in the Pro Forma Adjustments, produces the Pro Forma Combined Amounts for the combined company, after giving effect to the FCB merger and the BOW merger.

The transactions will be accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805, Business Combinations ("ASC 805"). In business combination transactions in which the consideration given is not in the form of cash (that is, in the form of non-cash assets, liabilities incurred, or equity interests issued), measurement of the acquisition consideration is based on the fair value of the consideration given or the fair value of the asset (or net assets) acquired, whichever is more clearly evident and, thus, a more reliable measure.

Under ASC 805, all of the assets acquired and liabilities assumed in a business combination are recognized at their acquisition-date fair value, while transaction costs and restructuring costs associated with the business combination are expensed as incurred. The excess of the acquisition consideration over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill. Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally affect income tax expense. Subsequent to the completion of the merger, CapStar, FCB and BOW will finalize an integration plan, which may affect how the assets acquired, including intangible assets, will be utilized by the combined company. For those assets in the combined company that will be phased out or will no longer be used, additional amortization, depreciation and possibly impairment charges will be recorded after management completes the integration plan.

The unaudited pro forma information is presented solely for informational purposes and is not necessarily indicative of the combined results of operations or financial position that might have been achieved for the periods or dates indicated, nor is it necessarily indicative of the future results of the combined company.

Note 2—Preliminary Estimated Acquisition Consideration

Based on the merger agreement for the FCB merger and the merger agreement for the BOW merger, and assuming no adjustment to the merger considerations pursuant to the terms of such agreements, the preliminary estimated acquisition consideration is as follows.

	FCB Corporation	The Bank of Waynesboro	Total
Number of shares of CapStar common stock as exchanged	2,969,418	664,800	3,634,218
Multiplied by CapStar common stock price per share on June 30, 2020	$ 12.00	$ 12.00	$ 12.00
Estimated fair value of CapStar common stock issued ("Stock Consideration")	$ 35,633	$ 7,978	$ 43,611
Stock Consideration	$ 35,633	$ 7,978	$ 43,611
Cash Consideration	$ 22,181	$ 5,097	$ 27,278
Total Preliminary Estimated Acquisition Consideration	$ 57,814	$ 13,075	$ 70,889

Note 3—Preliminary Estimated Acquisition Consideration Allocation

Under the acquisition method of accounting, the total acquisition consideration is allocated to the acquired tangible and intangible assets and assumed liabilities of FCB and BOW based on their estimated fair values as of the closing of the mergers. The excess of the acquisition consideration over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill.

The allocation of the estimated acquisition consideration is based on estimates, assumptions, valuations, and other studies which have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the acquisition consideration allocation unaudited pro forma adjustments will remain preliminary until CapStar management determines the final acquisition consideration and the fair values of assets acquired and liabilities assumed. The final determination of the acquisition consideration allocation is anticipated to be completed as soon as practicable after the completion of the mergers and will be based on the value of the CapStar common stock at the closing of the mergers. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented in the unaudited pro forma combined consolidated financial statements.

The total preliminary estimated acquisition consideration as shown in the tables above is allocated to FCB and BOW's tangible and intangible assets and liabilities as of March 31, 2020 based on their preliminary estimated fair values as follows.

Cash and cash equivalents	$ 51,546
Securities available-for-sale	76,199
Loans	311,409
Premises and equipment, net	11,571
Goodwill	7,297
Core deposit intangible	3,570
Other assets	29,167
Deposits	(411,488)
Other liabilities	(8,382)
Total preliminary estimated acquisition consideration	$ 70,889

Approximately $3,570 has been preliminarily allocated to amortizable intangible assets acquired. The amortization related to the preliminary fair value of net amortizable intangible assets is reflected as a pro forma adjustment to the unaudited pro forma condensed combined financial statements.

Identifiable intangible assets. The preliminary fair values of intangible assets were determined based on the provisions of ASC 805, which defines fair value in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Intangible assets were identified that met either the separability criterion or the contractual-legal criterion described in ASC 805. The preliminary allocation to intangible assets is allocated to core deposit intangibles.

Goodwill. Goodwill represents the excess of the preliminary estimated acquisition consideration over the preliminary fair value of the underlying net tangible and intangible assets. Among the factors that contributed to a purchase price in excess of the fair value of the net tangible and intangible assets are the skill sets, operations, customer base and organizational cultures that can be leveraged to enable the combined company to build an enterprise greater than the sum of its parts. In accordance with ASC Topic 350, *Intangibles—Goodwill and Other*, goodwill will not be amortized, but instead will be tested for impairment at least annually and whenever events or circumstances have occurred that may indicate a possible impairment. In the event management determines that the value of goodwill has become impaired, the combined company will incur an accounting charge for the amount of the impairment during the period in which the determination is made.

Note 4—Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments

The unaudited pro forma financial information is not necessarily indicative of what the financial position actually would have been had the mergers been completed at the date indicated. Such information includes adjustments which are preliminary and may be revised. Such revisions may result in material changes. The financial position shown herein is not necessarily indicative of what the past financial position of the combined companies would have been, nor necessarily indicative of the financial position of the post-merger periods. The unaudited pro forma financial information does not give consideration to the impact of possible cost savings, expense efficiencies, synergies, strategy modifications, asset dispositions or other actions that may result from the mergers.

The following unaudited pro forma adjustments result from accounting for the mergers, including the determination of fair value of the assets, liabilities, and commitments which CapStar, as the acquirer, will acquire from FCB and BOW. The descriptions related to these preliminary adjustments are as follows.

Balance Sheet – the explanations and descriptions below are referenced to the March 31, 2020 Unaudited Pro Forma Combined Consolidated Balance Sheet on page 2.

Pro Forma Adjusting Entries (Balance Sheet):		**Debit**	**Credit**
a	Cash and due from banks		$ 2,539
a	Interest-bearing deposits	2,539	
b	Allowance for loan losses	4,384	
c	Core deposit intangible	3,570	
d	Securities	159	
e	Loans		4,857
f	Premises and equipment	1,540	
g	Deferred tax asset (included in “other assets”)		507
h	Interest-bearing deposits		2,652
i	Common stock		3,634
i	Cash and due from banks		27,278
i	Additional paid-in capital		39,977
j	Common stock	2,167	
j	Additional paid-in capital	537	
j	Retained earnings	47,883	
j	Accumulated other comprehensive loss, net of income tax	12	
j	Noncontrolling interest	11,356	
k	Goodwill	7,297	
l	Cash and due from banks	30,000	
l	Federal Home Loan Bank advances and other borrowings		30,000

a) Elimination of deposits FCB/BOW on deposit at CapStar.
b) Adjustment to allowance for loan losses to reflect the reversal of FCB/BOW’s allowance for loan losses.
c) Adjustment to intangible assets to reflect the preliminary estimate of the core deposit intangible at the acquisition date.
d) Adjust certain security investments to estimated fair value.
e) Adjustment to loans to reflect the preliminary estimated fair value at acquisition date.

f) Adjustment to real estate to reflect the preliminary estimated fair value at acquisition date.
g) Adjustment to reflect the net deferred tax asset generated by the net fair value adjustments using an assumed effective tax rate equal to 26.14%.
h) Adjustment to time deposits to reflect the preliminary estimated fair value at acquisition date.
i) Cash paid and CapStar common shares issued to FCB's shareholders and the BOW minority shareholders representing the stock consideration component of the total merger consideration in the FCB merger and BOW merger. For purposes of this pro-forma presentation, the value of a share of CapStar common stock was assumed to equal its closing price on June 30, 2020, as reported by NASDAQ ($12.00 per share).
j) To reflect the reversal of FCB/BOW's equity.
k) Adjustment to reflect the preliminary estimated goodwill generated as a result of consideration paid in excess of the fair value of the net assets acquired.
l) To reflect issuance of subordinated debt at CapStar Financial Holdings, Inc. to facilitate cash paid in transaction and provide an additional source of strength to the Bank.

Income Statements – the explanations and descriptions below are referenced to the Unaudited Pro Forma Combined Consolidated Statements of Income for the year ended December 31, 2019 and the three months ended March 31, 2020 starting on page 3.

Income Statements—reclassifications

The following reclassifications adjusted FCB/BOW's historical income statement to conform to CapStar's historical income statement.

m) Depreciation expense has been reclassified to conform to CapStar's historical income statement.
n) Other noninterest expense has been reclassified to conform to CapStar's historical income statement.

Income Statements—Pro Forma Adjustments

Pro Forma Adjusting Entries (Income Statement):		**Year Ended December 31, 2019 Debit**	**Credit**
o	Amortization of new CDI	$ 676	
p	Preliminary estimate of loan interest accretion		475
q	Preliminary estimate of time deposit premium amortization		1,510
r	Income tax benefit of pro-forma adjustments		70
s	Elimination of intercompany income/expense	73	73
t	Elimination of noncontrolling interest		1,344
u	Interest expense on subordinated debt	1,575	

Pro Forma Adjusting Entries (Income Statement):		**Three Months Ended March 31, 2020 Debit**	**Credit**
o	Amortization of new CDI	$ 158	
p	Preliminary estimate of loan interest accretion		88
q	Preliminary estimate of time deposit premium amortization		183
r	Income tax benefit of pro-forma adjustments		73
s	Elimination of intercompany income/expense	25	25
t	Elimination of noncontrolling interest		223
u	Interest expense on subordinated debt	394	

o) The preliminary estimate of CDI related to CapStar's acquisition of FCB/BOW is expected to approximate $3,570 and will be amortized over a ten year period on an accelerated basis which is expected to produce approximately $676 of amortization expense during the first year of operations.
p) Represents the preliminary estimate of the first year's interest income accretion related to the preliminary estimate of the fair value adjustment of the loans acquired pursuant to the mergers. The total amount to be accreted in interest income over the estimated lives of the related loans is approximately $1,575.
q) Represents the preliminary estimate of the first year's interest expense amortization related to the preliminary estimate of the fair value adjustment of the time deposits acquired pursuant to the merger. The total amount to be amortized to interest expense over the estimated lives of the related time deposits is approximately $2,652.
r) Adjustment to reflect the income tax provision of the Pro Forma Adjustments using 26.14% as the incremental effective tax rate.

s) Elimination of intercompany income/expense related to FCB/BOW's deposits held at CapStar.
t) Elimination of noncontrolling interest due to acquisition of 100% of FCB and BOW.
u) Adjustment to reflect interest expense on $30,000 of subordinated debt (at holding company level), calculated at 5.25%.

Note 5—Earnings per Common Share

Unaudited pro forma earnings per common share for the year ended December 31, 2019 and the three months ended March 31, 2020 have been calculated using CapStar's historic weighted average common shares outstanding plus the common shares assumed to be issued to FCB/shareholders and the BOW minority shareholders in each of their respective mergers.

The following table sets forth the calculation of basic and diluted unaudited pro forma earnings per common share for the year ended December 31, 2019 and the three months ended March 31, 2020. In the table below, amounts are in thousands except for share data.

	Three months ended March 31, 2020		Year ended December 31, 2019	
	Basic	Diluted	Basic	Diluted
Pro forma net income available to common shareholders	$ 2,309	$ 2,309	$ 28,989	$ 28,989
Weighted average common shares outstanding:				
CapStar	18,392,913	18,443,725	17,886,164	18,613,224
Common shares issued to FCB/BOW	3,634,218	3,634,218	3,634,218	3,634,218
Pro forma	22,027,131	22,077,943	21,520,382	22,247,442
Pro forma net income per common share	$ 0.10	$ 0.10	$ 1.35	$ 1.30

Note 6—Merger Related Charges

CapStar's preliminary estimated transaction expenses related to the FCB merger and BOW merger are approximately $5,723, net of tax. These one-time merger related expenses have not been included in the Unaudited Pro Forma Combined Consolidated Statement of Income, as the pro forma adjustments does not give consideration to non-recurring items, the impact of possible cost savings, expense efficiencies, synergies, strategy modifications, asset dispositions or other actions that may result from the merger. These preliminary estimated merger transaction expenses are still being developed and will continue to be refined over the next several months, and will include assessing personnel, benefit plans, premises, equipment, and service contracts to determine where they may take advantage of redundancies. The preliminary estimated pro forma presentation of CapStar's merger transaction costs is in the following table.

Change in control and severance expenses	$1,395
System termination fees and system conversion expenses	2,936
Investment bankers, accounting, auditing and legal	2,648
Other related expenses	150
Total non-interest expense	7,129
Tax benefit	1,406
Net expense after tax benefit	$5,723