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): October 1, 2018

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)

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

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). 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 October 1, 2018, CapStar Financial Holdings, Inc., a Tennessee corporation ("CapStar"), filed with the 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 acquisition of Athens Bancshares Corporation, a Tennessee corporation ("Athens"). This Form 8-K/A amends the Initial 8-K to include the historical audited and unaudited financial statements of Athens 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 Athens and its subsidiaries as of and for the year ended December 31, 2017 and December 31, 2016, and the notes related thereto, included in Amendment No. 1 to CapStar's Registration Statement on Form S-4 (No. 333-226112) filed with the SEC on July 24, 2018 and declared effective on July 26, 2018 (the "Registration Statement") are incorporated herein by reference as Exhibit 99.1 to this Form 8-K/A.

The unaudited consolidated financial statements of Athens as of June 30, 2018 and for the three and six months ended June 30, 2018 and June 30, 2017, and the notes related thereto, are attached as Exhibit 99.2 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 and Athens for the year ended December 31, 2017, and the notes related thereto, included in the Registration Statement are incorporated herein by reference as Exhibit 99.3 to this Form 8-K/A.

The unaudited pro forma combined consolidated financial information of CapStar and Athens as of and for the six months ended June 30, 2018, and the notes related thereto, are attached as Exhibit 99.4 to this Form 8-K/A and incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description of Exhibit
23.1	Consent of Mauldin & Jenkins, LLC.
99.1	Audited consolidated financial statements of Athens Bancshares Corporation as of and for the year ended December 31, 2017 and December 31, 2016, 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 July 24, 2018).
99.2	Unaudited consolidated financial statements of Athens Bancshares Corporation as of June 30, 2018 and for the three and six months ended June 30, 2018 and June 30, 2017, and the notes related thereto.
99.3	Unaudited pro forma combined consolidated financial information of CapStar Financial Holdings, Inc. and Athens Bancshares Corporation as of and for the year ended December 31, 2017, 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 July 24, 2018).
99.4	Unaudited pro forma combined consolidated financial information of CapStar Financial Holdings, Inc. and Athens Bancshares Corporation as of and for the six months ended June 30, 2018, and the notes related thereto.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CAPSTAR FINANCIAL HOLDINGS, INC.

By: /s/ Robert B. Anderson
Name: Robert B. Anderson
Title: Chief Financial Officer and
Chief Administrative Officer

Date: October 31, 2018

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-215351, 333-224559 and 333-227625) and the Registration Statements on Form S-4 (No. 333-226112) of CapStar Financial Holdings, Inc. of our report dated March 2, 2018 with respect to the consolidated financial statements of Athens Bancshares Corporation as of December 31, 2017 and for each of the years in the two-year period ended December 31, 2017 incorporated by reference in this Current Report on Form 8-K/A of CapStar Financial Holdings, Inc.

/s/ Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 31, 2018

Exhibit 99.2

ATHENS BANCSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2018	December 31, 2017
ASSETS		
Cash and due from banks	$ 21,699,339	$ 28,464,600
Federal funds sold	11,283,000	8,027,000
Interest-bearing deposits in banks	17,228	17,121
Total cash and cash equivalents	32,999,567	36,508,721
Securities available for sale	69,482,585	76,807,971
Investments, at cost	4,720,200	4,479,750
Loans, net of allowance for loan losses of $4,018,837 and $3,961,107 at June 30, 2018 and December 31, 2017, respectively	338,168,253	319,228,764
Premises and equipment, net	7,823,106	7,511,829
Accrued interest receivable	1,380,433	1,363,208
Cash surrender value of bank owned life insurance	12,206,221	12,043,319
Foreclosed real estate	988,148	914,100
Core Deposit Intangible	2,848,669	3,030,499
Other assets	3,443,301	2,861,436
Total assets	$474,060,483	$464,749,597
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 60,376,803	$ 56,997,824
Interest-bearing	351,892,395	346,024,515
Total deposits	412,269,198	403,022,339
Accrued interest payable	201,703	236,028
Securities sold under agreements to repurchase	940,547	1,750,921
Note payable to bank	—	1,382,849
Accrued expenses and other liabilities	5,967,367	5,813,476
Total liabilities	419,378,815	412,205,613
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 50,000,000 shares authorized; 2,777,250 shares issued and 1,831,747 outstanding at June 30, 2018 and 1,806,084 outstanding at December 31, 2017	18,317	18,061
Additional paid-in capital	19,115,448	18,799,708
Common stock acquired by benefit plans:		
Unallocated common stock held by: Employee Stock Ownership Plan Trust	(1,036,840)	(1,036,840)
Retained earnings	37,870,035	34,906,082
Accumulated other comprehensive loss	(1,285,292)	(143,027)
Total stockholders' equity	54,681,668	52,543,984
Total liabilities and stockholders' equity	$474,060,483	$464,749,597

The Notes to Consolidated Financial Statements are an integral part of these statements

ATHENS BANCSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Interest and dividend income:				
Loans, including fees	$4,485,233	$3,842,408	$ 8,813,537	$7,564,858
Dividends	131,662	126,125	178,439	164,611
Securities and interest-bearing deposits in other banks	575,831	486,132	1,177,644	924,251
Total interest and dividend income	5,192,726	4,454,665	10,169,620	8,653,720
Interest expense:				
Deposits	471,644	435,594	919,282	858,018
Fed funds purchased and securities sold under agreements to repurchase	241	241	634	602
Note payable to bank	—	54,455	8,733	117,941
Total interest expense	471,885	490,290	928,649	976,561
Net interest income	4,720,841	3,964,375	9,240,971	7,677,159
Provision for loan losses	63,669	94,487	89,653	276,014
Net interest income after provision for loan losses	4,657,172	3,869,888	9,151,318	7,401,145
Noninterest income:				
Customer service fees	671,864	641,570	1,292,725	1,229,959
Other charges and fees	748,489	504,705	1,266,802	1,030,864
Investment sales commissions	158,159	81,984	301,315	229,181
Increase in cash surrender value of life insurance	102,709	105,438	204,462	200,284
Other noninterest income	206,102	160,025	391,573	749,610
Total noninterest income	1,887,323	1,493,722	3,456,877	3,439,898
Noninterest expenses:				
Salaries and employee benefits	2,153,187	2,035,481	4,290,414	4,064,278
Occupancy and equipment	566,190	482,558	1,088,275	989,526
Federal deposit insurance premiums	48,000	52,300	83,000	89,950
Data processing	386,251	360,030	751,431	706,048
Advertising	94,476	71,039	171,145	144,590
Other operating expenses	1,199,311	888,091	2,125,633	1,754,138
Total noninterest expenses	4,447,415	3,889,499	8,509,898	7,748,530
Income before income taxes	2,097,080	1,474,111	4,098,297	3,092,513
Income tax expense	491,714	509,943	963,329	1,087,731
Net income	$1,605,366	$ 964,168	$ 3,134,968	$2,004,782
Earnings per common share				
Basic	$ 0.93	$ 0.58	$ 1.83	$ 1.20
Diluted	$ 0.86	$ 0.53	$ 1.69	$ 1.10
Dividends per common share	$ 0.05	$ 0.05	$ 0.10	$ 0.10

The Notes to Consolidated Financial Statements are an integral part of these statements

ATHENS BANCSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Net income	$1,605,366	$ 964,168	$ 3,134,968	$2,004,782
Other comprehensive income (loss), before tax:				
Unrealized holding gains (losses) on securities available for sale	(10,891)	660,004	(1,546,527)	799,898
Income tax benefit (expense) related to other comprehensive income items	2,847	(250,801)	404,262	(303,961)
Other comprehensive income (loss), net of tax	(8,044)	409,203	(1,142,265)	495,937
Comprehensive income	$1,597,322	$1,373,371	$ 1,992,703	$2,500,719

The Notes to Consolidated Financial Statements are an integral part of these statements

ATHENS BANCSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Six Months Ended June 30, 2018
(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Common Stock Acquired By Benefit Plans	Accumulated Other Comprehensive (Loss)	Total
Balance, December 31, 2017	1,806,084	$18,061	$18,799,708	$34,906,082	$(1,036,840)	$ (143,027)	$52,543,984
Net income	—	—	—	3,134,968	—	—	3,134,968
Other comprehensive loss	—	—	—	—	—	(1,142,265)	(1,142,265)
Dividends - $0.10 per share	—	—	—	(171,015)	—	—	(171,015)
Stock compensation expense	—	—	20,871	—	—	—	20,871
Issuance of Company common stock	25,663	256	294,869	—	—	—	295,125
Balance, June 30, 2018	1,831,747	$18,317	$19,115,448	$37,870,035	$(1,036,840)	$ (1,285,292)	$54,681,668

The Notes to Consolidated Financial Statements are an integral part of these statements

ATHENS BANCSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 30, 2018	**June 30, 2017**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,134,968	$ 2,004,782
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	392,052	381,271
Amortization of securities and other assets	327,115	336,907
Provision for loan losses	89,653	276,014
Other gains and losses, net	(2,023)	(464,780)
Stock compensation expense	20,871	48,617
Net change in:		
Cash surrender value of life insurance, net	(162,902)	(161,049)
Accrued interest receivable	(17,225)	(31,526)
Accrued interest payable	(34,325)	(32,836)
Other assets and liabilities	357,137	67,207
Net cash provided by operating activities	4,105,321	2,424,607
CASH FLOWS FROM INVESTING ACTIVITIES:		
Securities available for sale:		
Purchases	—	(12,409,962)
Maturities, prepayments and calls	5,633,575	5,064,088
Investments at cost:		
Purchases	(240,450)	(9,450)
Loan originations and principal collections, net	(19,482,017)	(17,641,174)
Purchases of premises and equipment	(703,329)	(153,126)
Purchase of life insurance	—	(1,075,000)
Proceeds from sale of foreclosed real estate	—	65,000
Net cash used in investing activities	(14,792,221)	(26,159,624)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	9,246,859	19,853,379
Net decrease in securities sold under agreements to repurchase	(810,374)	(560,433)
Net decrease in note payable to bank	(1,382,849)	(2,250,000)
Issuance of Company common stock	295,125	—
Dividends paid	(171,015)	(166,884)
Net cash provided by provided by financing activities	7,177,746	16,876,062
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,509,154)	(6,858,955)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	36,508,721	58,624,749
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 32,999,567	$ 51,765,794
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid on deposits and borrowed funds	$ 962,974	$ 1,009,397
Income taxes paid	1,195,000	1,130,000
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Acquisition of real estate acquired through foreclosure	$ 74,048	$ 65,000
Financed sales of foreclosed real estate	—	—

The Notes to Consolidated Financial Statements are an integral part of these statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Athens Bancshares Corporation (the "Company") and subsidiary conform with United States generally accepted accounting principles ("GAAP") and practices within the banking industry.

The policies that materially affect financial position and results of operations are summarized as follows:

Interim Financial Information (Unaudited)

The accompanying unaudited consolidated financial statements have been prepared in accordance with 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 six months ended June 30, 2018, are not necessarily indicative of the results that may be expected for the full year or in any other period.

The Company has evaluated events and transactions for potential recognition and disclosure through the date the financial statements were issued.

Nature of Operations

The Company is a holding company whose principal activity is the ownership and management of its wholly owned subsidiary, Athens Federal Community Bank, National Association (the "Bank"). The Bank provides a variety of financial services to individuals and corporate customers through its ten branches located in Athens, Sweetwater, Etowah, Madisonville, Cleveland and Lenoir City, Tennessee. The Bank's primary deposit products include checking, savings, certificates of deposit, and IRA accounts. Its primary lending products are one-to-four family residential, commercial real estate, and consumer loans. Southland Finance, Inc. ("Southland") is a consumer finance company with one branch located in Athens, Tennessee and one branch located in Cleveland, Tennessee. Ti-Serv, Inc. ("Ti-Serv") maintains the Bank's investment in Valley Title Services, LLC ("Valley Title"). Southland and Ti-Serv are wholly-owned subsidiaries of the Bank. Valley Title is a wholly-owned subsidiary of Ti-Serv. Athens Muni Corp ("AMC") is a wholly-owned subsidiary of the Bank.

Use of Estimates

The preparation of consolidated 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 consolidated 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 in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, other-than-temporary impairment of securities, and the fair value of financial instruments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted EPS is computed in a manner similar to that of basic EPS except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares (computed using the treasury stock method) that would have been outstanding if all potentially dilutive common stock equivalents such as stock options were vested during the period.

NOTE 2. SECURITIES

The amortized cost and estimated fair value of securities classified as available for sale at June 30, 2018 and December 31, 2017, are as follows:

	June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities of U.S. Government agencies and corporations	$ 1,261,639	$ —	$ (4,664)	$ 1,256,975
Mortgage-backed and related securities (1)	47,635,452	47,087	(1,968,248)	45,714,291
State and municipal securities	22,325,667	250,168	(64,516)	22,511,319
	$71,222,758	$297,255	$(2,037,428)	$69,482,585

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities of U.S. Government agencies and corporations	$ 1,331,281	$ —	$ (2,506)	$ 1,328,775
Mortgage-backed and related securities (1)	51,204,769	68,364	(948,415)	50,324,718
State and municipal securities	24,465,566	696,627	(7,715)	25,154,478
	$77,001,616	$764,991	$(958,636)	$76,807,971

NOTE 2. SECURITIES (Continued)

(1) Collateralized by residential mortgages and guaranteed by U.S. Government sponsored entities.

As of June 30, 2018 and December 31, 2017, the Company did not have any securities classified as held-to-maturity.

The amortized cost and estimated fair value of securities at June 30, 2018, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2018	
	Amortized Cost	Fair Value
Due in one year or less	$ 1,212,995	$ 1,209,753
Due after one year through five years	5,666,151	5,729,164
Due five years to ten years	12,978,160	13,109,934
Due after ten years	3,730,000	3,719,443
Mortgage-backed securities	47,635,452	45,714,291
Total	$71,222,758	$69,482,585

The Company had no realized gains or losses for the six month periods ended June 30, 2018 or 2017.

The Company has pledged securities with carrying values of approximately $41,615,000 and $33,532,000 (which approximates market values) to secure deposits of public and private funds as of June 30, 2018 and December 31, 2017, respectively.

Securities with gross unrealized losses at June 30, 2018 and December 31, 2017, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows:

	June 30, 2018					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(dollars in thousands)					
Securities of U.S. Government agencies and corporations	$ 1,253	$ (5)	$ —	$ —	$ 1,253	$ (5)
Mortgage-backed and related securities	10,283	(406)	32,350	(1,561)	42,633	(1,967)
State and municipal securities	7,520	(60)	695	(5)	8,215	(65)
	$19,056	$ (471)	$33,045	$ (1,566)	$52,101	$ (2,037)

NOTE 2. SECURITIES (Continued)

	December 31, 2017					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(dollars in thousands)					
Securities of U.S.						
Government agencies and corporations	$ 1,283	$ (3)	$ —	$ —	$ 1,283	$ (3)
Mortgage-backed and related securities	13,382	(109)	33,170	(839)	46,552	(948)
State and municipal securities	756	(4)	697	(4)	1,453	(8)
	$15,421	$ (116)	$33,867	$ (843)	$49,288	$ (959)

Management performs periodic reviews for impairment in accordance with ASC Topic 320, *Investments – Debt and Equity Securities*.

At June 30, 2018, the 42 securities with unrealized losses had depreciated 3.76 percent from the Company's amortized cost basis. At December 31, 2017, the 34 securities with unrealized losses had depreciated 1.91 percent from the Company's amortized cost basis.

Most of these securities are guaranteed by either U.S. government corporations or agencies or had investment grade ratings upon purchase. Further, the issuers of these securities have not established any cause for default. The unrealized losses associated with these investment securities are primarily driven by changes in interest rates and are not due to the credit quality of the issuers. These securities will continue to be monitored as a part of the Company's ongoing impairment analysis, but are expected to perform even if the rating agencies reduce the credit rating of the bond insurers. Management evaluates the financial performance of each issuer on a quarterly basis to determine if it is probable that the issuers can make all contractual principal and interest payments.

Upon acquisition of a security, the Company determines the appropriate impairment model that is applicable. If the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interests in securitized financial assets impairment model. If the security is not a beneficial interest in securitized financial assets, the Company uses the debt and equity securities impairment model. The Company conducts periodic reviews to evaluate each security to determine whether an other-than-temporary impairment has occurred. The Company did not have any securities that were classified as other-than-temporarily-impaired at June 30, 2018.

NOTE 3. INVESTMENTS, AT COST

The Bank carries the following investments at cost because they are not readily marketable and there is no established market price for the investments. These investments are normally redeemed by the issuer at par value and may carry call or put options under certain circumstances. Investments carried at cost at June 30, 2018 and December 31, 2017, consist of:

	June 30, 2018	December 31, 2017
Federal Home Loan Bank of Cincinnati common stock	$2,549,000	$ 2,549,000
Federal Reserve Bank stock	671,200	655,750
Resolute Capital Partners Fund III L.P., F.K.A. Tenth Street Fund III, L.P. investment	1,275,000	1,275,000
Resolute Capital Partners Fund IV L.P.	225,000	—
	$4,720,200	$ 4,479,750

NOTE 3. INVESTMENTS, AT COST (Continued)

The Bank, as a member of the Federal Home Loan Bank ("FHLB") of Cincinnati, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. Management reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock.

The Bank also maintains an investment in the capital stock of the Federal Reserve Bank. This investment is carried at cost which approximates the fair value of such stock. The amount of Federal Reserve Bank stock required to be held by the Bank is adjusted quarterly based on a determination made by the Federal Reserve Bank.

NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES

Portfolio Segmentation

The Company's loans consist of the following at June 30, 2018 and December 31, 2017 (in thousands).

	June 30, 2018	December 31, 2017
Mortgage loans on real estate:		
Residential 1-4 family	$108,608	$ 105,397
Commercial real estate and multi-family (5 or more units)	118,582	116,387
Construction and land	43,411	31,590
	270,601	253,374
Commercial loans	26,615	26,827
Consumer and other	46,211	44,139
Total loans	343,427	324,340
Less: Allowance for loan losses	(4,019)	(3,961)
Unearned interest and fees	(680)	(569)
Net deferred loan origination fees	(560)	(581)
Loans, net	$338,168	$ 319,229

For purposes of the disclosures required pursuant to the adoption of ASC 310, the loan portfolio was disaggregated into segments. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. There are five loan portfolio segments that include residential 1-4 family, commercial real estate and multi-family, construction and land, commercial loans, and consumer and other.

The following describe the risk characteristics relevant to each of the portfolio segments:

Residential 1-4 Family: Residential 1-4 family loans include real estate loans secured by 1-4 family first mortgage loans, second liens, or open end real estate loans, such as home equity lines. These are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property. Loans within this portfolio segment are particularly sensitive to unemployment factors and valuation of real estate.

NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Portfolio Segmentation (Continued)

Commercial Real Estate and Multi-Family: Commercial real estate and multi-family loans include owner-occupied commercial real estate loans, owner-occupied construction loans for commercial businesses, and loans secured by income producing properties. Owner-occupied commercial real estate loans to operating businesses are long-term financing of land and buildings. Owner-occupied construction loans for a commercial business are for the development of land or construction of a building. Both of these loans are repaid by cash flow generated from the business operation. Real estate loans for income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers are repaid from rent income derived from the properties. Loans within this segment are particularly sensitive to the valuation of real estate.

Construction and Land: Loans for real estate construction and land development are repaid through cash flow related to the operations, sale or refinance of the underlying property. This portfolio segment includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of the real estate or income generated from the real estate collateral. Loans within this portfolio segment are particularly sensitive to the valuation of real estate.

Commercial: The commercial loan portfolio segment includes commercial and financial loans. These loans include those loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or expansion projects. Loans are repaid by business cash flows. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrower, particularly cash flows from the customers' business operations.

Consumer and Other: The consumer loan portfolio segment includes direct consumer installment loans, overdrafts and other revolving credit loans, and educational loans. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

Credit Risk Management

The Company employs a credit risk management process with defined policies, accountability and routine reporting to manage credit risk in the loan portfolio segments. Credit risk management is guided by credit policies that provide for a consistent and prudent approach to underwriting and approval of credits. Within the Loan Policy, procedures exist that elevate the approval requirements as credits become larger and more complex. All loans are individually underwritten, risk-rated, approved, and monitored.

Responsibility and accountability for adherence to underwriting policies and accurate risk ratings lie in each portfolio segment. For the consumer portfolio segment, the risk management process focuses on managing customers who become delinquent in their payments. For the commercial and real estate portfolio segments, the risk management process focuses on underwriting new business and, on an ongoing basis, monitoring the credit of the portfolios, including a third party review of the largest credits on an annual basis or more frequently as needed. Credit quality and trends in the loan portfolio segments are measured and monitored regularly. Detailed reports, by product, collateral, accrual status, etc., are reviewed by the Directors Loan Committee.

The allowance for loan losses is a valuation reserve allowance established through provisions for loan losses charged against income. The allowance for loan losses, which is evaluated quarterly, is maintained at a level that management deems sufficient to absorb probable losses inherent in the loan portfolio. Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses. The allowance for loan losses is comprised of specific valuation allowances for loans evaluated individually for impairment, general allocations for pools of homogeneous loans with similar risk characteristics and trends, and an unallocated component that reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Management (Continued)

The allowance for loan losses related to specific loans is based on management's estimate of potential losses on impaired loans as determined by (1) the present value of expected future cash flows; (2) the fair value of collateral if the loan is determined to be collateral dependent or (3) the loan's observable market price. The Company's homogeneous loan pools include residential 1-4 family loans, commercial real estate and multi-family loans, construction and land loans, commercial loans, and consumer and other loans. The general allocations to these loan pools are based on the historical loss rates for specific loan types and the internal risk grade, if applicable, adjusted for both internal and external qualitative risk factors. The qualitative factors considered by management include, among other factors, (1) changes in local and national economic conditions; (2) changes in asset quality; (3) changes in loan portfolio volume; (4) the composition and concentrations of credit; (5) the impact of competition on loan structuring and pricing; (6) the impact of interest rate changes on portfolio risk and (7) effectiveness of the Company's loan policies, procedures and internal controls. The total allowance established for each homogeneous loan pool represents the product of the historical loss ratio and the total dollar amount of the loans in the pool.

The following tables detail activity in the allowance for loan losses by portfolio segment for the periods ended June 30, 2018 and December 31, 2017 (in thousands). Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Construction and Land	Commercial	Consumer and Other	Unallocated	Total
Balance, December 31, 2016	$ 1,114	$ 1,485	$ 298	$ 544	$ 676	$ 32	$4,149
Provision (reallocation) for loan losses	(103)	(152)	(92)	(90)	203	252	18
Loans charged-off	—	—	—	—	(317)	—	(317)
Recoveries	—	—	—	20	91	—	111
Balance, December 31, 2017	1,011	1,333	206	474	653	284	3,961
Provision (reallocation) for loan losses	41	49	33	(27)	70	(76)	90
Loans charged-off	—	—	—	—	(116)	—	(116)
Recoveries	11	20	—	—	53	—	84
Balance, June 30, 2018	$ 1,063	$ 1,402	$ 239	$ 447	$ 660	$ 208	$4,019

The composition of loans by primary loan classification as well as impaired and performing loan status at June 30, 2018 and December 31, 2017, is summarized in the tables below (in thousands):

	Year Ending June 30, 2018						
	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Construction and Land	Commercial	Consumer and Other	Unallocated	Total
Specified reserves – impaired loans	$ 270	$ 67	$ 5	$ 44	$ 33	$ —	$ 419
General reserves	793	1,335	234	403	627	208	3,600
Total reserves	$ 1,063	$ 1,402	$ 239	$ 447	$ 660	$ 208	$ 4,019
Impaired loans	$ 2,770	$ 183	$ 41	$ 1,520	$ 171	$ —	$ 4,685
Performing loans	105,838	118,399	43,370	25,095	46,040	—	338,742
Total loans	$108,608	$ 118,582	$ 43,411	$ 26,615	$ 46,211	$ —	$343,427

NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Management (Continued)

	Year Ending December 31, 2017						
	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Construction and Land	Commercial	Consumer and Other	Unallocated	Total
Specified reserves – impaired loans	$ 256	$ 69	$ 9	$ 67	$ 60	$ —	$ 461
General reserves	755	1,264	197	407	593	284	3,500
Total reserves	$ 1,011	$ 1,333	$ 206	$ 474	$ 653	$ 284	$ 3,961
Impaired loans	$ 2,702	$ 242	$ 58	$ 1,568	$ 242	$ —	$ 4,812
Performing loans	102,695	116,145	31,532	25,259	43,897	—	319,528
Total loans	$105,397	$ 116,387	$ 31,590	$ 26,827	$ 44,139	$ —	$324,340

A description of the general characteristics of the risk grades used by the Company is as follows:

Pass: Loans in this risk category include borrowers of acceptable to strong credit quality and risk who have the apparent ability to satisfy their loan obligations. Loans in this risk grade would possess sufficient mitigating factors, such as adequate collateral or strong guarantors possessing the capacity to repay the debt if required, for any weakness that may exist.

Special Mention: Loans in this risk grade are the equivalent of the regulatory definition of "Other Assets Especially Mentioned" classification. Loans in this category possess some credit deficiency or potential weakness, which requires a high level of management attention. Potential weaknesses include declining trends in operating earnings and cash flows and/or reliance on the secondary source of repayment. If left uncorrected, these potential weaknesses may result in noticeable deterioration of the repayment prospects for the asset or in the Company's credit position.

Substandard: Loans in this risk grade are inadequately protected by the borrower's current financial condition and payment capability or the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the orderly repayment of debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans in this risk grade have all weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or orderly repayment in full, on the basis of current existing facts, conditions and values, highly questionable and improbable. Possibility of loss is extremely high, but because of certain important and reasonably specific factors that may work to the advantage and strengthening of the exposure, its classification as an estimated loss is deferred until its more exact status may be determined.

Loss: Loans in this risk grade are considered to be non-collectible and of such little value that their continuance as bankable assets is not warranted. This does not mean the loan has absolutely no recovery value, but rather it is neither practical nor desirable to defer writing off the loan, even though partial recovery may be obtained in the future. Charge-offs against the allowance for loan losses are taken in the period in which the loan becomes uncollectible. Consequently, the Company typically does not maintain a recorded investment in loans within this category.

When the Company classifies an asset as substandard or doubtful, a specific allowance for loan losses may be established.

NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Management (Continued)

The following tables outline the amount of each loan classification and the amount categorized into each risk rating as of June 30, 2018 and December 31, 2017 (in thousands):

	Period Ending June 30, 2018					
	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Construction and Land	Commercial	Consumer and Other	Total
Pass	$104,387	$ 118,209	$ 43,317	$ 25,095	$ 45,816	$336,824
Special mention	1,451	190	53	—	224	1,918
Substandard	2,770	183	41	1,520	171	4,685
Total	$108,608	$ 118,582	$ 43,411	$ 26,615	$ 46,211	$343,427

	Year Ending December 31, 2017					
	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Construction and Land	Commercial	Consumer and Other	Total
Pass	$101,099	$ 115,939	$ 31,476	$ 25,259	$ 43,710	$317,483
Special mention	1,596	206	56	—	187	2,045
Substandard	2,702	242	58	1,568	242	4,812
Total	$105,397	$ 116,387	$ 31,590	$ 26,827	$ 44,139	$324,340

Past Due Loans

A loan is considered past due if any required principal and interest payments have not been received as of the date such payments were required to be made under the terms of the loan agreement. Generally, management places loans on nonaccrual when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is generally when a loan is 120 days past due. The following tables present the aging of the recorded investment in loans as of June 30, 2018 and December 31, 2017 (in thousands):

	Period Ending June 30, 2018					
	Past Due 30-89 Days and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual	Total Past Due	Current Loans	Total Loans
Residential 1-4 family	$ 79	$ —	$ 854	$ 933	$107,675	$108,608
Commercial real estate and multi-family	—	—	—	—	118,582	118,582
Construction and land	—	—	22	22	43,389	43,411
Commercial	—	—	—	—	26,615	26,615
Consumer and other	45	—	65	110	46,101	46,211
Total	$ 124	$ —	$ 941	$ 1,065	$342,362	$343,427

NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Management (Continued)

	Year Ending December 31, 2017					
	Past Due 30-89 Days and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual	Total Past Due	Current Loans	Total Loans
Residential 1-4 family	$ 362	$ 129	$ 837	$ 1,328	$104,069	$105,397
Commercial real estate and multi-family	—	—	56	56	116,331	116,387
Construction and land	21	—	24	45	31,545	31,590
Commercial	—	—	—	—	26,827	26,827
Consumer and other	139	—	23	162	43,977	44,139
Total	$ 522	$ 129	$ 940	$ 1,591	$322,749	$324,340

Impaired Loans

A loan held for investment is considered impaired when based on current information and events, it is probable that the Company will be unable to collect all amounts due (both principal and interest) according to the terms of the loan agreement. The following tables detail impaired loans, by portfolio segment as of June 30, 2018 and December 31, 2017 (in thousands):

	As of June 30, 2018			For the Period Ended June 30, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans without a valuation allowance:					
Residential 1-4 family	$ 1,184	$ 1,184	$ —	$ 1,196	$ 9
Commercial real estate and multi-family	—	—	—	—	—
Construction and land	22	22	—	22	—
Commercial	9	9	—	10	—
Consumer and other	17	17	—	46	—
Total	1,232	1,232	—	1,274	9
Impaired loans with a valuation allowance:					
Residential 1-4 family	1,586	1,586	270	1,578	58
Commercial real estate and multi-family	183	183	67	184	7
Construction and land	19	19	5	26	1
Commercial	1,511	1,511	44	1,513	38
Consumer and other	154	154	33	175	2
Total	3,453	3,453	419	3,476	106
Total impaired loans	$ 4,685	$ 4,685	$ 419	$ 4,750	$ 115

NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

	As of December 31, 2017			For the Year Ended December 31, 2017	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans without a valuation allowance:					
Residential 1-4 family	$ 1,200	$ 1,200	$ —	$ 1,168	$ 140
Commercial real estate and multi-family	56	56	—	62	—
Construction and land	24	24	—	26	2
Commercial	11	11	—	13	3
Consumer and other	26	26	—	41	8
Total	1,317	1,317	—	1,310	153
Impaired loans with a valuation allowance:					
Residential 1-4 family	1,502	1,502	256	1,458	—
Commercial real estate and multi-family	186	186	69	221	13
Construction and land	34	34	9	25	—
Commercial	1,557	1,557	67	1,580	79
Consumer and other	216	216	60	208	—
Total	3,495	3,495	461	3,492	92
Total impaired loans	$ 4,812	$ 4,812	$ 461	$ 4,802	$ 245

NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

Troubled Debt Restructurings

At June 30, 2018 and December 31, 2017, impaired loans included loans that were classified as Troubled Debt Restructurings ("TDRs"). The restructuring of a loan is considered a TDR if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession.

The following tables present a summary of loans that were modified as troubled debt restructurings during the six months ended June 30, 2018 and year ended December 31, 2017 (in thousands):

	Six Months Ended June 30, 2018		
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential 1-4 family	1	$52	$52
Consumer and other	2	9	9

	Year Ended December 31, 2017		
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Consumer and other	5	$14	$14

The Company did not have any loans that were modified as troubled debt restructurings during the twelve months ended June 30, 2018 and 2017, for which there was a subsequent payment default during the year.

NOTE 5. STOCK OPTIONS, ESOP AND RESTRICTED SHARES

2010 Equity Incentive Plan

The Athens Bancshares Corporation 2010 Equity Incentive Plan (the "2010 Plan") was approved by the Company's stockholders at the annual meeting of stockholders held on July 14, 2010. Under the terms of the 2010 Plan, the Company may grant restricted stock awards and stock options to its employees, officers, and directors. The purpose of the 2010 Plan is to promote the success of the Company by linking the personal interests of its employees, officers, and directors to the interest of the Company's shareholders, and by providing participants with an incentive for remarkable performance. All of the Company's employees, officers, and directors are eligible to participate in the 2010 Plan.

Under terms of the 2010 Plan, the Company is authorized to issue up to 277,725 stock options and up to 111,090 shares of restricted stock.

NOTE 5. STOCK OPTIONS, ESOP AND RESTRICTED SHARES (Continued)

Stock Options:

The Company granted stock options to its directors, officers, and employees on December 15, 2010 and December 17, 2014. Both incentive stock options and non-qualified stock options were granted under the 2010 Plan. The exercise price for each option was equal to the market price of the Company's stock on the date of grant and the maximum term of each option is ten years. The vesting period for all options is five years, pro rata, from the date of grant. The Company recognizes compensation expense over the vesting period, based on the grant-date fair value of the options granted. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. For each of the six months ended June 30, 2018 and 2017, the Company recorded stock compensation expense of $20,871 and $20,871. At June 30, 2018, the total remaining compensation cost to be recognized on non-vested options is approximately $62,614.

A summary of the activity in the 2010 Plan for the six months ended June 30, 2018, is presented in the following table:

	Six months ended June 30, 2018	
	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	217,024	$ 14.12
Options exercised	(25,663)	11.50
Outstanding at end of period	191,361	$ 14.47
Option exercisable at end of period	174,696	$ 13.46

The aggregate intrinsic value of options outstanding at June 30, 2018, is $7,209,291.

Other information regarding options outstanding and exercisable as of June 30, 2018, is as follows:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$11.50	149,698	2.50 Years	$ 11.50	149,698	$ 11.50
25.17	41,663	6.50 Years	25.17	24,998	25.17
Outstanding at end of period	191,361				

Information pertaining to non-vested options for the six months ended June 30, 2018, is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested options, December 31, 2017	16,665	$ 5.57
Vested	—	—
Non-vested options, June 30, 2018	16,665	$ 5.57

NOTE 5. STOCK OPTIONS, ESOP AND RESTRICTED SHARES (Continued)

Restricted Stock:

On January 19, 2011, the Company awarded 94,426 shares of restricted stock to its directors, officers, and employees pursuant to the terms of the 2010 Plan. Compensation expense associated with the performance-based share awards is recognized over the time period that the restrictions associated with the awards lapse based on the total cost of the award, which is the fair market value of the stock on the date of the grant. The closing price on the date of the grants issued on January 19, 2011, was $12.75 per share.

On December 19, 2012, the Company awarded 16,664 shares of restricted stock to its officers and employees pursuant to the terms of the 2010 Plan. The closing price on the date of the grants issued on December 19, 2012, was $16.65.

The Company recognized no in compensation expense attributable to shares that have been awarded for the six months ended June 30, 2018 and $27,746 for the six months ended June 30, 2017. There is no total remaining compensation cost to be recognized on non-vested restricted stock.

Employee Stock Ownership Plan (ESOP)

The Bank sponsors a leveraged ESOP that covers substantially all employees who meet certain age and eligibility requirements. The ESOP purchased 222,180 shares with the proceeds of a 15 year loan from the Company which is payable in annual installments and bears interest at 3.25% per annum.

The Bank has committed to make contributions to the ESOP sufficient to support the debt service of the loan. The loan is secured by the unallocated shares, which are held in a suspense account, and are allocated among the participants as the loan is repaid. Cash dividends paid on allocated shares are distributed to the participant and cash dividends paid on unallocated shares are used to repay the outstanding debt of the ESOP.

ESOP shares are held by the plan trustee in a suspense account until allocated to participant accounts. Shares released from the suspense account are allocated to participants on the basis of their relative compensation in the year of allocation. Participants become vested in the allocated shares upon four years of employment with the Bank. Any forfeited shares are allocated to other participants in the same proportion as contributions.

As ESOP shares are allocated to participants, the Bank recognizes compensation expense equal to the fair value of the earned ESOP shares. No compensation expense has been recorded for the six months ended June 30, 2018 or 2017.

A detail of ESOP shares is as follows:

	June 30, 2018	December 31, 2017
Allocated shares	118,496	118,496
Unallocated shares	103,684	103,684
Total ESOP Shares	222,180	222,180
Fair value of unreleased shares	$5,401,936	$ 3,991,834

NOTE 6. FAIR VALUE DISCLOSURES

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, the fair value of a financial instrument is 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. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

> **Level 1 -** Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
>
> **Level 2 -** Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
>
> **Level 3 -** Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There have been no changes in the methodologies used at December 31, 2017 and June 30, 2018.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments.

Cash and Cash Equivalents: The carrying amounts of cash and cash equivalents approximate fair values based on the short-term nature of the assets.

NOTE 6. FAIR VALUE DISCLOSURES (Continued)

Fair Value Hierarchy (Continued)

Securities Available for Sale: Fair values are estimated using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Securities classified as available for sale are reported at fair value utilizing Level 2 inputs.

Investments, at Cost: The carrying value of investments at cost is a reasonable estimate of fair value.

Accrued Interest: The carrying amounts of accrued interest approximate fair value.

Loans: The fair value of loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates, adjusted for credit risk and servicing costs. The estimate of maturity is based on the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of current economic and lending conditions. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with ASC Topic 310, *Accounting by Creditors for Impairment of a Loan*.

Deposits: The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits and NOW, money market, and savings accounts, is equal to the amount payable on demand at the reporting date. The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Securities Sold under Agreements to Repurchase: The carrying value of these liabilities, which are extremely short term, approximates their fair value.

Note Payable to Bank: Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Assets Measured at Fair Value on a Recurring Basis: Assets measured at fair value on a recurring basis are summarized below (in thousands):

	Balance as of June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Securities available for sale:				
Securities of U.S. Government agencies and corporations	$ 1,257	$ —	$ 1,257	$ —
Mortgage-backed and related securities	45,714	—	45,714	—
State and municipal securities	22,512	—	22,512	—
Total securities available for sale	$ 69,483	$ —	$ 69,483	$ —

NOTE 6. FAIR VALUE DISCLOSURES (Continued)

Fair Value Hierarchy (Continued)

	Balance as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Securities available for sale:				
Securities of U.S. Government agencies and corporations	$ 1,329	$ —	$ 1,329	$ —
Mortgage-backed and related securities	50,325	—	50,325	—
State and municipal securities	25,154	—	25,154	—
Total securities available for sale	$ 76,808	$ —	$ 76,808	$ —

The Company has no assets or liabilities whose fair values are measured on a recurring basis using Level 3 inputs.

Assets Measured at Fair Value on a Nonrecurring Basis: Under certain circumstances management makes adjustments to fair value for assets and liabilities although they are not measured at fair value on an ongoing basis. The following tables present the financial instruments carried on the consolidated balance sheets by caption and by level in the fair value hierarchy, for which a nonrecurring change in fair value has been recorded (in thousands):

	Balance as of June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Impaired loans	$ 3,034	$ —	$ 1,568	$ 1,466
Foreclosed real estate	988	—	—	988

	Balance as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Impaired loans	$ 3,034	$ —	$ 1,560	$ 1,474
Foreclosed real estate	914	—	—	914

Impaired Loans: Loans considered impaired under ASC 310-10-35, *Receivables*, are loans for which, based on current information and events, it is probable that the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Impaired loans can be measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral less selling costs if the loan is collateral dependent.

The fair value of impaired loans were primarily measured based on the value of the collateral securing these loans. Collateral may be real estate and/or business assets including equipment, inventory, and/or accounts receivable.

NOTE 6. FAIR VALUE DISCLOSURES (Continued)

Fair Value Hierarchy (Continued)

The Company determines the value of the collateral based on independent appraisals performed by qualified licensed appraisers. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Appraised values are discounted for costs to sell and may be discounted further based on management's historical knowledge, changes in market conditions from the date of the most recent appraisal, and/or management's expertise and knowledge of the customer and the customer's business. Such discounts by management are subjective and are typically significant unobservable inputs for determining fair value. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors discussed above.

Foreclosed Assets: Foreclosed real estate, consisting of properties obtained through foreclosure or in satisfaction of loans, is initially recorded at fair value less estimated costs to sell upon transfer of the loan to other real estate. Subsequently, other real estate is carried at the lower of carrying value or fair value less costs to sell. Fair values are generally based on third party appraisals of the property and are classified within Level 3 of the fair value hierarchy. The appraisals are sometimes further discounted based on management's historical knowledge, and/or changes in market conditions from the date of the most recent appraisal, and/or management's expertise and knowledge of the customer and the customer's business. Such discounts are typically significant unobservable inputs for determining fair value. In cases where the carrying amount exceeds the fair value, less cost to sell, a loss is recognized in noninterest expense.

The carrying amount and estimated fair value of the Company's financial instruments at June 30, 2018 and December 31, 2017, are as follows (in thousands):

	June 30, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$ 33,000	$ 33,000	$ 36,509	$ 36,509
Securities available for sale	69,483	69,483	76,808	76,808
Investments, at cost	4,720	4,720	4,480	4,480
Loans, net	338,168	336,136	319,229	319,526
Accrued interest receivable	1,380	1,380	1,363	1,363
Liabilities:				
Deposits	412,269	414,628	403,022	405,342
Securities sold under agreements to repurchase	941	941	1,751	1,751
Note payable to bank	—	—	1,383	1,383
Accrued interest payable	202	202	236	236

NOTE 7. EARNINGS PER COMMON SHARE

The following is a summary of the basic and diluted earnings per share for the three months ended June 30, 2018 and 2017:

	2018	2017
Basic earnings per share calculation:		
Numerator: Net income	$1,605,366	$ 964,168
Denominator: Weighted average common shares outstanding	1,721,799	1,672,748
Effect of dilutive stock options	134,842	148,412
Diluted shares	1,856,641	1,821,160
Basic earnings per share	$ 0.93	$ 0.58
Diluted earnings per share	$ 0.86	$ 0.53

The following is a summary of the basic and diluted earnings per share for the six months ended June 30, 2018 and 2017:

	2018	2017
Basic earnings per share calculation:		
Numerator: Net income	$3,134,969	$2,004,782
Denominator: Weighted average common shares outstanding	1,714,639	1,669,682
Effect of dilutive stock options	135,174	146,685
Diluted shares	1,849,813	1,816,367
Basic earnings per share	$ 1.83	$ 1.20
Diluted earnings per share	$ 1.69	$ 1.10

Exhibit 99.4

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 and Athens have been prepared to illustrate the effects of the merger under the acquisition method of accounting.

The unaudited pro forma combined consolidated balance sheet as of June 30, 2018 is presented as if the Athens merger had occurred on June 30, 2018. The unaudited pro forma combined consolidated income statements for the year ended December 31, 2017 and the six months ended June 30, 2018 are presented as if the merger had occurred on January 1, 2017. The actual completion date of the merger was October 1, 2018.

The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the merger 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, 2017, included in CapStar's Annual Report on Form 10-K for the year ended December 31, 2017;
- CapStar's Quarterly Report on Form 10-Q for the three months ended June 30, 2018;
- Athens' audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2017, included as Exhibit 99.1 to this Form 8-K/A;
- Athens' unaudited consolidated financial statements and accompanying notes as of and for the six months ended June 30, 2018, included as Exhibit 99.2 to this Form 8-K/A.

Unaudited Pro Forma Combined Consolidated Balance Sheet
At June 30, 2018
(in thousands, except per share data)

	CapStar as reported	Athens as reported	Pro Forma Adjustments		Pro Forma Combined
Assets					
Cash and due from banks	$ 14,185	$ 21,700	$ (19,663)	a,n,p	$ 16,222
Interest-bearing deposits in financial institutions	32,965	17			32,982
Federal funds sold	11,072	11,283	(11,283)	a	11,072
Total cash and cash equivalents	58,222	33,000	(30,946)		60,276
Securities available-for-sale, at fair value	183,364	69,483	(172)	e	252,675
Securities held-to-maturity	3,746	—			3,746
Loans held for sale	65,320	—			65,320
Loans	1,046,525	342,187	(4,019)	f	1,384,693
Less allowance for loan losses	(14,705)	(4,019)	4,019	b	(14,705)
Loans, net	1,031,820	338,168	—		1,369,988
Premises and equipment, net	5,831	7,823	4,500	g	18,154
Restricted equity securities	8,809	3,220			12,029
Accrued interest receivable	4,347	1,380			5,727
Goodwill	6,219	—	44,589	o	50,808
Core deposit intangible	3	2,849	3,151	c,d	6,003
Other assets	33,500	18,137	(824)	h,i	50,813
Total assets	$1,401,181	$ 474,060	$ 20,297		$1,895,538
Liabilities and Shareholders' Equity					
Deposits:					
Non-interest-bearing	$ 223,579	$ 60,377	$ (10,232)	a	$ 273,724
Interest-bearing	921,434	351,892	(11,283)	a	1,262,043
Total deposits	1,145,013	412,269	(21,515)		1,535,767
Federal Home Loan Bank advances	95,000	—			95,000
Other liabilities	8,022	7,110	1,500	j	16,632
Total liabilities	1,248,035	419,379	(20,015)		1,647,399
Shareholders' equity:					
Preferred stock	878	—			878
Common stock	11,932	18	5,185	l,m	17,135
Additional paid-in capital	120,555	19,115	80,107	l,m	219,777
Common stock acquired by benefit plans: unallocated common stock held by Employee Stock Ownership Plan Trust	—	(1,037)	1,037	k	—
Retained earnings	25,086	37,870	(47,301)	m,n,p	15,655
Accumulated other comprehensive loss, net of income tax	(5,305)	(1,285)	1,285	m	(5,305)
Total shareholders' equity	153,146	54,681	40,312		248,139
Total liabilities and shareholders' equity	$1,401,181	$ 474,060	$ 20,297		$1,895,538

See accompanying notes to Unaudited Pro Forma Combined Consolidated Financial Information

Unaudited Pro Forma Combined Consolidated Statement of Income
For the six months ended June 30, 2018
(in thousands, except per share data)

	CapStar as reported	Athens as reported	Income Statement Reclassifications		Pro Forma Adjustments		Pro Forma Combined
Interest income:							
Loans, including fees	$ 26,030	$ 8,814	$ —		$ 134	x,z	$ 34,978
Securities:							
Taxable	1,815	1,178	(605)	q	—		2,388
Tax-exempt	546	—	356	q	—		902
Federal funds sold	39	—	102	q	(102)	aa	39
Restricted equity securities	257	178	—		—		435
Interest-bearing deposits in financial institutions	411	—	147	q	—		558
Total interest income	29,098	10,170	—		32		39,300
Interest expense:							
Deposits	5,547	919	—		(102)	aa	6,364
Federal funds purchased	1	1	—		—		2
Federal Home Loan Bank advances	1,117	—	—		—		1,117
Note payable to bank	—	9	—		(9)	z	—
Total interest expense	6,665	929	—		(111)		7,483
Net interest income	22,433	9,241	—		143		31,817
Provision for loan losses	846	90	—		—		936
Net interest income after provision for loan losses	21,587	9,151	—		143		30,881
Noninterest income:							
Treasury management and other deposit service charges	829	1,293	(700)	r	—		1,422
Loan related fees	572	—	519	r	—		1,091
Net gain (loss) on sale of securities	3	—	—		—		3
Tri-Net fees	853	—	—		—		853
Mortgage banking income	2,695	—	563	r	—		3,258
Other noninterest income	902	2,164	(382)	r	—		2,684
Total noninterest income	5,854	3,457	—		—		9,311
Noninterest expense:							
Salaries and employee benefits	12,598	4,290	—		—		16,888
Data processing and software	1,608	751	244	s	—		2,603
Professional fees	819	—	312	u	—		1,131
Occupancy	1,056	1,088	(590)	s,t	—		1,554
Equipment	1,141	—	346	t	—		1,487
Regulatory fees	436	—	150	u	—		586
Merger related expenses	335	—	315	u	—		650
Other operating	1,593	2,381	(777)	u	401	v,w	3,598
Total noninterest expense	19,586	8,510	—		401		28,497
Income before income taxes	7,855	4,098	—		(258)		11,695
Income tax expense (benefit)	1,148	963	—		(67)	y	2,044
Net income	$ 6,707	$ 3,135	$ —		$ (190)		$ 9,652
Per share information:							
Basic net income per share of common stock	$ 0.57	$ 1.83	$ —		$ —		$ 0.57
Diluted net income per share of common stock	$ 0.52	$ 1.69	$ —		$ —		$ 0.52
Weighted average shares outstanding:							
Basic	11,755,535	1,714,639	—		3,488,805		16,958,979
Diluted	13,021,744	1,849,813	—		3,792,441		18,663,998

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, 2017
(in thousands, except per share data)

	CapStar as reported	Athens as reported	Income Statement Reclassifications		Pro Forma Adjustments		Pro Forma Combined
Interest income:							
Loans, including fees	$ 45,601	$ 15,557	$ —		$ 72	x,z	$ 61,230
Securities:							
Taxable	3,682	2,047	(660)	q	—		5,069
Tax-exempt	1,244	—	458	q	—		1,702
Federal funds sold	41	—	106	q	—		147
Restricted equity securities	396	453	(286)		—		563
Interest-bearing deposits in financial institutions	551	—	382	q	(107)	aa	826
Total interest income	51,515	18,057	—		(35)		69,537
Interest expense:							
Deposits	8,080	1,747	—		(107)	aa	9,720
Federal funds purchased	13	1	—		—		14
Federal Home Loan Bank advances	1,559	—	—		—		1,559
Note payable to bank	—	214	—		(214)	z	—
Total interest expense	9,652	1,962	—		(321)		11,293
Net interest income	41,863	16,095	—		286		58,244
Provision for loan losses	12,870	18			—		12,888
Net interest income after provision for loan losses	28,993	16,077	—		286		45,356
Noninterest income:							
Treasury management and other deposit service charges	1,516	2,471	(1,350)	r	—		2,637
Loan fees	771	—	605	r	—		1,376
Net gain (loss) on sale of securities	(66)	—	—		—		(66)
Tri-Net fees	1,002	—	—		—		1,002
Mortgage banking income	6,238	—	987	r	—		7,225
Other noninterest income	1,447	4,161	(242)	r	—		5,366
Total noninterest income	10,908	6,632	—		—		17,540
Noninterest expense:							
Salaries and employee benefits	20,400	9,025	—		—		29,425
Data processing and software	2,786	1,432	390	s	—		4,608
Professional fees	1,522	0	640	u	—		2,162
Occupancy	2,025	2,029	(1,059)	s,t	—		2,995
Equipment	2,071	0	669	t	—		2,740
Regulatory fees	1,111	0	308	u	—		1,419
Other operating	3,850	3,579	(948)	u	727	v,w	7,208
Total noninterest expense	33,765	16,065	—		727		50,557
Income before income taxes	6,136	6,644	—		(441)		12,339
Income tax expense (benefit)	4,635	2,513	—		(115)	y	7,033
Net income	$ 1,501	$ 4,131	$ —		$ (326)		$ 5,306
Per share information:							
Basic net income per share of common stock	$ 0.13	$ 2.46	$ —		$ —		$ 0.32
Diluted net income per share of common stock	$ 0.12	$ 2.27	$ —		$ —		$ 0.29
Weighted average shares outstanding:							
Basic	11,280,580	1,677,746	—		3,525,698		16,484,024
Diluted	12,803,511	1,820,142	—		3,819,315		18,442,968

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 June 30, 2018 and the unaudited pro forma combined income statements for the year ended December 31, 2017 and the six months ended June 30, 2018 are based on the historical financial statements of CapStar and Athens 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.

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 and Athens 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

Under the terms of the Athens Merger Agreement, Athens shareholders will be entitled to receive 2.864 shares of CapStar common stock for each share of Athens common stock.

Based on Athens's estimate of shares of Athens common stock outstanding as of June 30, 2018, the preliminary estimated acquisition consideration is as follows.

(dollars are in thousands, except per share data)	
Total number of common shares as provided by Athens management	1,816,845
Total number of Athens common stock to exchange	1,816,845
Per share exchange ratio	2.864
Number of shares of CapStar common stock as exchanged	5,203,444
Multiplied by CapStar common stock price per share on June 30, 2018	$ 18.53
Estimated fair value of CapStar common stock issued ("Stock Consideration")	$ 96,420
Calculated deal price per Athens share	$ 53.07
Total number of stock options outstanding as provided by Athens management to exchange	206,263
Stock options outstanding weighted average strike price as provided by Athens management	$ 14.26
Intrinsic value per stock option outstanding	$ 38.81
Estimated fair value of stock options rolled ("Rolled Stock Options Consideration")	$ 8,005
Stock Consideration	$ 96,420
Rolled Stock Options Consideration	$ 8,005
Total Preliminary Estimated Acquisition Consideration	$ 104,425

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 Athens based on their estimated fair values as of the closing of the merger. 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 with regard to Athens is preliminary because the proposed merger has not yet been completed. The preliminary allocation 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 merger and will be based on the value of the CapStar common stock at the closing of the merger. 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 Athens's tangible and intangible assets and liabilities as of June 30, 2018 based on their preliminary estimated fair values as follows.

Cash and cash equivalents	$ 33,000
Securities available-for-sale	69,311
Loans	338,168
Premises and equipment, net	12,323
Goodwill	44,589
Core deposit intangible	6,000
Other assets	21,913
Deposits	(412,269)
Other liabilities	(8,610)
Total preliminary estimated acquisition consideration	$ 104,425

Approximately $6,000 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 merger 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 merger.

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

Balance Sheet – the explanations and descriptions below are referenced to the June 30, 2018 Unaudited Pro Forma Combined Consolidated Balance Sheet on page 2.

Pro Forma Adjusting Entries (Balance Sheet):		**Debit**	**Credit**
a	Cash and due from banks		$ 10,232
a	Federal funds sold		11,283
a	Non-interest-bearing deposits	10,232	
a	Interest-bearing deposits	11,283	
b	Allowance for loan losses	4,019	
c	Core deposit intangible		2,849
d	Core deposit intangible	6,000	
e	Securities available-for-sale		172
f	Loans		4,019
g	Premises and equipment	4,500	
h	Servicing asset (included in “other assets”)	1,000	
i	Deferred tax asset (included in “other assets”)		1,824
j	Other liabilities		1,500
k	Common stock acquired by benefit plans: unallocated common stock held by Employee Stock Ownership Plan Trust		1,037
l	Common stock		5,203
l	Additional paid-in capital		99,222
m	Common stock	18	
m	Additional paid-in capital	19,115	
m	Retained earnings	37,870	
m	Accumulated other comprehensive loss, net of income tax		1,285
n	Cash and due from banks		1,185
n	Retained earnings	1,185	
o	Goodwill	44,589	
p	Cash and due from banks		8,246
p	Retained earnings	8,246	

a) Elimination of deposits Athens holds at CapStar.

b) Adjustment to allowance for loan losses to reflect the reversal of Athens’ allowance for loan losses.

c) Remove Athens’ existing core deposit intangible.

d) Adjustment to intangible assets to reflect the preliminary estimate of the core deposit intangible at the acquisition date.

e) Adjust certain security investments to estimated fair value.

f) Adjustment to loans to reflect the preliminary estimated fair value at acquisition date.

g) Adjustment to real estate to reflect the preliminary estimated fair value at acquisition date.

h) Adjustment to record the estimated fair value of Athens’ loan servicing portfolio at acquisition date.

i) 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%.

j) Adjustment to record the commitment payable to Athens Foundation.

k) Remove Athens’ existing Employee Stock Ownership Plan loan payable.

l) CapStar common shares issued to Athens’ shareholders representing the stock consideration and rolled stock option components of the total respective merger consideration. For the 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, 2018, the pro forma date, as reported by NASDAQ ($18.53 per share).

m) To reflect the reversal of Athens’ equity.

n) Represents Athens’ (seller) estimated merger expenses which is expected to be paid immediately prior to the merger closing date, net of the related tax benefit and the net effect on Athens’ retained earnings.

o) 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.

p) Represents CapStar’s (acquirer) estimated merger expenses, net of the related tax benefit and the net effect on retained earnings.

Income Statements – the explanations and descriptions below are referenced to the Unaudited Pro Forma Combined Consolidated Statements of Income for the six months ended June 30, 2018 and the year ended December 31, 2017 starting on page 3.

Income Statements – reclassifications

The following reclassifications adjusted Athens' historical income statements to conform to CapStar's historical income statements.

q) Interest income—Securities and interest-bearing deposits in other banks has been reclassed to Interest Income—Securities-taxable, tax-exempt, federal funds sold and interest-bearing deposits in financial institutions to conform to CapStar's historical income statement.

r) Noninterest income has been reclassified to conform to CapStar's historical income statement.

s) Software expenses included in Athens' Occupancy and equipment expense has been reclassified to Data processing and software to conform to CapStar's historical income statement.

t) Equipment expense included in Athens' Occupancy and equipment expense has been reclassified to Equipment expense to conform to CapStar's historical income statement.

u) Professional fees, Regulatory fees and Merger related expenses included in Athens' Other operating expenses has been reclassified to their respective categories to conform to CapStar's historical income statement.

Income Statements – Pro Forma Adjustments

		Six Months Ended June 30, 2018	
Pro Forma Adjusting Entries (Income Statement):		**Debit**	**Credit**
v	Remove amortization of existing CDI		$ 182
w	Amortization of new CDI	583	
x	Preliminary estimate of loan interest accretion		143
y	Income tax benefit of pro-forma adjustments		67
z	Elimination of note payable to bank (ESOP) interest income/expense	9	9
aa	Elimination of intercompany income/expense	102	102

		Year Ended December 31, 2017	
Pro Forma Adjusting Entries (Income Statement):		**Debit**	**Credit**
v	Remove amortization of existing CDI		$ 364
w	Amortization of new CDI	1,091	
x	Preliminary estimate of loan interest accretion		286
y	Income tax benefit of pro-forma adjustments		115
z	Elimination of note payable to bank (ESOP) interest income/expense	214	214
aa	Elimination of intercompany income/expense	107	107

v) Remove amortization expense of Athens' existing core deposit intangible ("CDI") asset.

w) The preliminary estimate of CDI related to CapStar's acquisition of Athens is expected to approximate $6,000 and will be amortized over a ten year period on an accelerated basis which is expected to produce approximately $583 of amortization expense during the first six months of operations.

x) Represents the preliminary estimate of the first quarter's interest income accretion related to the preliminary estimate of the fair value adjustment of the loans acquired pursuant to the merger. The total amount to be accreted in interest income over the estimated lives of the related loans is approximately $2 million.

y) Adjustment to reflect the income tax provision of the Pro Forma Adjustments using 26.14% as the incremental effective tax rate.

z) Adjustment to reflect the elimination of Athens' Employee Stock Ownership Plan loan payable interest expense and the intercompany interest income for the loan held at CapStar during the period.

aa) Elimination of intercompany income/expense related to Athens' deposits held at CapStar.

Note 5—Earnings per Common Share

Unaudited pro forma earnings per common share for the six months ended June 30, 2018 and the year ended December 31, 2017 have been calculated using CapStar's historic weighted average common shares outstanding plus the common shares assumed to be issued to Athens' shareholders in each of their mergers.

The following table sets forth the calculation of basic and diluted unaudited pro forma earnings per common share for the six months ended June 30, 2018 and the year ended December 31, 2017. In the table below, amounts are in thousands except for per share data.

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	Basic	**Diluted**	**Basic**	**Diluted**
Pro forma net income available to common shareholders	$ 9,652	$ 9,652	$ 5,306	$ 5,306
Weighted average common shares outstanding:				
CapStar	11,755,535	13,021,744	11,280,580	12,803,511
Common shares issued to Athens	5,203,444	5,642,254	5,203,444	5,639,457
Pro forma	16,958,979	18,663,998	16,484,024	18,442,968
Pro forma net income per common share	$ 0.57	$ 0.52	$ 0.32	$ 0.29

Note 6—Merger Related Charges

CapStar's preliminary estimated transaction expenses related to the Athens merger are approximately $8,494, net of tax. One-time merger related expenses of $248, net of tax have been included in the Unaudited Pro Forma Combined Consolidated Statement of Income. The remaining one-time merger related expenses of $8,246, net of tax have not been included in the Unaudited Pro Forma Combined Consolidated Statement of Income, as the pro forma adjustments do 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	$ 5,920
System termination fees and system conversion expenses	1,880
Investment bankers, accounting, auditing and legal	3,200
Other related expenses	500
Total non-interest expense	11,500
Tax benefit	3,006
Net expense after tax benefit	$ 8,494