

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

**Charter of the Audit Committee of the Board of Directors**

**I. Purpose**

The Audit Committee (the “Committee”) is appointed by the Board of Directors (collectively, the “Board”) of CapStar Financial Holdings, Inc. (“Holdings”) and CapStar Bank (the “Bank” and, collectively with Holdings, the “Company”). This Charter governs the activities of the Committee, whose primary purpose is to assist the Board in achieving oversight regarding: (i) the integrity of the financial statements, financial reporting process, and system of internal accounting and financial controls; (ii) the Company’s compliance with legal and regulatory requirements; (iii) the independent auditor’s qualifications, independence and performance of the independent registered public accounting firm and recommending to the Board the annual engagement of the firm; and, (iv) engaging and overseeing the internal audit firm, should one be engaged, and the internal audit function.

Notwithstanding the foregoing, although the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles (“GAAP”) and applicable rules and regulations. This is the responsibility of management and the Company’s independent registered public accounting firm. It also is not the Committee’s responsibility to ensure compliance with laws and regulations.

**II. Composition**

The Committee shall consist of at least three (3) members of the Board who are to be appointed/and replaced by the Board on the recommendation of the Nominating and Corporate Governance Committee. One member of the Committee shall be appointed as Chair. The Chair shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas and making regular reports to the Board. The Chair will also maintain regular liaison with the Company’s Chief Executive Officer (“CEO”), Chief Operations and Technology Officer (“COTO”), Chief Financial Officer (“CFO”), Chief Credit Officer (“CCO”), Chief Risk Officer (“CRO”), lead partner of the Company’s independent registered public accounting firm and director of internal audit. The Board may also designate a Vice-Chair.

**III. Meetings, Structure and Operations**

Each Committee member shall (i) meet the independence and financial literacy requirements (the ability to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement) for serving on the audit committee as set forth in the applicable rules of any exchange on which the stock of Holdings may be listed; (ii) meet the audit committee requirements of the rules and regulations of the Securities and Exchange Commission (“SEC”), (iii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) (subject to the exemptions provided in Rule 10A-3(c) under the Exchange Act), and (iv) not have

participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. A member of the Committee may not, other than in his or her capacity as a member of the Committee, the Board or another committee of the Board, accept any consulting, advisory or other compensatory fee other than for services as a director or committee member from the Company or be an affiliated person of the Company or any subsidiary of the Company, in each case except as allowed by the rules and regulations of the SEC and any exchange on which the stock of Holdings may be listed.

At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background that results in the individual's financial sophistication and in that individual meeting the qualifications of an "audit committee financial expert" as set forth in Item 407(d) of Regulation S-K, as promulgated by the SEC.

#### **IV. General Authority and Resources**

The Committee may conduct or cause to be conducted investigations into any matters coming under the Committee's authority or responsibilities. As a part of this oversight function, the Committee shall:

1. Retain, at the Company's expense, such independent legal, accounting, or other professionals as the Committee deems necessary or appropriate and determine the amount of appropriate funding that the Company must provide for the payment of: (i) compensation to independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) compensation to any advisers engaged by the Committee related to its duties and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties (subject to the exemptions provided in Rule 10A-3(c) under the Exchange Act, as defined below).
2. Have access to any information, to employees (who shall comply with Committee requests), or to others as necessary.
3. Be able to delegate authority, including the pre-approval of all auditing and permissible non-audit services on the condition that such decisions are presented to the Committee at its next meeting, subject to compliance with applicable law and the listing standards of any securities exchange upon which Holdings' stock is listed.
4. Maintain free and open communication with the independent registered public accounting firm, internal auditors and management and shall have the authority to communicate directly with the independent registered public accounting firm as well as any employee of the Company.

#### **V. Meetings**

1. The Committee shall meet at least four times annually or more frequently as circumstances require. Members of the Committee are expected to attend the meetings either in person, by telephone or by other electronic means. Management, auditors, and others may also be asked to attend.
2. The Committee will meet periodically in executive sessions by themselves and with others as the Committee deems appropriate, provided that, at least once each year, the Committee shall meet privately with each of the independent registered public accounting firm, management

and the internal auditors. In executive session, the Committee may meet without representatives of management present or with such representatives of management as the Committee may deem appropriate. The Committee may request any officer or employee of the Company to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

3. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Committee present at any meeting at which there is a quorum shall be the act of the Committee.
4. Minutes of all meetings of the Committee shall be kept and shall be provided to the Board at subsequent meetings of the Board.

#### **VI. Responsibilities with respect to the Independent Auditors**

The Committee shall:

1. Have the sole authority to select, determine the compensation of and oversee the work of the independent registered public accounting firm who shall report directly to the Committee and shall be ultimately accountable to the Board and the Committee, as representatives of the Company's shareholders; as well as the authority to propose and approve the discharge of the independent auditors when circumstances warrant.
2. Resolve any conflicts between management and the independent registered public accounting firm in connection with financial reporting.
3. Pre-approve all auditing and permissible non-audit services performed by the independent registered public accounting firm, including the scope, fees, and other terms of such engagements. The Chair of the Committee may pre-approve audit, audit-related and non-audit services, provided that any pre-approval decisions of the Chair are subsequently presented to the Committee at the next Committee meeting).
4. Obtain and review a report from the independent registered public accounting firm at least annually regarding (a) the independent registered public accounting firm's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with such issues, and (d) all relationships between the independent registered public accounting firm and the Company.
5. After receiving and reviewing the independent auditor's report referred to in "D." and the auditor's work throughout the year, annually evaluate the qualifications, performance, and independence of the independent registered public accounting firm, including considering whether the auditor's quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the independent registered public accounting firm's independence, and taking into account the opinions of management and internal auditors. The Committee also should periodically consider whether, in order to ensure continuing auditor independence, there should be regular rotation of the independent auditing firm. The Committee shall present to the Board its conclusions regarding the independent registered public accounting firm.

6. Review annually, discuss with the independent registered public accounting firm, out of the presence of management, if appropriate:
  - i. The overall scope, planning, and staffing of the annual audit, including coordination with internal audit.
  - ii. The matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the SEC and,
  - iii. Following completion of the annual audit, reviewing separately with each of management, the independent registered public accounting firm and the internal audit function, any significant difficulties encountered during the course of the audit raised by the independent registered public accounting firm and management's response, including a discussion regarding (a) any restrictions on the scope of work or access to required information (b) any significant disagreements with management, (c) any accounting adjustments that were proposed by the independent auditors but were "passed" (as immaterial or otherwise), (d) any communications between the independent audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement, and (e) the responsibilities, budget and staffing of the Company's internal audit function.
7. Set clear hiring policies for current and former employees of the independent auditors.

## **VII. Responsibilities with respect to Financial Statements and Disclosures**

The Committee shall:

1. Review and discuss with management and, when appropriate, the independent registered public accounting firm (when appropriate, outside the presence of management):
  - i. The Company's annual audited financial statements and quarterly unaudited financial statements. This review must be conducted at a meeting (whether in person, telephonic or otherwise) and must include a review of the Company's specific disclosures under MD&A. The Committee shall recommend to the Board whether the annual audited financial statements should be included in the Company's Annual Report on Form 10-K).
  - ii. Any issues arising from the review by the independent auditors prior to the release of earnings.
  - iii. Any Company-related illegal acts and related party transactions, as well as the independent auditors' report mandated by Section 10A of the Exchange Act regarding: (a) critical accounting policies and practices, (b) alternative treatments of financial information within GAAP that have been discussed with management, along with the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors, and (c) other material written communications between the independent auditors and management, such as any management letter, internal control letter or schedule of unadjusted differences.
  - iv. Complex or unusual transactions and areas of significant judgment, including critical accounting estimates.
  - v. Major issues regarding accounting principles and financial statement presentations, including significant changes in selection or application of accounting principles, and major issues as to the adequacy and effectiveness of the Company's internal controls

(including any prior changes or remediation) and any special audit steps adopted in light of material control deficiencies.

vi. Analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of financial statements.

vii. The impact of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.

viii. Any other matters required to be communicated to the Committee by the independent auditors pursuant to applicable rules of the Public Company Accounting Oversight Board.

2. Consider any significant changes to the Company's accounting principles and practices as recommended by the independent registered public accounting firm, management or the internal auditing department and reviewing any required disclosure in the Company's financial statements of significant changes in accounting principles and practices.
3. Review, prior to issuance or filing with the SEC, the Company's earnings press releases, any financially related Current Report on Form 8-K as well as any financial information and earnings guidance provided to analysts and rating agencies. This review and any discussion may be general (i.e., in terms of the types of information to be disclosed and the type of presentation to be made, paying particular attention to the use of "pro forma" or "adjusted" non-GAAP information).
4. Discuss the Company's policies governing the process by which risk assessments and risk management is undertaken. The Committee should discuss the Company's major financial risk exposures and the steps taken by management to monitor and control such exposures.
5. Review disclosures made to the Committee by the Company's CEO and CFO pertaining to significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting or its disclosure controls and procedures that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, or pertaining to any fraud that involves management or other employees who have a significant role with internal control over financial reporting.

#### **VIII. Responsibilities with Respect to Internal Audit**

The Committee shall:

1. Review with the internal audit department the status and results (including remedial actions) of audit projects.
2. Review and approve internal audit's responsibilities, budgets, staffing and staff qualifications, plans, projects, activities, and organizational structure, including approving annual audit and risk assessment plans and receive updates regarding any significant changes thereto.
3. Ensure there are no unjustified restrictions or limitations on internal audits. and
4. Review and approve the appointment, dismissal, replacement, evaluation, and compensation of the internal auditors.

**IX. Compliance or Whistleblower Claims, Complaints, Code of Conduct or Insider Trading Concerns, Related Party Transactions, Legal Matters**

The Committee shall:

1. Establish procedures applicable to receiving, retaining, and handling of complaints received by the Committee or the Company regarding accounting, internal accounting controls, or auditing matters, and for the confidential anonymous submission by employees or others of concerns regarding questionable accounting or auditing matters.
2. Obtain regular updates from counsel and others regarding compliance and financial matters.
3. Review significant findings and/or observations noted in reports and examinations contemplated by this Charter.
4. Review and, if appropriate, approve all “related person transactions,” as described in Item 404 of Regulation S-K, as promulgated by the SEC, except for transactions within the scope of Regulation O, as promulgated by the Federal Reserve, which are handled by the Credit Committee.
5. Oversee the process for communicating to employees and for monitoring compliance with the Company’s Code of Conduct and Standard of Ethics and other similar policies.
6. Review with management, the auditors and counsel any reports received regarding compliance by the Company, its officers, employees and agents with applicable legal requirements and the Company’s Code of Conduct and Standard of Ethics and other similar policies within the scope of this Charter.
7. Advise the Board with respect to the disclosures of insider and affiliated party transactions. Advise the Board with respect to the Company’s policies and procedures regarding compliance with applicable laws and regulations and with the Company’s Code of Ethics and Conflicts of Interest Policy and other similar policies within the scope of this Charter.
8. Discuss with the Company’s counsel legal matters that may have a material impact on the financial statements or the Company’s compliance policies.
9. Discuss with management and the independent registered public accounting firm any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company’s financial statements or, accounting policies.

**X. Other Responsibilities**

The Committee shall:

1. Annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
2. Conduct an annual self-evaluation to determine whether the Committee is functioning effectively, receive comments from all directors and report annually to the Board with an assessment of its performance.
3. Prepare the report of the Committee to be included in the Company’s proxy statement to the extent required by the rules and regulations of the SEC and audit-related disclosures in the annual proxy statement.
4. Evaluate and make recommendations to the Board regarding shareholder proposals that relate to matters over which the Committee has expertise.

5. Perform any other activities consistent with this Charter, the Company's Charter and Amended and restated Bylaws, and governing law, as applicable, as the Committee or the Board deem appropriate or as requested by the Board.