

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF THE SOUTH FINANCIAL GROUP, INC.**

PURPOSE

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of The South Financial Group, Inc. (the “Company”). The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through:

- overseeing management’s conduct of the Company’s financial reporting process and all systems of internal controls;
- overseeing the operations and effectiveness of the Company’s loan review and corporate compliance functions;
- monitoring the performance of the Company’s internal auditors; and
- monitoring the independence and performance of the Company’s outside auditors; and
- providing an avenue of communication among the outside auditors, management and the Board.

COMPOSITION

1. The Committee shall have at least three (3) members at all times, each of whom must be independent of management, as well the Company and each of its affiliates. A member of the Committee shall be considered independent if:

- (a) in the sole discretion of the Board, it is determined that he or she has no relationship that may interfere with the exercise of his or her independent judgment; and
- (b) he or she meets the Nasdaq rules regarding independence of audit committee members.

2. If any member of the Committee enters into or develops a “business relationship” (as that term is defined in applicable Nasdaq rules), that member shall have an affirmative obligation to promptly disclose such relationship to the Board.

3. No member of the Committee shall accept any consulting, advisory or other compensatory fee from the Company other than in connection with serving on the Committee or as a member of the Board.

4. All members of the Committee shall have a practical knowledge of finance and accounting and be able to read and understand fundamental financial statements or be able to do so within a reasonable period of time after appointment to the Committee.

5. At least one member of the Committee shall have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment. At least one member of the Committee shall be a “financial expert,” as defined by the regulations by the Securities and Exchange Commission (the “SEC”) adopted in accordance with the Sarbanes-Oxley Act of 2002.

6. Each member of the Committee shall be appointed by the Board and shall serve until the earlier to occur of the date on which he or she shall be replaced by the Board, resigns from the Committee, or resigns from the Board.

MEETINGS

1. The Committee shall meet as frequently as circumstances dictate, but no less than four times annually. The Board shall name a chairperson of the Committee, who shall prepare and/or approve an agenda in advance of each meeting. A majority of the members of the Committee shall constitute a quorum. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

2. The Committee shall, through its chairperson, report regularly to the Board following the meetings of the Committee, addressing such matters as the quality of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the outside auditors, the performance of the internal audit function or other matters related to the Committee's functions and responsibilities.

RESPONSIBILITIES AND DUTIES

The Committee's principal responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements and the outside auditors are responsible for auditing and/or reviewing those financial statements.

While the Committee has the powers and responsibilities set forth in this charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements present fairly the financial position, the results of operations and the cash flows of the Company, in compliance with generally accepted accounting principles. This is the responsibility of management and the outside auditors. In carrying out these oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the outside auditors' work.

The Committee's specific responsibilities are as follows:

General

1. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall have unrestricted access to members of management and other employees of the Company, as well as all information relevant to the carrying out of its responsibilities.

2. The Committee shall, with the assistance of management, the outside auditors and legal counsel, as the Committee deems appropriate, review and evaluate, at least annually, the Committee's:

- (a) charter;
- (b) powers and responsibilities; and
- (c) performance.

The Committee shall report and make recommendations to the Board with respect to the foregoing, as appropriate.

3. The Committee shall ensure inclusion of its then-current charter in the proxy statement for the Company's annual meetings of shareholders, at least once every three years in accordance with regulations of the SEC.

4. The Committee shall prepare annual Committee reports for inclusion in the proxy statements for the Company's annual meetings, as required by rules promulgated by the SEC.

5. The Committee shall, in addition to the performance of the duties described in this charter, undertake such additional duties as from time to time may be:

- (a) delegated to it by the Board;

(b) required by law or under Nasdaq rules; or
(c) deemed desirable, in the Committee's discretion, in connection with its functions described in this charter.

6. The Committee shall be empowered to retain, at the Company's expense, independent counsel, accountants or others for such purposes as the Committee, in its sole discretion, determines to be appropriate to carry out its responsibilities.

7. In light of the responsibilities of the Capital Management and Risk Committee of the Board of Directors (the "Risk Committee") with respect to certain risk and compliance matters, the Audit Committee shall each provide the Risk Committee with information and reports regarding its activities, as necessary and appropriate and obtain the same from the Risk Committee.

Internal Controls and Risk Assessment

1. The Committee shall review at least annually with management and the outside auditors (and more often if deemed appropriate by the Committee):

(a) the internal audit budget, staffing, performance, and audit plan; and
(b) the Company's risk management area, including receiving a report from the Company's head of risk management addressing each of the Company's identified risk areas and describing the processes in place to monitor and control those risks.

The Committee shall have the express authority and responsibility to independently assess the internal audit budget, staffing, performance, and audit plan.

2. The Committee shall review at least quarterly with management and the outside auditors (and more often if deemed appropriate by the Committee):

(a) material findings of internal audit reviews and management's response, including any significant changes required in the internal auditor's audit plan or scope and any material difficulties or disputes with management encountered during the course of the audit;

(b) the operations and effectiveness of or weaknesses in the Company's loan review process and corporate compliance function; and

(c) the effectiveness of or weaknesses in the Company's internal controls, including computerized information system controls and security, the overall control environment and accounting and financial controls.

3. The Committee shall obtain from the outside auditors their recommendations regarding internal controls and other matters relating to the accounting procedures and the books and records of the Company and its subsidiaries and review the correction of controls deemed to be deficient.

4. The Committee shall review the appointment, performance and replacement of the senior internal auditing executive, and the activities, organizational structure and qualifications of the persons responsible for the internal audit function. The Committee shall ensure that the senior internal auditing executive reports functionally to the Committee and administratively to an appropriate level of management.

5. The Committee shall, in accordance with SEC regulations to be adopted under the Sarbanes-Oxley Act, establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

6. The Committee shall review major financial risk exposures and the guidelines and policies which management has put in place to govern the process of monitoring, controlling and reporting such exposures.

Outside Auditors; Their Performance and Independence

1. The outside auditors are ultimately accountable to the Board and the Committee, as the representatives of the shareholders of the Company. The Committee shall evaluate and recommend to the Board the selection and, where appropriate, the replacement of the outside auditors. The Committee shall recommend to the Board the outside auditors to be proposed for shareholder approval in any proxy statement.

2. The Committee shall:

(a) confer with the outside auditors concerning the scope of their examinations of the books and records of the Company and its subsidiaries;

(b) review the scope, plan and procedures to be used on the annual audit, as recommended by the outside auditors;

(c) review the results of the annual audits and interim financial reviews performed by the outside auditors, including:

(1) the outside auditors' report on management's assessment of internal controls over financial reporting and the effectiveness of the Company's internal control over financial reporting and the outside auditors' audit of the Company's annual financial statements, accompanying footnotes and its report thereon;

(2) any significant changes required in the outside auditors' audit plans or scope;

(3) any material differences or disputes with management encountered during the course of the audit (the Committee to be responsible for overseeing the resolution of such differences and disputes);

(4) any material management letter comments and management's responses to recommendations made by the outside auditors in connection with the audit;

(5) matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communications with Audit Committees), relating to the conduct of the audit;

(d) authorize the outside auditors to perform such supplemental reviews or audits as the Committee may deem desirable;

(e) obtain from the outside auditors assurance that they have complied with Section 10A, as amended, of the Securities Exchange Act of 1934.

3. The Committee shall inquire into any accounting adjustments that were noted or proposed by the outside auditors but were "passed" as immaterial or otherwise.

4. The Committee shall inquire as to any matters that were referred to the outside auditors' national office relating to accounting policies and/or financial statement disclosure within the Company's financial statements and, to the extent deemed appropriate, request an opportunity to address such issues directly with a representative of such national office.

5. The Committee shall, at least annually, obtain and review a report by the independent auditors' describing:

(a) the outside auditors' internal quality control procedures;

(b) any material issues raised by the most recent internal quality-control review or peer review of the outside auditors, 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 outside auditors, and any steps taken to deal with any such issues.

6. Pre-approval by the Committee shall be required with respect to the fees for all audit and other services performed by the outside auditors as negotiated by management. To the extent permitted by applicable laws and regulations, such pre-approval may be delegated to a sub-committee of the Committee, to be dealt with in accordance with such conditions as the Committee may from time to time establish.

7. The Committee's approval of any non-audit services to be rendered by the outside auditors must be obtained in advance of engaging the outside auditors to render such services. To the extent permitted by applicable laws and regulations, such pre-approval may be delegated to a sub-committee of the Committee, to be dealt with in accordance with such conditions as the Committee may from time to time establish. The Committee shall not approve the engagement of the outside auditors to render non-audit services prohibited by law or rules and regulations promulgated by the SEC. The Committee shall consider whether the provision of non-audit services is compatible with maintaining the outside auditors' independence, including, but not limited to, the nature and scope of the specific non-audit services to be performed and whether the audit process would require the outside auditors to review any advice rendered by the outside auditors in connection with the provision of non-audit services.

8. The Committee shall receive from the outside auditors on a periodic basis a formal written statement delineating all relationships between the outside auditors and the Company, consistent with the Independence Standards Board, Standard No. 1, regarding relationships and services, which may impact the objectivity and independence of the outside auditors, and other applicable standards. The statement shall include a description of all services provided by the outside auditors and the related fees. The Committee shall actively engage in a dialogue with the outside auditors regarding any disclosed relationships or services that may impact the objectivity and independence of the outside auditors and shall evaluate, after gathering information from management, and other Board members, the performance of the outside auditors and recommend that the Board take action to satisfy itself of the independence of the outside auditors.

9. The Committee shall establish written hiring policies for current and former employees of the outside auditors.

10. The Committee shall consider whether it is appropriate to adopt a policy of insisting upon the rotation of the outside auditors' lead audit partner or rotating the outside auditors on a periodic basis. Based upon its evaluation, the Committee shall take, or recommend that the Board take, appropriate action to monitor the independent status of the outside auditors.

Financial Reporting

1. The Committee shall review and discuss with the outside auditors and management the Company's audited annual financial statements that are to be included in the Company's annual report on Form 10-K and the outside auditors' opinion with respect to such financial statements, including reviewing the nature and extent of any significant changes in accounting principles or the application of such accounting principles; and determine whether to recommend to the Board that the financial statements be included in the Company's annual report on Form 10-K for filing with the SEC.

2. The Committee shall review and discuss with the outside auditors and management, and require the outside auditors to review, the Company's interim financial statements to be included in the Company's quarterly reports on Form 10-Q prior to filing such reports with the SEC.

3. The Committee shall review and discuss:

- (a) the existence of significant estimates and judgments underlying the financial statements, including the rationale behind those estimates as well as the details on material accruals and reserves and the Company's accounting principles;
- (b) all critical accounting policies identified to the Committee by the outside auditors;
- (c) major changes to the Company's accounting principles and practices, including those required by professional or regulatory pronouncements and actions, as brought to its attention by management and/or the outside auditors; and
- (d) material questions of choice with respect to the appropriate accounting principles and practices to be used in the preparation of the Company's financial statements, as brought to its attention by management and/or the outside auditors.

4. The Committee shall review and discuss the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in any annual or quarterly report, or other report or filing filed with the SEC.

5. The Committee shall discuss generally with management earnings press releases of the Company, as well as financial information and earnings guidance provided by the Company to analysts and rating agencies.

6. The Committee shall review and discuss with outside auditors any transaction involving the Company and any related party and any transaction involving the Company and any other party in which the parties' relationship could enable the negotiation of terms on other than an independent, arm's length basis.

7. The Committee shall discuss with the outside auditors any item not reported as a contingent liability or loss in the Company's financial statements as a result of a determination that such item does not satisfy a materiality threshold. The Committee shall review with the outside auditors the quantitative and qualitative analysis applied in connection with such assessment of materiality, including, without limitation, the consistency of such assessment with the requirements of SEC Staff Accounting Bulletin No. 99.

8. The Committee shall review and consider other matters in relation to the financial affairs of the Company and its accounts, and in relation to the internal and external audit of the Company as the Committee may, in its discretion, determine to be advisable.

9. The Committee shall meet at least quarterly (or more often if determined appropriate) with management, the Director of Internal Audit and the outside auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

Compliance with Laws, Regulations and Policies

1. The Committee shall review with management actions taken to ensure compliance with any code or standards of conduct for the Company which may be established by the Board.

2. The Committee shall review with the Company's legal counsel any legal compliance matters, including banking regulations, securities trading practices and any other legal matters that could have a significant, adverse impact on the Company's financial statements.

3. The Committee shall review with the Company's counsel and others any federal, tax or regulatory matters that may have a material impact on the Company's operations and the financial statements, related Company compliance programs and policies, and programs and reports received from regulators, and shall monitor the results of the Company's compliance efforts.

4. The Committee shall periodically review the rules promulgated by the SEC and the Nasdaq relating to the qualifications, activities, responsibilities and duties of audit committees and shall take, or recommend that the Board take, appropriate action to comply with such rules.

Adopted by the Board of Directors: February 22, 2006