

**CapStar Financial Holdings, Inc.  
and CapStar Bank  
Nashville, Tennessee**

**Corporate Governance Guidelines**

The Board of Directors (the "**Board**") of CapStar Financial Holdings, Inc. and its subsidiaries (collectively, the "**Company**") has adopted the following corporate governance guidelines ("**Guidelines**"). These Guidelines, together with the charters of Board committees and the Company's other corporate governance documents and practices provide the basis for governance of the Company. These Guidelines address the Board's governance role and functions and should be interpreted in the context of all applicable laws and the Company's charter, bylaws and other corporate governance documents.

The Nominating and Corporate Governance Committee will review these Guidelines on an annual basis or more often if deemed necessary.

**Board of Directors**

**A. Function and Responsibilities**

The primary function and responsibility of the Board of the Company is to oversee management and the business, affairs and operations of the Company and its subsidiaries, either directly or through committees, assist in defining the policies, direction and goals of the Company and provide an effective corporate governance framework for the Company. Directors are expected to exercise their business judgment to act in good faith in what they believe to be in the long-term best interests of the Company and its shareholders. To discharge this obligation, directors may rely on the honesty and integrity of the Company's senior management and its outside advisors and auditors as to matters the director reasonably believes to be within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

**B. Board Size and Composition, Director Qualifications, Nominations and Selection Criteria, and Other Membership Matters**

Board Size and Composition: The Company's charter provides for a Board of five to twenty-five persons serving one-year terms. The Board shall be responsible for fixing the precise number of directors. A majority of the Board shall be comprised of independent directors, as independence is defined under all applicable requirements of the Securities and Exchange Commission (the "SEC") and on any exchange on which the Company's stock may be listed, as in effect from time to time ("Independent Directors"). One or more of the directors must qualify as an "audit committee financial expert," as defined under applicable rules and regulations of the SEC.

Director Qualifications: All directors shall meet certain minimum qualifications (including those set forth in the Bylaws) and possess certain qualities or skills. As set forth in the Charter of the Nominating and Corporate Governance Committee, each director should:

1. Be of the highest character and integrity, with an inquiring mind, vision, a willingness to ask hard questions and the ability to work well with others;

2. Be free of any conflict of interest that would violate any applicable laws or regulations or interfere with the proper performance of the responsibilities of a director;
3. Be willing and able to devote sufficient time to the affairs of the Company and be diligent in fulfilling the responsibilities of a director and Board committee member, as applicable (including developing and maintaining sufficient knowledge of the Company and its industry; reviewing and analyzing reports and other information important to Board and committee responsibilities; preparing for, attending and participating in Board and committee meetings; and satisfying appropriate orientation and continuing education guidelines); and
4. Have the capacity and desire to represent the balanced, best interests of the shareholders as a whole and not primarily a special interest group or constituency.

No person shall be eligible for election or appointment to the Board as a director if such person:

1. Has, within the previous 10 years, been convicted or admitted to any violation of law, securities regulation, banking regulation, or rules of any self-regulatory organization which is or could be relevant in any respect to a bank's business, operations, reputation or regulatory status, or involves any criminality;
2. Has, within the previous 10 years, been the direct subject of supervisory action by a financial regulatory agency that resulted in a cease-and-desist order or an agreement or other written statement subject to public disclosure that expressly sanctioned such person's conduct;
3. Is a party ( either directly or through an affiliate) to litigation or an administrative proceeding adverse to the Company, except (A) derivative litigation brought in the name of the Company by the director in his or her capacity as a shareholder of the Company, (B) litigation otherwise arising exclusively out of such person's rights as a shareholder of the Company (including, but not limited to the nomination of directors or shareholder proposals as contemplated hereunder or under Tennessee law or federal securities laws), or exclusively relating to the election of directors of the Company, or (C) litigation related to the enforcement of such person's rights under the Bylaws or the Charter, or arising under any employment, consulting, indemnity or similar agreement arising out of or relating to such person's service as an employee, director, officer, agent or other representative of the Company; or
4. Serves as an employee, on the board, or as a 10% or greater shareholder of any depository institution that is headquartered, has a branch or office or otherwise actively conducts business in any county or metropolitan statistical area in which the Company or any of its subsidiaries has a branch or office ( a "Competing Institution"); provided that the Board may determine that an individual (A) who serves solely as an independent director of an otherwise Competing Institution whose level of competition is immaterial or incidental, based on revenues derived from the county or counties or metropolitan statistical area or areas in common and (B) who receives an exemption, or is otherwise not restricted from service, under applicable interlocks regulation, is eligible for election or appointment to the Board.

Nominations and Selection Criteria: The Nominating and Corporate Governance Committee shall identify individuals qualified to become Board members, recommend individuals to be nominated by the Board for election and nominate candidates for election to the Board in the event of a vacancy between shareholder meetings. The Committee's criteria for identifying, reviewing and

selecting potential director nominees for election to the Board shall reflect at a minimum all applicable laws, rules, regulations and listing standards. To identify a candidate to fill a vacancy on the Board, the Nominating and Corporate Governance Committee seeks recommendations from the Company's directors. The Board believes that the Company's directors are in the best position to identify individuals with the necessary qualifications, qualities and skills to serve the Company and its shareholders. To evaluate a director candidate, whether recommended by the Nominating and Corporate Governance Committee or a shareholder, the Committee shall, consider and assess the skills and background of the individual and any other issues and factors that the Committee deems appropriate, including an individual's integrity, education, business experience, accounting and financial expertise, age, diversity, reputation, civic and community relationships, knowledge and experience in matters impacting financial institutions such as the Company, and the ability of the individual to devote the necessary time to serving on the Board.

Selection of the Board Chair and Chief Executive Officer: The Board shall select the Chair of the Board, the Chief Executive Officer and the President of the Company and may authorize one or more of these Company officers to select other officers of the Company. The Board's policy is not to combine the roles of the Chair of the Board and the Chief Executive Officer in a single person.

Term Limits: The Board does not set a limit on the number of terms a director can serve. The Board believes that, over a period of time, directors gain valuable knowledge, experience and insight into the Company allowing them to contribute more effectively to the Board. In lieu of term limits, when determining whether to re-nominate an incumbent director for election to the Board, the Nominating and Corporate Governance Committee shall carefully consider the director's contributions, including the value of his or her experience as a director of the Company, the availability of new director candidates who may offer unique contributions, and the Company's changing needs.

Directors' Commitment: Directors must be willing to devote sufficient time, energy and attention to carrying out their duties and responsibilities to the Company and the Board effectively. A director who also serves as a senior officer of a company or in equivalent positions should not serve on more than four other boards of companies (including not-for-profit or service organization boards that are deemed by the Board to be equivalent) in addition to the Board, and other directors should not serve on more than four other boards of public companies (or private, not-for-profit or service organization boards that are deemed by the Board to be equivalent) in addition to the Board. The Nominating and Corporate Governance Committee may, in its discretion, grant exceptions to this limit on a case-by-case basis.

### **Board Meetings and Executive Sessions**

Meetings, Attendance, Agenda and Materials: The Board meets at least quarterly at regularly scheduled meetings, and Directors are expected to attend and participate in all meetings. No director may be recommended for re-election if he or she fails to attend at least 75% of the total number of Board meetings and the total number of meetings of committees on which such Director serves during a fiscal year, provided that the Nominating and Corporate Governance Committee may consider exceptions to such policy for excusable absences. The Chair of the Board and the Chief Executive Officer shall jointly establish the agenda for each Board meeting. Directors may suggest items for the agenda or raise subjects that are not on the agenda. Directors will receive the agenda and appropriate supporting information, presentation materials and data in advance of Board meetings to provide directors sufficient time to prepare for meetings.

Executive Sessions: Independent Directors shall meet in executive session at each Board meeting, with no members of management and no non-independent directors present.

The Chair of the Board, who must be an Independent Director, will preside at all executive sessions of Independent Directors.

### **C. Director Compensation and Director Assessments and Periodic Evaluations of the Board**

Director Compensation: Non-employee directors shall receive compensation in cash and the Company's stock for serving as directors of the Company. Cash compensation to directors will include an annual retainer, per meeting fees and reimbursement of out-of-pocket expenses. Director stock awards and stock options shall be granted pursuant to the Directors' Compensation Plan approved by the Company's shareholders. The Company believes director compensation should be competitive with other companies similar in size and scope to the Company and consistent with market practices. The Company's management shall annually evaluate director compensation in relation to similarly situated companies and recommend any changes to the Compensation and Human Resources Committee and the Chair of the Board and the Chief Executive Officer. The Board shall approve any changes to director compensation after considering the recommendations of the Compensation and Human Resources Committee and the Chair of the Board and the Chief Executive Officer.

Director Assessments and Evaluations of the Board: Per its charter, the Nominating and Corporate Governance Committee has the responsibility of periodically evaluating the size and composition of the Board and recommending to the Board any changes. In addition, the Nominating and Corporate Governance Committee has the duty to evaluate each new and incumbent director before recommending him or her to the full Board for election or re-election, taking into account the criteria set forth in "Nominations and Selection Criteria," above, as well as whether a director has retired from his or her principal business enterprise and, if so, whether he or she has assumed or maintained a prominent role in a business or community organization since such retirement and whether such director continues to meet the criteria for Board members. In addition, the Board shall conduct an annual self-evaluation. Such evaluation will be designed to assess whether the Board functions effectively and makes valuable contributions to the Company. The evaluation will focus on the contributions made to the Company by the Board and the directors and specifically focus on areas in which improvements could be made.

### **Committee Matters**

#### **A. Board Committees, Structure and Qualifications of Committee Members:**

The Company has established an Audit and Risk Committee, a Nominating and Corporate Governance Committee, a Credit Committee, a Community Affairs Committee, and a Compensation and Human Resources Committee. In addition, the Board shall have the authority to establish any other committees it deems necessary or appropriate. The Audit and Risk, Nominating and Corporate Governance, Community Affairs, Credit, and Compensation and Human Resources Committees shall each have its own charter setting forth its structure, purposes, and duties and responsibilities and except for the Credit Committee and Community Affairs Committees, shall be comprised entirely of Independent Directors. The Charters of the Nominating and Corporate Governance, Audit and Risk, and Compensation and Human

Resources Committees shall be posted on the Company's website. Audit and Risk Committee members shall also meet any additional independence and qualification criteria as set forth from time to time by the SEC and any exchange on which the Company's stock may be listed. Each member of the Compensation and Human Resources Committee shall also satisfy all requirements necessary from time to time to be a "disinterested director" under SEC Rule 16b-3.

**B. Committee Assignments and Chairs**

The members of each committee and the chairperson and any vice-chairperson shall be appointed in accordance with the provisions of the Company's charter and bylaws and the respective committee chair.

**C. Committee Meetings, Agenda, Materials and Attendance**

Each committee shall (i) establish a schedule of meetings each year, (ii) establish and distribute meeting agendas with appropriate supporting information and (iii) report the committee's activities to the Board in accordance with the provisions of the Company's charter and by laws and the respective committee charter. Committee members are expected to attend and participate in all meetings.

**D. Review of Related Party Transactions**

On an ongoing basis, the Company will review all transactions that are required to be disclosed pursuant to SEC Regulation S-K Item 404 ("Related Party Transactions") for potential conflicts of interest in accordance with the Related Person Transaction Policies and Procedures attached as Annex A to these Guidelines. Generally, the Audit and Risk Committee will be responsible for reviewing and approving all Related Party Transactions.

**E. Annual Self-Evaluations**

Each committee shall lead an annual self-evaluation. The evaluations will be designed to assess whether the committees function effectively and make valuable contributions to the Company. The evaluations will focus on the contributions made to the Company by the committees and the members of each committee and specifically focus on areas in which improvements could be made.

**Management**

**A. Evaluation of the Chief Executive Officer and Succession Planning**

On an annual basis, the Compensation and Human Resources Committee shall evaluate the Chief Executive Officer's performance in conjunction with its review of the Company's performance for purposes of awarding compensation. The Compensation and Human Resources Committee shall report its findings to the Board or Independent Directors as appropriate. The Compensation and Human Resources Committee and Nominating and Corporate Governance Committee shall consult with the Chief Executive Officer to review annually succession planning and management development activities and strategies and report the results of such reviews to the Board.

## **B. Executive Compensation**

The Compensation and Human Resources Committee shall determine the compensation of the Chief Executive Officer and all other executive officers.

### **Shareholder Matters**

#### **A. Shareholder Nominations of Director Candidates**

The Company shall accept from any shareholder entitled to vote for the election of directors at the Company's annual meeting of shareholders, recommendations of director candidates for nomination to the Company's Board provided the shareholder follows the procedures set forth herein.

Eligible shareholders wishing to recommend a candidate for consideration by the Nominating and Corporate Governance Committee as a director of the Company shall submit in writing a timely notice including the candidate's name and address, along with adequate information as to the candidate's qualifications, to the Secretary at the following address:

Steve Groom, Secretary  
1201 Demonbreun Street Suite 700  
Nashville, TN 37203

To be considered timely, the shareholder's notice must be delivered to, or mailed and received at, the above address by a date not earlier than the 75th calendar day nor later than the 120th calendar day before the first anniversary of the date the Company commenced mailing of the Company's proxy statement released to shareholders in connection with the previous year's annual meeting.

#### **B. Shareholder Communications with Board of Directors**

Shareholders can send communications to the Company's Board of Directors or appropriate committee of the Company as follows:

Steve Groom, Secretary  
1201 Demonbreun Street Suite 700  
Nashville, TN 37203

The Secretary shall be responsible for reviewing all shareholder communications addressed to the Board or appropriate committee to determine whether such communications require Board (or committee) review, response or action. The Secretary, as a general rule, will not forward to the Board or appropriate committee any shareholder communications relating to Company products and services, solicitations, or otherwise improper or irrelevant topics. If the Secretary determines that a shareholder communication relates to corporate governance or otherwise requires review, response or action by the Board or applicable committee, the Secretary will immediately send a copy of such communication to the director addressed or to each Board member, if the communication is addressed to the Board at large.

## Other Guidelines

### A. Codes of Conduct and Ethics for Directors, Officers and Employees and Conflicts of Interest

The Company has adopted one or more codes of conduct and ethics applicable to directors, officers and employees of the Company (the "Codes"). The Codes shall be in accordance with all applicable rules and regulations and shall be posted on the Company's website.

The Board expects its members, as well as the Company's officers and employees, to be committed to the highest standards of honest, ethical and legal behavior. The Codes provide guidance to all directors, officers and employees in this regard. Each director, officer and employee must certify, in writing, that he or she has read, understands and will adhere to the Codes. Any waiver of the Codes may be made only by the Board to the extent necessary and warranted and shall be promptly disclosed to the extent required by law or regulation of the SEC or any exchange on which the Company's stock may be listed, as in effect from time to time.

Directors and officers of the Company shall avoid conflicts of interest with the Company. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the Chair of the Board. If an actual or potential conflict of interest arises for the Chair of the Board, the Chair of the Board shall promptly inform the Chair of the Audit and Risk Committee. If a significant conflict exists and cannot be resolved, the director shall resign. All directors shall recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving a director or the Chief Executive Officer, and the Chief Executive Officer shall resolve any conflict of interest issue involving any other officer of the Company.

### B. Complaints Regarding, Accounting, Internal Accounting Controls or Auditing Matters

The Company's Audit and Risk Committee shall establish procedures for (1) the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters ("**Accounting Matters**") and (2) the confidential, anonymous submission of concerns regarding questionable Accounting Matters.

### C. Insider Trading and Confidentiality Policy

The Board shall adopt an Insider Trading and Confidentiality Policy that requires each director, officer and employee of the Company and its subsidiaries to comply with all federal and state securities laws and regulations applicable to the purchase and sale of the Company's securities.

### D. Director Orientation and Continuing Education

Each new director must participate in the Company's director orientation program within two months of such director's election. The orientation program will include, among other things, an overview of the Company's business and strategic plans, significant financial, accounting and risk management issues, compliance programs, conduct codes, insider trading and other key policies, principal officers and auditing practices. In addition, a new director may request additional materials or information. Any current director may attend orientation presentations or request a copy of the written materials given to new directors.

The Company shall arrange for appropriate continuing education for the directors, and directors shall meet any applicable requirements for continuing education promulgated by NASDAQ. At a minimum, the Company will keep directors adequately informed of changes in applicable laws, rules and regulations as well as current best practices in corporate governance.

**E. Director Attendance at Annual Shareholder Meetings**

All directors are expected to attend the Company's annual shareholder meetings.

**F. Resources**

To discharge its duties and responsibilities, the Board and each committee are entitled to rely on information, reports, financial statements and other data it receives from senior management, and the advice and opinions of management, counsel, accountants, auditors and other expert advisors. The Board and each committee shall have the authority to consult with and retain independent legal, financial or other outside advisors, as it deems necessary and appropriate, without seeking approval of management.

Directors shall have access to the Company's officers, employees, books and records. Independent directors are encouraged to contact executive officers or senior managers of the Company for information. At the invitation of the Board, members of management may attend Board meetings or portions thereof for the purpose of participating in discussions. Any director may request the attendance at a Board meeting of any member of the Company's management.

**G. Confidentiality**

Discussions and deliberations of the Board and its committees are confidential, and each director shall maintain the confidentiality of information he or she receives in service as a director of the Company.



## ANNEX A

### RELATED PERSON TRANSACTION POLICIES AND PROCEDURES OF CAPSTAR FINANCIAL HOLDINGS, INC.

#### Policy

It is the policy of the Board of Directors (the "Board") of CapStar Financial Holdings, Inc. (the "Company") that all Related Person Transactions with Related Parties ( each, as hereinafter defined) shall be subject to approval or ratification in accordance with the procedures set forth below. This policy is intended to comply with Item 404(b)(1) of Regulation S-K under the Securities Act of 1933 requiring disclosure of policies for the review, approval or ratification of the types of related person transactions that would be disclosed under Item 404(a) of Regulation S-K.

#### Procedures

The Audit and Risk Committee (the "**Committee**") of the Board shall review the material facts of all Related Person Transactions and either approve or disapprove of the entry into the Related Person Transaction, subject to the exceptions described below. In determining whether to approve a Related Person Transaction, the Committee shall take into account, among other factors it deems appropriate, whether the Related Person Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.

The Committee has reviewed the Related Person Transactions described below in "Standing Pre-Approval for Certain Related Person Transactions" and determined that each of the Related Person Transactions described therein shall be deemed to be pre-approved by the Committee under the terms of this policy.

Pursuant to the charters of the Committee and the Company's Credit Committee, the Credit Committee, rather than the Committee, shall approve all loans that are subject to the Federal Reserve's Regulation O.

No director shall participate in any discussion or approval of a Related Person Transaction for which he or she is a Related Person, except that the director shall provide all material information concerning the Related Person Transaction to the Committee.

If a Related Person Transaction will be ongoing, the Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Person. Thereafter, the Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Person to determine that they are in compliance with the Committee's guidelines and that the Related Person Transaction remains appropriate. The Committee shall review and may amend this policy from time to time, as appropriate.

## Definitions

A "**Related Person Transaction**" is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (1) the aggregate amount involved will or may be expected to exceed \$120,000, (2) the Company (including any of its subsidiaries) is or will be a participant, and (3) any Related Person has or will have a direct or indirect interest.

A "Related Person" is any person (a) who is or was at any time since the beginning of the last fiscal year an (i) executive officer, director or nominee for election as a director, or (ii) Immediate Family Member of any of the foregoing, (b) who, at the time the transaction occurred or existed, was (i) the beneficial owner of more than 5% of the Company's common stock or (ii) an Immediate Family Member of such a beneficial owner. An "**Immediate Family Member**" means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such person, and any person (other than a tenant or employee) sharing the household of such person.

## Standing Pre-Approved Related Person Transactions

The Committee has reviewed the Related Person Transactions described below and determined that each shall be deemed to be pre-approved by the Committee, notwithstanding the aggregate value of the transaction.

1. *Employment of Executive Officers.* An employment relationship or transaction involving an executive officer and any related compensation solely resulting from that employment relationship or transaction if:
  - a) the related compensation has been or is to be reported in the Company's proxy statement pursuant to Item 402 of Regulation S-K; or
  - b) the executive officer is not an Immediate Family Member of an executive officer, director or nominee for election as a director of the Company, the related compensation would have been reported in the Company's proxy statement pursuant to Item 402 of Regulation S-K if the executive officer was a "named executive officer" (as defined in Item 402 of Regulation S-K), and the Company's Compensation and Human Resources Committee approved (or recommended that the Board of Directors approve) such compensation.
2. *Employment of Other Officers and Employees.* An employment relationship involving a Related Person who is not an executive officer (as such term is defined in Rule 16a-1(f) of the Securities and Exchange Act of 1934) and any related compensation solely resulting from that employment relationship if the employment relationship has been reported in the Company's proxy statement.
3. *Director Compensation.* Any compensation to a director if the compensation has been or is to be reported in the Company's proxy statement in connection with Item 402 of Regulation S-K.

4. *Certain Transactions with Other Companies.* Any transaction between the Company (or any of its subsidiaries) and another company at which a Related Person's only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that company's equity interests, if the aggregate amount involved does not exceed the greater of \$1,000,000, or 2% of that company's consolidated gross revenue.
5. *Transactions Where All Shareholders Receive Proportional Benefits.* Any transaction where the Related Person's interest arises solely from the ownership of the Company's capital stock and all of the Company's shareholders received the same benefit on a *pro rata* basis (e.g., dividends).
6. *Transactions Involving Competitive Bids and Regulated Transactions.* Any transaction where the rates or charges involved in the transaction are determined by competitive bids, or the transaction involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.