

FRANKLIN BANK CORP.
CORPORATE GOVERNANCE GUIDELINES

1. Director Qualifications and Board Composition

Independence and Qualifications. The Board values independence as a director attribute, and will seek to obtain and maintain a majority of Directors who meet the criteria for independence required by the NASDAQ as promptly as practicable, subject to ensuring that the Board continues to have directors with the experience and other qualifications necessary to serve the best interests of the Corporation and its stockholders. The Board will have a majority of directors who meet the criteria for independence required by the NASDAQ not later than the second anniversary of the completion of the Corporation's initial public offering of common stock or such earlier period as may be required by the rules of the NASDAQ. The Nominating and Corporate Governance Committee is responsible for reviewing the qualifications and independence of the members of the Board and its various committees on a periodic basis as well as the composition of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, age, skills, and experience in the context of the needs of the Board. Nominees for Directorship will be recommended to the Board by the Nominating and Corporate Governance Committee in accordance with the policies and principles in its charter. The invitation to join the Board should be extended by the Board itself, by the Chairman of the Nominating and Corporate Governance Committee and the Chairman of the Board.

Retirement of Directors. Retirement Policy – At this time, the Board does not favor mandatory retirement based on age. All directors serve up to three years and are nominated by the Nominating and Corporate Governance Committee based on qualifications and performance as a director and elected by the shareholders.

Rotation of Directors and Term Limits. At this time, the Board does not favor a formal rotation process or term limits for non-management directors. All directors serve up to three years and are nominated by the Nominating and Corporate Governance Committee based on qualifications and performance as a director and elected by the shareholders.

Other Directorships. Directors should advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board.

2. Director Responsibilities

Business Judgment; Indemnification. The basic responsibility of the Directors is to exercise their business judgment in good faith to act in what they reasonably believe to be in the best interests of the Corporation. In discharging that obligation, Directors should be entitled to rely on the honesty and integrity of their fellow Directors and the Corporation's senior executives and outside advisors and auditors. The Directors shall also be entitled to have the

Corporation purchase Directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Corporation's Certificate of Incorporation, Bylaws and any indemnification agreements, and to exculpation from liability for money damages to the extent permitted by state law as provided in the Corporation's Certificate of Incorporation.

Meetings. Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the Directors before the meeting, and Directors should review these materials in advance of the meeting.

Matters to be Considered. The Chairman will establish the agenda for each Board meeting. At the beginning of the year the Chairman will establish a schedule of agenda subjects to be discussed during the year (to the degree foreseeable). Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Corporation's long-term strategic plans and the principal issues that the Corporation will face in the future during at least one Board meeting each year.

Meetings of Independent Directors. The Independent Directors will meet at regularly scheduled executive sessions.

Communications. The Board believes that the management speaks for the Corporation. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Corporation. But it is expected that Board members will do this only with the knowledge of the management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

3. Board Committees

Committees and Members. The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Subject to the transition periods set forth in the respective charters of these committees, all of the members of these committees will be independent Directors under the criteria established by the NASDAQ and, in the case of the Audit Committee, Section 10A(m) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. The Board will have additional standing and temporary committees as appropriate. In general, committee members will be appointed by the Board with consideration of the desires and preferences of individual Directors

Committee Charters. Each standing committee will have its own charter. The charters will set forth the purposes, goals, responsibilities and authority (consistent with any applicable bylaws or resolutions of the Board) of the committees. The charters will also provide

that each committee will annually evaluate its own performance and report the results of this evaluation to the Board.

Committee Meetings. The chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. The schedule for each committee will be furnished to all Directors.

4. Director Access to Officers and Employees

Full Access. Directors have full and free access to officers and employees of the Corporation. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or the Corporate Secretary or directly by the Director. The Directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Corporation and does not inappropriately disclose any confidential or sensitive information in the possession of the Director and will, to the extent not inappropriate, copy the CEO on any written communications between a Director and an officer or employee of the Corporation.

Non-Director Attendance at Board Meetings. The Board welcomes regular attendance at each Board meeting of the appropriate representatives of senior management of the Corporation as shall be determined from time to time, subject to the Board's right in all instances to meet in executive session or with a more limited number of management representatives. If the CEO wishes to have additional Corporation personnel attendees on a regular basis, this suggestion should be brought to the Board for consideration.

5. Director Compensation

The form and amount of Director compensation will be determined by the Compensation Committee in accordance with the policies and principles set forth in its charter and any NASDAQ or other applicable rules, and that committee will conduct an annual review of Director compensation. The Compensation Committee and the Nominating and Corporate Governance Committees each will consider that Directors' independence may be jeopardized if Director compensation and perquisites exceed customary levels, if the Corporation makes substantial charitable contributions to organizations with which a Director is affiliated, or if the Corporation enters into consulting contracts with (or provides other indirect forms of compensation to) a Director or an organization with which the Director is affiliated.

6. Director Orientation and Continuing Education

All new Directors must participate in the Corporation's Orientation Program, which should be conducted within two months of the annual meeting at which new Directors are elected or within two months of the time the new Director otherwise joins the Board. The

orientation will include presentations by senior management to familiarize new Directors with the Corporation's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Ethics, its principal officers, and its internal and independent auditors. All continuing Directors are also invited to attend the Orientation Program.

7. CEO Evaluation and Management Succession

CEO Review. The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its charter. The Board of Directors will review the Compensation Committee's report in order to confirm that the CEO is providing effective leadership for the Corporation in the long- and short-term.

Succession Planning. The Nominating and Corporate Governance Committee should periodically report to the Board on succession planning. The entire Board will work with the Nominating and Corporate Governance Committee to nominate and evaluate potential successors to the CEO as appropriate. The CEO should make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

8. Annual Performance Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all Directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Corporation and specifically focus on areas in which the Board or management believes that the Board could improve.