

METROCORP BANCSHARES, INC.
AUDIT COMMITTEE CHARTER

Purpose

- (1) The primary purpose of the Audit Committee of Metrocorp Bancshares, Inc. (the "Company") is to provide independent and objective oversight with respect to:
 - the integrity of the financial statements and reports and any additional financial information of the Company provided to shareholders and others;
 - the independent auditor's qualifications, independence and performance;
 - the Company's internal controls;
 - the Company's audit, accounting and financial reporting processes generally; and
 - the compliance by the Company with legal and regulatory requirements.

- (2) The Audit Committee is also responsible to prepare the report required by the rules of the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement.

Committee Membership

The Audit Committee shall consist of no fewer than three directors. Each member of the Audit Committee shall meet the independence and experience requirements of The Nasdaq Stock Market, Inc., the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the SEC. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of such director to serve effectively on the Audit Committee, and such determination is disclosed in the Company's proxy statement.

Each member of the Audit Committee shall, in the judgment of the Board, be financially literate at the time of appointment, which at a minimum means possessing a working familiarity with basic finance and accounting practices, and at least one member of the Audit Committee must be an "audit committee financial expert" as defined by the SEC and required under the rules of Nasdaq. In addition, no Audit Committee member may have participated in the preparation of the financial statements of the Company or any of its subsidiaries at any time in the past three years.

The members of the Audit Committee shall be appointed by the Board of Directors annually upon the recommendation of the Governance and Nominating Committee and shall serve until such member's successor is designated or until such member's earlier resignation or removal. Audit Committee members may be removed, with or without cause, by a majority vote of the Board. The Audit Committee shall designate a chairperson by majority vote of the members. The chairperson shall schedule and preside at all meetings of the Audit Committee and shall be responsible for preparing agendas and making regular reports to the Board of Directors.

Meetings

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee shall meet periodically with management, the internal auditors and the independent auditor in separate executive sessions. The Audit Committee shall make regular reports to the Board. A majority of the members of the Audit Committee present in person or by telephone shall constitute a quorum.

The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Audit Committee shall determine the appropriate funding for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attest services, for payment to any advisors employed by the Audit Committee and for payment of ordinary administrative expenses of the Audit Committee necessary or appropriate in carrying out its duties.

Responsibilities and Duties

Appointment of Independent Auditor and Pre-Approval Policies

The Audit Committee shall have the sole authority to appoint, retain or replace the independent auditor (subject, if applicable, to shareholder ratification). The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit. The authority to grant preapprovals may be delegated to one or more designated members of the Audit Committee whose decisions will be presented to the full Audit Committee at its next regularly scheduled meeting.

Financial Statement and Disclosure Matters

To fulfill its duties, the Audit Committee, to the extent it deems necessary or appropriate, shall:

1. Review and discuss with management and the independent auditor the Company's annual and quarterly financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" prior to the filing of its Form 10-K and Form 10-Q with the SEC and distribution to third parties. The review shall include:
 - a. the Company's consolidated financial statements and the notes thereto;
 - b. the independent auditor's audit of the annual consolidated financial statements and report, including significant financial reporting issues and judgments made in connection therewith;

- c. the independent auditor's reports on (i) all critical accounting policies and practices to be used; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (iii) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;
- d. any significant changes in the Company's selection or application of accounting principles;
- e. the adequacy of the Company's internal controls; and
- f. any particularly sensitive accounting estimates, reserves and accruals, judgment areas, audit adjustments, special steps adopted in light of material control deficiencies and other inquiries as the Audit Committee or independent auditors deem appropriate.

Based on such review, the Audit Committee shall recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K.

2. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
3. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
4. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
5. Discuss with management and the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as may be modified, supplemented or replaced, relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
6. Review with the Company's Disclosure Committee or, if there is no such committee, the persons performing such functions, (a) the Company's disclosure controls and procedures, (b) any significant deficiencies in the design or operation of internal controls of the Company which could adversely affect the Company's ability to record, process, summarize and report financial data and (c) any fraud, material or otherwise, that involves management or other employees who have a significant role in the Company's internal controls.
7. Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

Oversight of the Company's Relationship with the Independent Auditor

1. Evaluate the qualifications, performance and independence of the independent auditor periodically and make determinations regarding the appointment or termination of the independent auditor.
2. On an annual basis, obtain and review a report by the independent auditor of all relationships between the independent auditor and the Company consistent with Independent Standards Board Standard No. 1, as may be modified, supplemented or replaced. The Audit Committee shall discuss such reports with the independent auditor with respect to the disclosed relationships or services that may impact the objectivity and independence of the auditor. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board and take, or recommending the Board take, appropriate action to oversee the independence of the independent auditor.
3. At least annually, obtain and review a report from the independent auditor describing (a) the independent auditor'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 and (c) any steps taken to deal with any such issues.
4. Annually review and evaluate the lead or coordinating audit partner with primary responsibility for the audit, and at least annually, obtain and review a report from the independent auditor certifying that the lead or coordinating audit partner with primary responsibility for the audit has not performed such audit services in excess of the period permitted by applicable law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.
5. Develop and recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.
6. Discuss with the national office of the independent auditor issues on which they were consulted by the Company's audit team and matters of audit quality and consistency.
7. Meet with the independent auditor prior to the audit to discuss the plan of audit, including its scope, staffing, locations and reliance on management.

Oversight of the Company's Internal Audit Function

1. Review the significant reports to management prepared by the internal auditing department together with management's responses and follow-up to these reports.
2. Review and discuss with the independent auditor and management the internal control systems intended to ensure the reliability of financial reporting and compliance with applicable laws and regulations. The review shall include the organizational structure, responsibilities, budget, plans, staffing, and the appointment, performance and possible replacement of the senior internal auditing executive.

Ethical and Legal Compliance

1. Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act has not been implicated.

2. Review and approve all related-party transactions, unless such transactions have been or will be approved by another independent committee of the Board.
3. Review and periodically update the Company's Code of Business Conduct and Ethics, confirm that the Code of Business Conduct and Ethics is in conformity with all applicable legal requirements and review with and advise the Board with respect to the Company's policies and procedures regarding monitoring of and compliance with such code.
4. Review alleged material fraudulent actions or violations of law reported by internal compliance programs, by the independent auditors or otherwise, and take any necessary action resulting therefrom.
5. At least annually, review with the Company's legal counsel any legal matters (including the status of pending litigation) that may have a material impact on the Company's financial statement, compliance with applicable laws and regulations and any material reports or inquiries received from regulators or governmental agencies. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
6. Discuss with management and the independent auditor any material reports or inquiries received from regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

Other Responsibilities

1. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
2. Establish procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
3. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
4. The Audit Committee shall annually review the Audit Committee's own performance.
5. Perform any other activities consistent with this Charter, the Company's bylaws, the rules of the Nasdaq Stock Market, Inc. and any other applicable law, rule or regulation as the Audit Committee or the Board deems necessary or appropriate.

Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.