

METROCORP BANCSHARES, INC.

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors of MetroCorp Bancshares, Inc. (the “Board”) has adopted the following corporate governance guidelines to assist the Board in carrying out its responsibilities. The guidelines reflect the Board’s goal of building long-term value for the Company’s stockholders and the Board’s commitment to monitor its own performance and the performance of the Company. The guidelines are effective September 17, 2004, and reflect the Company’s current circumstances. It is the intention of the Board that the guidelines and the Charters of the Company’s various committees be dynamic documents, to ensure that they represent evolving “best practices” on a basis consistent with MetroCorp Bancshares, Inc. Statement of Objectives, as set forth below:

The objective of the Board of Directors (the “Board”) is to govern the affairs of the Company for the benefit of our shareholders and other constituencies, including our employees, customers and the communities in which we do business. The Board strives to ensure the success and continuity of the Company’s business by appointing qualified management and fostering an environment in which the Company’s activities are conducted in a legally compliant, responsible and ethical manner.

Strong principles of corporate governance are critical to achieving these objectives. Accordingly, the Board has committed to:

- ***High Corporate Governance Standards*** – Engaging in conduct that conforms to current corporate governance standards and monitoring evolving standards of corporate governance in an effort to exceed the consensus view of the minimally-acceptable standards;
- ***Responsible Decision Making*** – Acting in the best interests of the Company and its shareholders, taking into account the effect of its actions on the Company’s employees, customers, and the communities in which it operates;
- ***Transparency in Reporting*** – Ensuring transparency in the Company’s reporting of its financial condition and results of operations, business activities and other disclosure by the Company to regulatory authorities, shareholders and other constituencies; and
- ***Ethical Behavior*** – Conducting the Company’s business in a fashion consistent with the highest standards of ethical conduct and in such a fashion that complies with both the letter and the spirit of the applicable laws, rules and regulations.

I. The Board of Directors

Director Qualifications and Independence

The Board shall be composed of a majority of directors who meet the criteria for independence established by NASDAQ Exchange. The Governance & Nominating Committee must annually review relationships between each director and the Company and report the results of its review to the Board, which will then determine which directors satisfy the applicable independence standards.

The Governance & Nominating Committee must establish criteria for selecting new directors and seeking out qualified candidates. The Board directs the Governance & Nominating Committee to consider the following factors as it evaluates the qualifications of potential candidates: a candidate's experience, independence (as defined by applicable NASDAQ and Securities and Exchange Commission rules), knowledge, commitment to the Company's core values, skills, expertise, independence of mind, integrity, relationships with the Company that could potentially compromise the integrity of such a candidate, service on the boards of directors of other companies, openness, ability to work as part of a team, willingness to commit the required time, and familiarity with the Company and its industry. The Governance & Nominating Committee also shall consider the diversity of, and the optimal enhancement of the current mix of talent and experience on the board. The Governance & Nominating Committee also shall consider whether the Audit Committee includes an "audit committee financial expert." Consistent with its Charter, the Governance & Nominating Committee shall recommend potential nominees to the full Board. The invitation to join the Board should be extended, on behalf of the Board, jointly by the Chairperson of the Governance & Nominating Committee and the Chairman of the Board.

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

Size of the Board

The Board has determined that the optimal size for the Board is eleven to fifteen members. The Governance & Nominating Committee must review and report to the Board on the advisability of or need for any change in the size of the Board.

Director Tenure

The Board has considered the appropriateness of limits on directors' age, length of term, and membership on other boards, and has determined that rather than imposing arbitrary limits on a director's ability to serve, the Board's evaluation process will serve to ensure that the Company has a properly constituted and functioning Board.

From time to time there may be material changes in the professional or personal circumstances of a Director existing at the time that the Director was originally invited to join the Board. In some cases such changes may reasonably be expected to diminish the Director's ability to effectively function as a member of the Board, such as a Director's principal occupation or business association changes substantially from the position he or she held when originally invited to join the Board or a Director's ability to devote the time necessary to effectively serve on the Board is diminished as a result of professional or personal circumstances. In such cases the Director shall advise the Chairman of the Board and Chairperson of the Governance & Nominating Committee.

Director Responsibilities

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. Directors are expected to attend meetings of the Board and the committees on which they serve, and to spend the time needed to properly discharge their responsibilities. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the chairperson of the appropriate committee prior to the meeting. The Governance & Nominating Committee must consider attendance and participation at Board and committee meetings when assessing each member's performance. Information and data important to the Board's understanding of the business to be conducted at a Board or committee meeting should be distributed in writing to the attendees before the meeting (taking into account that there may be exigent circumstances in which it is not possible to do so), and directors are expected to review these materials prior to the meeting. It is the Company's expectation that materials should be physically delivered at least four calendar days prior to the meeting in question.

The Chairman of the Board

The Board has determined that the offices of Chairman and Chief Executive Officer should not be combined at this time. The Governance & Nominating Committee Charter shall provide for review at least annually of whether this policy is in the best interest of the Company and its shareholders.

Meetings of the Board

The Board shall have four regularly scheduled meetings and such other meetings as may be necessary and appropriate. The agenda for each Board meeting shall be prepared by the Chairman's office after considering input regarding appropriate agenda matters from the Board as a whole. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

The Company will provide Board members with updates on significant issues, trends, and changes relating to public company corporate governance.

Board Interaction with External Constituencies

Because of the importance of the Company communicating consistently and appropriately with all of its key constituencies, the Board has determined that the Chief Executive Officer and the Chief Financial Officer shall be the Company's spokespersons for all of the Company's constituencies. Directors should only speak on the Company's behalf in extraordinary circumstances.

Director Compensation

The Compensation Committee shall conduct an annual review of director compensation and make a recommendation to the Board regarding the form and amount of director compensation, taking into account the Company's belief that director compensation should encourage ownership of the Company's stock and should be competitive with comparable companies. A Director who also is an employee of the Company shall not receive any additional compensation for service on the Board.

Director Stock Ownership

Within a reasonable period of time after election to the Board, each director is encouraged to own stock in the Company in excess of that necessary to meet regulatory requirements.

Review of Policies

The Governance & Nominating Committee shall, at least annually, review these Corporate Governance Guidelines and the Company's Business Ethics Policy and Corporate Compliance Program, and report to the Board the results of its review, including any recommended changes in such policies.

Independent Advisors

The Board, and each committee chairman, have the power to retain independent legal, financial or other advisors as they deem necessary, without consulting or obtaining advance approval of any officer of the Company (and in the case of a committee, without approval of the full Board). The Audit Committee, however, is responsible for hiring the Company's independent public accountants. A committee that retains an independent advisor must notify the Board and be cognizant of the related consequences towards the bank's budgetary plans.

II. Committees of the Board

Committees

The Board must have at all times an Audit Committee, a Compensation Committee and a Governance & Nominating Committee, each composed solely of members who are qualified to serve pursuant to the requirements of NASDAQ and any additional requirements deemed appropriate by the Board. The Board may establish and/or disband other standing or ad hoc committees. Committee members are appointed by the Board upon recommendation of the Governance & Nominating Committee, which shall consult with the Chief Executive Officer and Chairman, with consideration given to the desires and expertise of individual directors.

Committee Charters

Each committee shall have its own charter, to be approved by the Board. The charters shall set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

Committee Meetings

The Chairperson of each committee, in consultation with the committee members, shall determine the frequency and length of the committee meetings, consistent with any requirements set forth in the committee's charter, in no event, however, shall the Audit Committee meet fewer than four times per year. The chairperson of each committee, with the assistance of and in consultation with appropriate members of the committee and management, shall develop the committee's agenda.

III. Management and Certain Policies of the Company

Director Access to Management

Board committees have full and free access to officers and employees of the Company and to the Company's outside advisers. It is expected that Board members will use their judgment to ensure that any such contact is not disruptive to the business operation of the company.

Management Attendance at Board Meetings

Executive management may attend Board meetings at the invitation of the Board. The Secretary and Assistant Secretary shall attend all meetings of the Board. If the Chief Executive Officer wishes to have additional employees regularly attend Board meetings, he or she should obtain the prior approval of the Board.

Evaluation and Compensation of Chief Executive Officer and Executive Management

The Compensation Committee shall annually review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the performance of the Chief Executive Officer and, in consultation with the Chief Executive Officer, the other executive management in light of those goals and objectives and set the compensation of the Chief Executive Officer and such other members of the Company's executive management as it deems appropriate based on this evaluation. It is the Company's policy not to extend personal loans to executive officers, as encompassed by Section 402 of the Sarbanes-Oxley Act of 2002.

Long-Term Planning

The Chief Executive Officer and senior management shall also develop, and annually report to the Board regarding, the Company's long-term strategy. The Board shall be involved in strategic discussions concerning such long-term planning; the Chief Executive Officer shall create a forum for such discussion to occur.

Disclosure

The Company shall post the Corporate Governance Guidelines, the Charters of each of the Audit Compensation and Governance & Nominating Committees and the Company's Business Ethics Policy on the Company's website and provide copies to the public upon request. It is the Company's policy that the Company's annual proxy statement to shareholders shall contain a separately captioned section that summarizes and discusses the Company's corporate governance practices.

Provision of Services to the Company by Independent Public Accountants

The Company shall comply with all applicable laws regarding the provision of services by independent public accountants. The Company shall not allow its independent public accountants to provide any services prohibited by law. The Company also shall carefully evaluate and continually reevaluate those permitted services provided by its accountant to ensure that they remain within the scope of services allowed by applicable laws and that they otherwise are consistent with and do not compromise the auditor's independence. It shall be against the Company's policy to allow the provision of tax services by the Company's independent public accountants to members of the executive management. The Committee shall review and approve in advance any services provided by the Company's independent public accountants to members of the Company's executive management or members of their immediate family.