

## AUDIT COMMITTEE CHARTER

The Audit Committee of The Colonial BancGroup, Inc. (the "Company") is appointed by the Board to assist board oversight of (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Company's internal audit function and independent auditors.

The members of the Audit Committee shall meet the independence and experience requirements of the New York Stock Exchange. The members of the Audit Committee shall be appointed by the Board, acting upon the nomination of the Nominating and Corporate Governance Committee.

The Audit Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Audit Committee will be appropriately funded to meet its duties. 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 Committee or to meet with any members of, or consultants to, the Committee.

The Audit Committee shall:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Meet at least four times in each fiscal year. A meeting will be deemed an official meeting if a quorum is in attendance. At present, this means that at least three of the four external directors of The Colonial BancGroup, Inc. appointed to the Committee are in attendance.
3. Review the annual audited financial statements with management, including
  - (i) major issues regarding accounting and auditing principles and practices,
  - (ii) compliance with the Company's audit policy, and
  - (iii) the adequacy of internal controls that could significantly affect the Company's financial statements.
4. Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements.
5. Review with management and the independent auditor the Company's quarterly financial statements prior to the filing of quarterly reports on Form 10-Q.
6. Discuss the Company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".
7. Discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
8. Discuss policies with respect to risk assessment and risk management.
9. Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.

10. Appoint the independent auditor, which firm is accountable to the Audit Committee and the Board.
11. Review and approve the fees to be paid to the independent auditor, for both audit and allowable non-audit services.
12. Receive periodic reports from the independent auditor regarding the auditor's independence, discuss such reports with the auditor, and if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.
13. Obtain and review a report at least annually by the independent auditor describing: the firm's internal quality-control procedures; 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 any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.
14. Evaluate the performance of the independent auditor and, if so determined by the Audit Committee, recommend that the Board replace the independent auditor.
15. Set clear hiring policies for employees or former employees of the independent auditors.
16. Review the appointment and replacement of a General Auditor and review annually the performance of the Company's internal audit function.
17. Review the significant reports to management prepared by the internal auditing department, the internal loan review department and any other departments performing controls monitoring activities; review management's responses to those reports.
18. Make recommendations to management regarding outsourcing of internal audit services.
19. If internal audit services are outsourced, annually review the proposed scope of internal audit services, schedule, audit plan and related fees presented by the General Auditor and the outsourcing firm.
20. Review annually the performance of any such outsourcing firm.
21. Meet with the independent auditor prior to the audit to review the planning and staffing of the audit.
22. Obtain from the independent auditor representation that its audit procedures and communications are in compliance with the requirements of Section 10A of the Private Securities Litigation Reform Act of 1995.
23. Obtain reports from management and the Company's General Auditor that the Company's subsidiary affiliated entities are in material conformity with applicable legal requirements and the material provisions of the Company's employee conduct policies.
24. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.
25. Review with the independent auditor any problems or difficulties the auditor may have encountered and any management letter provided by the auditor and the Company's response to that letter. Such review should include:

- (a) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
  - (b) Any changes required in the planned scope of the internal audit.
  - (c) The internal audit department responsibilities, budget and staffing.
26. Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
  27. Review and advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
  28. Review with the Company's counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
  29. Meet quarterly with the Chief Financial Officer, the General Auditor and the independent auditor in separate executive sessions.
  30. Perform such additional oversight functions relating to the Company's audit process as may be requested from time to time by the Board.
  31. Establish procedures for the confidential receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.
  32. Ensure that a code of ethics is in effect for the board of directors, executive and financial officers, and employees.
  33. Conduct an annual performance evaluation of the Audit Committee.
  34. Report regularly to the Board of Directors.

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 are complete and accurate and are in accordance with generally accepted accounting principles. The Company's financial statements are the responsibility of management. The independent auditors are responsible for planning and conducting audits to determine whether the financial statements present fairly in all material respects the financial position of the company. Furthermore, it is not the duty of the Audit Committee to assure compliance with laws and regulations.