



**INVESTAR**<sup>®</sup>  
HOLDING CORPORATION

**AUDIT COMMITTEE CHARTER**

**February 10, 2017**

## **Purpose**

The role of the Audit Committee (“Committee”) of the Board of Directors (“Board”) of Investar Holding Corporation (“Investar”) is to assist the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and certain legal compliance functions of Investar and its subsidiaries, including, without limitation, assisting in the Board’s oversight of:

- the integrity of Investar’s financial statements and its accounting and financial reporting process;
- the appointment, compensation, qualifications, performance and independence of Investar’s independent auditor;
- the annual independent audit of Investar’s financial statements;
- Investar’s system of internal accounting and financial controls;
- the performance of Investar’s internal audit function;
- Investar’s compliance with legal and regulatory requirements related to the audit function; and
- the review of all related party transactions in accordance with the policies of Investar in effect from time to time.

The Committee is also responsible for preparing the report required to be prepared by the Committee under the rules and regulations of the Securities and Exchange Commission (“SEC”) for inclusion in Investar’s annual proxy statement.

## **Membership**

The Committee shall consist of at least three members as determined from time to time by the Board. The Board shall appoint members of the Committee on the recommendation of the Nominating and Governance Committee, who shall serve at the pleasure of, and may be removed at any time (with or without cause) by, the Board. The Board shall fill any vacancy on the Committee. Any director serving on the Committee shall automatically cease to be a member of the Committee at the time that he or she ceases to be a director. Unless a Chair is elected by the full Board, the members of the Committee shall designate a Chair by majority vote of the full Committee. The Chair shall be responsible for the leadership of the Committee, including presiding over meetings and making regular reports to the Board.

In addition, the Chair must also maintain regular communication with the Chief Executive Officer, the Chief Financial Officer, the lead audit partner from Investar’s independent auditor and the person, if any, who directs Investar’s internal audit function.

Each member of the Committee must meet the independence and other requirements arising pursuant to applicable federal securities laws and the rules and regulations promulgated by the SEC thereunder (the “SEC Regulations”), the listing rules of The NASDAQ Stock Market LLC as in effect from time to time (the “Nasdaq listing rules”), and such other laws and regulations that may be applicable to Investar. All Committee members must also at the time of their appointment be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement, and otherwise satisfy any financial literacy requirements under the Nasdaq listing rules. At all times, at least one member of the Committee must qualify as an “audit committee financial expert” as defined under the SEC Regulations and meet any requirements under the Nasdaq listing rules for finance, accounting or comparable experience or background. The Board shall determine, at least annually, the eligibility of the Committee’s members and that one member of the Committee qualifies as an audit committee financial expert.

## **Meetings**

The Committee shall meet as often as it deems appropriate to perform its responsibilities, but no less than once per calendar quarter, and at such times and places as the Chair may determine. The Chair shall ensure that the agenda for each meeting is circulated to each Committee member in advance of the meeting. If the

Chair is not present at the meeting, the other members present at that meeting shall designate an acting chair for such meeting. The Committee shall be governed by the same rules regarding meetings, actions without meetings, notice, waiver of notice, quorum and voting requirements as applicable to the Board under the Restated Articles of Incorporation of Investar, as amended (the "Articles"), the Bylaws of Investar, as amended (the "Bylaws"), and applicable laws and regulations. The Committee shall keep regular minutes and records relating to its meetings and will report regularly to the Board on its activities, as appropriate.

The Committee may invite any director, officer or employee of Investar or Investar Bank, Investar's outside counsel or independent auditor, and such other person as it deems appropriate to attend its meetings (or portions thereof) or to meet with or provide relevant information to any members of, or consultants to, the Committee. The Committee shall meet privately in executive session at such times as it may determine and shall meet with senior management, internal audit personnel, the independent auditor and Investar's regulatory examiners as appropriate. The Chair is responsible for deciding who may or may not attend meetings of the Committee (or portions thereof).

### **Duties and Responsibilities**

The Committee will have the sole authority and responsibility to select, evaluate, oversee, hire, appoint, retain, terminate and replace the independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or related work or to perform audit, review or attestation services for the Company or with respect to its financial statements. The independent auditor shall report directly to the Committee. The Committee will approve in advance all audit engagement fees and terms and all non-audit engagements with the independent auditor by such procedures as the Committee deems reasonable and appropriate to effect such approvals. The Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditor, provided that such approvals are ratified by the Committee. The Committee will also have the authority and be responsible for the following:

#### *A. Oversight of Relationship with the Independent Auditor*

1. Review and discuss with the independent auditor prior to the audit its annual audit plan, including the timing, scope, planning and staffing of audit activities and the adequacy of its resources in light of the scope of work, and monitor the plan's progress and results during the year;
2. Review on an annual basis reports regarding non-audit activities of the independent auditor, fees and any other requirements set forth in Public Company Accounting Oversight Board ("PCAOB") Rule 3526 – "Communication with Committee Concerning Independence," as amended or modified from time to time, and present any relevant findings and recommendations to the Board;
3. Review on an annual basis a formal written statement, submitted to the Committee by the independent auditors, of the fees billed in each of the last two fiscal years for each of the following categories of services rendered by the independent auditors: (i) the audit of Investar's annual financial statements and the reviews of the interim quarterly financial statements or services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements; (ii) assurance and related services not included in clause (i) that are reasonably related to the performance of the audit or review of Investar's financial statements, in the aggregate and by each service; (iii) tax compliance, tax advice and tax planning services, in the aggregate and by each service; and (iv) all other products and services rendered by the independent auditors, in the aggregate and by each service;
4. Establish and periodically review pre-approval policies, guidelines and procedures for services to be provided by the independent auditor for audit as well as non-audit services;

5. Review the performance of the independent auditor, including the lead partner and reviewing partner, and make decisions regarding the replacement or termination of the independent auditor when circumstances warrant;
6. Review, at least annually, a report by the independent auditor describing (i) the audit firm's internal quality-control procedures; (ii) 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 last five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; (iii) all relationships between the independent auditor, on the one hand, and Investar and its subsidiaries, on the other hand; and (iv) discuss with the independent auditors any significant issues arising from the most recent PCAOB inspection of the independent auditors, to the extent relevant to Investar, including the independent auditor's response to any identified accounting deficiencies;
7. Ensure that the independent auditors prepare and deliver annually an Auditors' Statement (it being understood that the independent auditors are responsible for the accuracy and completeness of this Statement), and discuss with the independent auditor any disclosed relationship or services that may impact the objectivity and independence of the auditor, including whether the independent auditor's performance of permissible non-audit services is compatible with the auditor's independence;
8. Ensure rotation of the lead audit partner(s), the concurring partner and any other active audit engagement team partner, if required by law, and consider whether there should be a regular rotation of the independent auditor itself to assure continuing auditor independence; and
9. Establish policies for the hiring of employees and former employees of the independent auditor.

*B. Integrity of Financial Reporting*

1. Review with management, the independent auditor and, if appropriate, internal audit personnel a timely report obtained from the independent auditors in connection with any audit relating to Investar's annual audited financial statements describing: (i) all critical accounting policies and practices used; (ii) all alternative treatments of financial information within accounting principles generally accepted in the United States that have been discussed by the independent auditor and management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; (iii) all other material written communications between the independent auditor and management, such as any management letter and any schedule of unadjusted differences; and (iv) any material financial arrangements of Investar that do not appear on the financial statements of Investar;
2. Review with management, the independent auditor and, if appropriate, internal audit personnel, the following: (i) major issues regarding accounting principles and financial statements presentations, including any significant changes in Investar's selection or application of accounting principles; (ii) the effect of regulatory, accounting and audit initiatives, including new pronouncements, as well as off-balance sheet structures, on Investar's financial statements; (iii) compliance with the SEC Regulations, the Nasdaq listing rules and other applicable laws and regulations; and (iv) any particularly sensitive accounting estimates, reserves and accruals, judgmental areas, and audit adjustments (whether or not recorded);
3. Review and discuss with management and the independent auditor disclosures and certifications by the Chief Executive Officer and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act and other specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" (the "MD&A") in documents filed with the SEC about any significant

deficiencies or material weaknesses in the design or operation of internal controls over financial reporting and any fraud involving employees who have a significant role in Investar's internal controls over financial reporting;

4. Meet quarterly to review and discuss with management, the independent auditor and, if appropriate, internal audit personnel, Investar's annual audited financial statements and quarterly unaudited financial statements, including the related notes and Investar's specific disclosures under the MD&A in documents filed with the SEC, and any significant issues related thereto;
5. Review and discuss on a regular basis with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, "Communications with Audit Committees", as amended by Statement on Auditing Standards No. 114 (as such statements may be further modified or supplement from time to time), and any other matters required to be communicated to the Committee by the independent auditor under auditing standards established from time to time by the PCAOB or SEC Regulations, relating to the conduct of the audit, including any problems or difficulties encountered by the independent auditor in the course of any audit work and management's response with respect thereto, any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management and review the following:
  - (i) any accounting adjustments that were noted or proposed by the independent auditor but were rejected by management (as immaterial or otherwise);
  - (ii) any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement; and
  - (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor;
6. Consider any reports or communications (and management's and/or the internal auditing department's responses thereto) submitted to the Committee by the independent auditors required by or referred to in applicable PCAOB or other applicable standards;
7. Prepare any report or other disclosures, including any recommendation of the Committee, required by the rules of the SEC to be included in Investar's annual proxy statement;
8. Resolve all disagreements between Investar's independent auditor and management regarding financial reporting;
9. Review and discuss the adequacy and effectiveness of Investar's disclosure controls and procedures and management reports thereon;
10. Review and discuss earnings press releases as well as financial information provided to analysts and rating agencies;
11. Meet separately, periodically, with management, the independent auditor and, if appropriate, internal audit personnel;
12. Discuss with the independent auditor its judgments about the quality, not just the acceptability, of Investar's accounting principles as applied to its financial reporting; and
13. Recommend to the Board whether the audited financial statements should be included in Investar's Form 10-K.

*C. Oversight of Risk Assessment and Risk Management*

1. Discuss with management, the independent auditor and, if appropriate, internal audit personnel the integrity of Investar's financial reporting processes and controls, particularly the controls in areas representing significant financial and business risks;
2. Discuss with management Investar's major risk exposures (including credit, market and liquidity risks) and the steps management has taken to monitor and control such exposures, including risk assessment and risk management policies; and
3. Investigate any matter brought to its attention within the scope of its duties.

*D. Internal Audit Process*

1. Approve the internal audit charter.
2. Consider, with the independent auditor, if appropriate, the responsibilities, budget and staffing of Investar's internal audit function;
3. Review and discuss with internal audit personnel and such others as the Committee deems appropriate, the scope and results of the internal audit program;
4. Review and approve the annual internal audit plan of Investar, including any special projects to be undertaken in connection therewith;
5. Discuss with internal audit personnel any changes to, and the implementation of, the internal audit plan and any special projects, and the results of the internal audits and any special projects; and
6. Oversee the activities, organizational structure and qualifications of the internal audit function.
7. Approve decisions regarding the appointment and removal of the Internal Audit Director. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Internal Audit Director.
8. At least once per year, review the performance of the Internal Audit Director and concur with the annual compensation and salary adjustment.
9. Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics, and the International Standards for Professional Practice of Internal Auditing.

*E. Compliance and Regulatory Requirements and Company Policies*

1. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding Investar's financial statements or accounting policies;
2. Review and discuss any reports concerning material violations submitted to it by Investar's attorneys or outside counsel pursuant to the SEC attorney professional responsibility rules (17 C.F.R. Part 205) or otherwise; and

3. Review and approve all related party transactions of Investar in accordance with the policies of Investar in effect from time to time.

#### **Other Activities**

The Committee shall perform any other activities consistent with this Charter, the Articles, the Bylaws, applicable SEC Regulations, the Nasdaq listing rules and other laws and regulations, as the Committee or the Board deems necessary or appropriate.

#### **Delegation of Authority**

In fulfilling its responsibilities, the Committee may delegate any or all of its responsibilities to one or more subcommittees consisting of one or more members, as determined by the Committee; provided, however, that the Committee may not delegate any power or authority required by applicable law or regulation or the Nasdaq listing rules to be exercised by the Committee as a whole.

#### **Performance Review**

The Committee shall evaluate its performance on an annual basis. In conducting this review, the Committee shall evaluate the adequacy of the scope of this Charter and recommend to the Board any changes that it deems necessary or appropriate. The Committee shall also address all matters that the Committee considers relevant to its performance, including the adequacy, appropriateness and quality of information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the meetings of the Committee during such year, and the resources available to the Committee, were adequate for the Committee to complete its work in a thorough and thoughtful manner. The Committee shall deliver to the Board a report, which may be oral, setting forth the results of its evaluation, including any recommended changes to this Charter or Investar's or the Board's policies and procedures.

#### **Limitation of Committee's Role**

While the Committee has the responsibilities and powers set forth in this Charter, the Committee is not providing any expertise or assurances as to Investar's financial statements, internal controls, professional certifications, accuracy and completeness of the financial disclosures, or certification that these are in accordance with accounting principles generally accepted in the United States. These responsibilities rest with management and Investar's independent auditor. Further, the Committee is not responsible for preparing or certifying the financial statements, for planning or conducting the audit or for determining whether Investar's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

The Committee's function is one of oversight. Management is responsible for the preparation of Investar's financial statements and the independent auditor is responsible for auditing those financial statements. The Committee and the Board recognize that management (including internal audit staff) and the independent auditor have more resources and time and more detailed knowledge and information regarding Investar's accounting, auditing, internal control and financial reporting practices than does the Committee. Accordingly, the Committee does not provide any expert or special assurance as to the financial statements and other financial information provided by Investar to its shareholders and others, internal controls, or any professional certification as to the independent auditor's work.

In fulfilling their responsibilities, the members of the Committee are not charged with the duty or responsibility to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Committee will be entitled to rely on the integrity of those persons and organizations within and outside Investar from which it receives information

and the accuracy of the financial and other information provided to the Committee, in either instance absent actual knowledge to the contrary.

Nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent otherwise provided under applicable laws and regulations.

**Access and Resources**

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities with full access to all books, records, facilities and personnel of Investar and its subsidiaries. The Committee will have all resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain and approve the fees and other retention terms of special or independent counsel, accountants or other experts or advisors, as it deems appropriate to carry out its duties. Investar shall provide appropriate funding for payment of the fees and other expenses of any public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Investar, to any counsel or other advisors employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

**Disclosure of Charter**

This Charter shall be made available as required by SEC Regulations, the Nasdaq listing rules or other laws and regulations.