



Corporate Governance Guidelines

The Board of Directors (the "Board") of Guaranty Financial Group Inc. ("Guaranty" or "the Company") believes that sound corporate governance practices provide an important framework to assist the Board in fulfilling its responsibilities. Accordingly, the Board has adopted the following guidelines relating to its functions, structure and operations. The Board will periodically review and revise these guidelines and other aspects of Guaranty's corporate governance from time to time to reflect the evolving nature of governance practices.

I. Stockholder Rights and Proxy Voting:

- A. Stockholder Rights:** It is the firm commitment of the Company and its Board of Directors to comply with the laws of the State of Delaware (the State where the Company is incorporated), the securities laws of the United States of America, and the rules of the New York Stock Exchange (the "NYSE") respecting stockholder rights.
- B. Confidential Voting Policy:** The Company's confidential voting policy is attached as Exhibit A. The policy provides that stockholder proxies, ballots, and voting tabulations that identify the vote of the specific stockholder will not be disclosed to the Company, its directors, officers, or employees except in certain limited situations such as when legally necessary or when expressly requested by a stockholder. The policy also provides for independent inspectors of stockholder vote tabulations and elections.

II. Role and Function of the Board of Directors:

- A. General Roles of Board and Management:** Guaranty's business is conducted by its employees under the direction of the President and Chief Executive Officer, with the oversight of the Board, to enhance the long-term value of the Company for its stockholders. The Board of Directors is elected by the Company's stockholders to oversee management and to assure that the long-term interests of the stockholders are being served.
- B. Functions of Board:** The primary functions of the Guaranty Board of Directors are to oversee management performance on behalf of stockholders, to monitor adherence to Guaranty's standards and policies, to promote responsible corporate practices, and generally to perform the duties and responsibilities assigned to the Board by the laws of the State of Delaware, and the United States of America, and the rules of the NYSE. In addition to its general oversight of management, the Board as a whole or through Committees thereof also performs a number of specific functions, including:

1. Establishing, reviewing and ratifying Company policies;
2. Selecting, evaluating and compensating the senior officers of the Company and planning for senior management succession, including the President and Chief Executive Officer;
3. Reviewing, approving and monitoring the implementation of Guaranty's financial and business strategic plans;
4. Reviewing and approving significant corporate actions and major transactions;
5. Overseeing the establishment of, and monitoring compliance with, policies and processes designed to ensure the integrity of the Company's actions, including its financial statements and financial reporting, its relationships with customers, subcontractors, suppliers and other constituencies, and its compliance with law and its Standards of Business Conduct and Ethics Policy and Code of Ethics for Senior Financial Officers;
6. Reviewing management's assessments of, and plans with respect to, significant risks facing the Company; and
7. Carrying out the responsibilities set forth in the Company's certificate of incorporation, by-laws, and the charters of its committees.

III. Selection and Qualifications of Directors:

- A. **Size of the Board:** It is the opinion of the Board that ten to twelve Directors is the optimum size for the full Board of Directors, although consideration may be given to increasing the size to accommodate an outstanding Director candidate or the transition of a departing Director. The Board is divided into three classes that serve staggered three-year terms and are as nearly equal in number as possible. The Nominating and Governance Committee periodically reviews and recommends to the full Board the size of the Board. Changes in the number of Directors require approval by majority vote of the full Board.
- B. **Independence of Directors:** A substantial majority of Directors shall be independent directors as defined under the rules of the NYSE, as they may be amended from time to time.

The Board has established the following additional guidelines to assist it in determining director independence:

1. The Board shall review annually the relationships that each Director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company (either

directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered independent Directors, subject to additional qualifications prescribed under the listing standards of the NYSE or under applicable law. The Board may adopt and disclose categorical standards to assist it in determining director independence. In the event that a Director becomes aware of any change in circumstances that may result in such Director no longer being considered independent under the listing standards of the NYSE or under applicable law, the Director shall promptly inform the Chairman of the Nominating and Governance Committee.

2. To serve as a member of any committee of the Board, the Director must meet any additional requirements of independence set forth in the committee's charter or applicable law or listing standards of the NYSE.

C. Board Membership Qualifications:

1. The Nominating and Governance Committee provides in its charter for an annual review of the structure of the Board to assure that the proper skills and experience are represented on the Board.
2. The Nominating and Governance Committee has adopted guidelines for reviewing prospective Directors. These guidelines have also been adopted by the full Board and are attached as Exhibit B. The guidelines require that a prospective candidate be "independent" as defined in these Governance Guidelines and be free from present or potential conflicts of interest with the Company (which excludes consideration of major suppliers or potential suppliers, including suppliers of professional services). The guidelines take into account the Company's business, geographic locations, diversity of backgrounds and skills, personal integrity, and other factors. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. Priority will be given to individuals who possess outstanding business experience and who are currently serving or have served as the President and Chief Executive Officer of a company.
3. Directors should also be able and willing to dedicate the time necessary to Board and Committee service. The Board meets at least four times per year, and Directors are expected to attend all scheduled Board, Committee, and stockholder meetings, health permitting. The Directors are also expected to have reviewed all materials provided in advance of the meetings.
4. Directors are re-evaluated by the Nominating and Governance Committee prior to standing for re-election.

- D. Employee Directors:** The President and Chief Executive Officer is the only employee who may serve as a Director of the Company.
- E. Nominations:** The Nominating and Governance Committee proposes to the full Board all nominees for Board membership. The full Board is responsible for nominating Director candidates. Under the Company's Bylaws, stockholders may also make nominations of Director candidates. The Nominating and Governance Committee will consider director candidates recommended by stockholders. In considering candidates submitted by stockholders, the Nominating and Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Nominating and Governance committee may establish procedures, from time to time, regarding shareholder submission of candidates.
- F. Majority Voting for Directors:** Prior to each annual meeting of stockholders, director nominees will submit an irrevocable resignation contingent on that nominee failing to receive the required vote for election at the annual meeting and the Board accepting the resignation. If such a nominee fails to receive the required vote for election, the Nominating and Governance Committee will consider the tendered resignation and recommend to the Board acceptance or rejection of the tendered resignation. Within 90 days following the date of the stockholders' meeting at which the election occurred, the Board, acting on the recommendation of the Nominating and Governance Committee, shall decide whether to accept or reject the tendered resignation. In their deliberations, both the Nominating and Governance Committee and the Board may consider any factors deemed relevant by the members of the Nominating and Governance Committee and the Board. The Board will also consider a range of possible alternatives concerning the tendered resignation as the Board deems appropriate including, without limitation, acceptance of the resignation, rejection of the resignation or rejection of the resignation coupled with a commitment to seek to address and cure the underlying reasons reasonably believed by the Board to have resulted in such director failing to receive the required number of votes for re-election. Absent a compelling reason to reject the resignation, the Board shall accept the resignation.

Following the Board's decision, the Company, within four (4) business days after such decision is made, will publicly disclose in a Form 8-K filed with the Securities and Exchange Commission the Board's decision whether to accept the resignation as tendered, together with a full explanation of the process by which the decision was reached and, if applicable, the Board's compelling reason or reasons for rejecting the tendered resignation. To the extent that one or more directors' resignations are accepted by the Board, the Board will also decide whether to fill such vacancy or vacancies or to reduce the size of the Board.

No nominee who does not receive the required votes for election shall participate in the Nominating and Governance Committee or the Board's deliberations or determination with respect to accepting or rejecting his or her resignation as a

director. If a majority of the members of the Nominating and Governance Committee or the Board fail to receive the required number of votes for re-election, then an ad hoc committee comprised of the independent directors then serving on the Board who were elected (the "Ad Hoc Committee") shall serve in place of the Board and perform the Board's duties for purposes of this Policy. Notwithstanding the foregoing, if there are fewer than three directors eligible to serve on an Ad Hoc Committee, then all of the independent members of the Board (other than the individual director whose resignation is being considered) will make the determination to accept or reject an individual tendered resignation.

The Board shall nominate for election or re-election as directors only candidates who agree to tender irrevocable resignations that will be effective upon (i) the failure to receive the required vote at the next annual meeting at which they are nominated for election and (ii) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender the same form of resignation tendered by other directors in accordance with this Policy.

IV. Director Policies:

- A. New Director Orientation and Continuing Education:** New Directors of Guaranty attend an orientation session prior to attending their first Board meeting. At this personal briefing, the new Director is informed about the Company's operations, employees, strategic plans, financial statements, and key policies and practices. The Director also has an opportunity to meet and question key members of the Company's senior leadership team.

Each month the CEO reports the status of the Company's business to each Director. Relevant materials are provided to each Director in advance of each Board meeting. The head of each of the Company's business segments makes a presentation at each Board meeting as well as annual budget and strategy presentations.

The Company periodically provides materials or briefings to Directors on subjects that will assist them in discharging their duties, and Directors are encouraged to request information on additional topics or agenda items. Directors are also encouraged to attend such educational seminars outside the Company as they find useful or instructive. The Company will reimburse the Directors for their reasonable expenses in attending such seminars. The Company intends to conduct from time to time ISS accredited director education courses in connection with some meetings of the Board.

- B. Stock Ownership:** Directors should own, within three years of joining the Board, shares of Guaranty Common Stock equal in value to three (3) times the annual Board retainer fee. The Company's Stock Incentive Plan provides for an annual grant to Directors of restricted stock units. Directors may also take their annual retainer fees and meeting fees in the form of restricted stock units.

- C. **Director Job Change:** Directors who are also employees of the Company are expected to resign from the Board at the same time they leave employment with the Company. A non-employee Director is deemed to tender his or her resignation at the next regularly scheduled meeting of the Nominating and Governance Committee in the event of a change in job status from the status held at the time of election to the Board. The Nominating and Governance Committee will review whether the new occupation, or retirement, of the non-employee Director is consistent with the needs and composition of the Board at that time. The Nominating and Governance Committee will recommend whether to accept such resignation or take any other action to the full Board based on the results of the review.
- D. **Term Limits:** The Board does not believe in arbitrary term limits on Directors' service. While term limits may help ensure that fresh ideas and view points are available to the Board, they may force the Company to lose the contribution of Directors who, over time, have developed valuable insight into Guaranty's business and operations.
- E. **Retirement Age:** Non-Employee Directors must retire no later than the annual meeting of stockholders following their 72nd birthday, unless the remaining Non-Employee Directors determine that it would be in the best interests of the Company and its stockholders under the particular circumstances existing at the time for an exception to this policy to be granted. Employee Directors are required to resign from the Board at the time they retire or otherwise terminate employment with the Company, but no later than their 65th birthday.
- F. **Limitation on Other Board Service:** Non-Employee Directors shall not serve on the boards of more than five public companies. In selecting Director nominees, the Board takes into account the other demands on the nominee. A current Director should consider whether accepting a new directorship would compromise his or her ability to perform his or her present responsibilities. The Chairman of the Board and the Chairman of the Nominating and Governance Committee shall be consulted by existing Directors prior to joining another board of directors. The Chairman of the Board and the Chairman of the Nominating and Governance Committee will together assess whether the new membership would present a conflict or otherwise compromise the ability of that Director to dedicate the time necessary to serve on the Guaranty Board.
- G. **No Loans:** It is the policy of the Company not to make loans to its Directors or officers.
- H. **Ethics:** The Board expects all Directors to act ethically at all times and to adhere to the Company's Standards of Business Conduct and Ethics Policy. The Board will report any waiver of the ethics policy on the Company's website. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman of the Board and the Chairman of the Nominating and Governance Committee. If a significant conflict exists and cannot be resolved, the

Director should resign. All Directors will recuse themselves from any discussion or decision affecting their business or personal interests.

V. **Board Leadership:**

A. **Non-Executive Chairman and Non-Employee Directors Executive Session:**

The Board currently has an independent, non-executive Chairman. The Board believes that the separation of the offices of Chairman and the CEO is in the best interests of the Company and its stockholders at this time. However, should circumstances change in the future, the Board shall be free to choose its Chairman in any way it determines is in the best interests of the Company and its stockholders in accordance with the Company's Bylaws, including determining whether the Company's CEO should also serve as Chairman.

The Board will have regularly scheduled executive sessions with only non-management Directors present. At least once each year, the Board will have an executive session with only independent non-management Directors present. The Director who presides at these meetings will be the non-executive Chairman of the Board. Interested parties may communicate with the non-executive Chairman by forwarding their written comments to an independent third party that has agreed to forward the comments to the non-executive Chairman, with a copy to the Company's General Counsel. The name of the non-executive Chairman and address of such independent third party will be posted on the Company's website.

B. **Agenda:** The Chairman of the Board establishes the agenda for each Board meeting with input from the Directors.

VI. **Board Committees:**

A. **Number, Structure and Independence of Committees:** The Board periodically evaluates its Committee structure and revises it when appropriate. The current Committees of the Board are: Audit, Management Development and Executive Compensation, and Nominating and Governance. The Company's Bylaws provide for an Executive Committee to be composed of the Chairman of the Board and the Chairman of each Committee. The Board may also appoint Special Committees as appropriate for limited, special purposes. Except for the Executive Committee, Committee membership will consist only of independent Directors as defined in Section III. B. of these Governance Guidelines.

B. **Assignment and Rotation of Committee Members:** The Nominating and Governance Committee is responsible for recommending Committee assignments, which are reviewed annually and voted upon by the full Board. Memberships are rotated periodically as determined by the Nominating and Governance Committee.

C. **Frequency and Length of Committee Meetings:** The Chairman of each Committee, in consultation with Committee members, determines the frequency and length of Committee meetings. Meetings are normally scheduled to occur at

set times during the year to coincide with Board meetings. The Chairman of a Committee may call a special meeting at any time.

- D. **Committee Agenda:** Each Committee's agenda is developed as a joint effort by the non-executive Chairman, management, and the Chairman of the Committee. Each Committee has a schedule of recurring agenda items to be discussed at specific meetings during the year. Nonrecurring topics are scheduled as appropriate. The Nominating and Governance Committee annually reviews the work plans of all committees together as a whole to ensure that no items are overlooked.
- E. **Committee Charters:** The Audit, Management Development and Executive Compensation, and Nominating and Governance Committees have Charters that are consistent with these Governance Guidelines and that articulate the roles and responsibilities of the Committees. Each Charter has been approved by the full Board and is reviewed regularly by the relevant Committee to assure that it reflects developments in corporate governance and the practices of the Committee.
- F. **Committee Reports to the Board:** Each Committee Chairman reports to the full Board on the activities of his or her Committee.

VII. **Board Access to Management and Outside Advisors:**

- A. **Access to Management:** Management of the Company is present for discussion and formal, as well as informal, interaction with the Directors at each quarterly Board meeting. Directors and management communicate between Board and Committee meetings to share information and ideas. In between Board and Committee meetings, the Directors regularly receive reports from the CEO. Members of the Board and members of management also communicate with each other verbally or in writing from time to time as items of interest arise. These nonscheduled communications may be initiated by either party. This direct contact is considered mutually beneficial to the Board members and the members of management and results in improved communication between the two.
- B. **Executive Sessions of the Committees:** The Audit Committee has separate executive sessions at each regular quarterly meeting in which it meets privately with (i) management outside the presence of the internal auditor or the external auditor, (ii) the internal auditor outside the presence of management or the external auditor, (iii) the General Counsel of the Company outside the presence of management or the external auditor, (iv) the external auditor outside the presence of management, and (v) the Committee itself outside the presence of management or the external auditor. The Management Development and Executive Compensation Committee has executive sessions at which members of management are not present whenever it considers the performance or compensation of the President and Chief Executive Officer or other executive

officers. Likewise, other Committees may meet in executive session at any time upon the request of any member of the Committee.

- C. **Access to Outside Advisors:** As set forth in their charters, the Audit Committee has the sole right to retain the independent auditors, the Management Development and Executive Compensation Committee has the right to retain a compensation consultant, and the Nominating and Governance Committee has the right to retain a director search firm, in each case including sole authority to approve the auditor's or advisor's fees and other retention terms. The Company shall provide appropriate funding, as determined by the applicable Committee, for payment of compensation to such auditors or advisors.

- VIII. **Assessing the Board's Performance:** The Board and each of the Committees perform an annual self-evaluation. Each year, the Directors will be requested to provide their assessments of the effectiveness of the Board as a whole, as well as the individual Committees on which they serve. The individual assessments will be organized and summarized by the Corporate Secretary. Each Committee will discuss the results of its own evaluations, with a follow-up report to the full Board by the Chairman of that Committee. The Nominating and Governance Committee will review the results of all Committee evaluations and also of the Board as a whole, and present a report to the full Board by the Chairman of the Committee. Each Director is also asked to review his or her own performance annually.

- IX. **Director Compensation:** The Nominating and Governance Committee is responsible for recommending to the full Board compensation for Non-Employee Directors. In discharging this duty, the Committee is guided by three goals: the compensation should be sufficient to assist in the recruiting of the highest caliber Directors to the Board; the compensation should align Directors' interests with the long-term interests of Guaranty stockholders; and the compensation should fairly pay Directors for work required to diligently serve the interests of stockholders in a company of Guaranty's size and scope. The Nominating and Governance Committee reviews the compensation program annually with the assistance of a compensation consultant.

- X. **Leadership Development:**

- A. **President and Chief Executive Officer Evaluation:** Each member of the Board completes an evaluation of the CEO annually, which is then reviewed by the Management Development and Executive Compensation Committee. The Chairman of the Committee reports the results of that review to the non-management directors in executive session.
- B. **Compensation Review:** The Management Development and Executive Compensation Committee annually reviews, and reports to the Board its recommendations with respect to, the compensation of the President and Chief Executive Officer and other senior executives.

C. **Succession Planning:** The Management Development and Executive Compensation Committee is responsible for reviewing management succession and development plans (including policies regarding succession in the event of an emergency or the retirement of the CEO). The Committee in turn reports its findings to the full Board.

XI. **Communications:** These Guidelines, as well as the Charters of each Committee of the Board, the Standards of Business Conduct and Ethics Policy, and the Code of Ethics for Senior Financial Officers, are to be posted on the Company's web site, and copies are to be available upon request to the Corporate Secretary of the Company.

Stockholders who have questions or comments about the Company are encouraged to contact its Director of Investor Relations.

EXHIBIT A

POLICY ON CONFIDENTIAL VOTING

RESOLVED, that it is the policy of the Company that stockholder proxies, ballots, and voting tabulations that identify the vote of a specific stockholder shall not be disclosed to the Company, its directors, officers, or employees, except:

- (i) when disclosure is necessary to meet applicable legal requirements or to assert or defend claims for or against the Company;
- (ii) when disclosure is expressly requested by a stockholder, or a stockholder has made written comments on a proxy card;
- (iii) during a contested proxy solicitation;
- (iv) when the Company concludes in good faith that a bona fide dispute exists as to the authenticity of one or more proxies, ballots, or votes, or as to the accuracy of the tabulation of such proxies, ballots, or votes; and
- (v) in the case of votes of the individual participants in 401(k) Plans sponsored by the Company, which will be held confidential as required by any applicable Trust Agreement, provided the aggregate vote cast by any applicable Plan Trustee may be disclosed to the Company.

RESOLVED FURTHER, that the tabulators and the inspectors of election shall be independent from, and not employees of, the Company.

Nothing in the policy shall operate to prohibit stockholders from disclosing the nature of their votes to the Company or its directors or officers or to impair free and voluntary communication between the Company and its stockholders. Further, this policy shall not prevent the Company or its agents from ascertaining which stockholders have voted or from making efforts to encourage stockholders to vote. Aggregate vote totals may be disclosed to the Company from time to time and publicly announced at the meeting of stockholders to which such vote totals relate or as otherwise required by law.

Exhibit B

Guidelines for Director Qualifications

The Board of Directors of Guaranty Financial Group Inc. is selected to (1) represent the stockholders and (2) provide guidance and counsel to Guaranty Financial Group Inc. in a variety of areas of business responsibility. The Nominating and Governance Committee of the Board is charged with the responsibility of reviewing qualifications of potential directors and presenting its recommendations of candidates for director service to the Board of Directors and ultimately to the stockholders of the Company. In view of these responsibilities, the Nominating and Governance Committee and the Board of Directors have adopted the following basic guidelines to provide an overview for qualifications of candidates to serve as members of the Board. The Board, in approving these guidelines, acknowledged and affirmed that no individual candidate would likely possess all qualifications, and that from time to time particular business situations could dictate variances from these guidelines in order to provide the best qualified candidate to serve Guaranty Financial Group Inc. and its stockholders as a member of its Board.

The following qualifications and guidelines should be considered in reviewing director candidates:

- Relevant business experience would include:
 - An understanding of or reputation or presence in the financial services industry.
 - Significant reputation or presence in geographic locations where the company owns or operates significant assets.
 - Mergers and acquisitions experience and expertise.
 - An understanding of the duties and responsibilities of serving on the board of a public company.
 - Priority should be given to individuals who currently serve or have served as the Chief Executive Officer of a company.

- Independence consistent with the requirements of the New York Stock Exchange:
 - The director may not have a material relationship with the company.
 - The director, or an immediate family member, may not have been an executive officer of the company in the past three years.
 - The director, or an immediate family member, may not have received more than \$100,000 per year in direct compensation from the company (other than director and committee fees and pension or other forms of deferred compensation for prior service) in the past three years.
 - The director, or an immediate family member, may not be affiliated with or employed in the past three years in a professional capacity by a present or former internal or external auditor of the company.
 - The director, or an immediate family member, may not be employed in the past three years as an executive officer of another company where any of

the company's present executives serve on that company's compensation committee or have served on that committee in the past three years.

- A director, or an immediate family member, may not be an executive officer of a company that in the past three years made payments to, or received payments from, the company for property or services in an amount that, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.
- Membership should be composed of diverse background skills and substantive pertinent experience.
- No candidate may have a prohibited conflict of interest or ownership with any aspect of the company's business, including any regulatory conflict promulgated by the OTS or other relevant regulatory agency. Accordingly candidates from major suppliers, including professional services, should not be considered. This should include potential suppliers, and in broad categorization, would encompass lawyers, commercial bankers, investment bankers, and management consultants.
- Diversity among directors as a whole is encouraged.
- Board members should present a balance of age.
- Directors should possess the following personal characteristics:
 - An ability to articulate ideas and command respect from peers and to be able to express knowledgeable viewpoints.
 - A progressive attitude with maturity to understand risk.
 - A high level of integrity and moral values.
 - An analytical ability with incisiveness and willingness to ask discerning questions.
 - Sound judgment and recognition of fiduciary responsibility.
 - An ability to commit sufficient time and resources to be an active director.
 - An ability to interact with the other directors and add to the board's quality and functioning.
 - Reputation and accomplishments that will be an asset.
- Additional qualifications for audit committee membership
 - Each member of the audit committee must be financially literate, as such qualification is interpreted by the company's board in its business judgment, or must become financially literate within a reasonable period of time after appointment to the audit committee.

- At least one member of the audit committee must satisfy the definition of an “audit committee financial expert” as defined in Item 407 of Regulation S-K.

The Nominating and Governance Committee and the Board of Directors of Guaranty Financial Group Inc. may from time to time consider additional characteristics or qualifications in the director selection process and may revise or supplement these guidelines for consideration of qualifications for directors.