WILLOW GROVE BANCORP, INC.
WILLOW GROVE BANK

AUDIT COMMITTEE CHARTER

I. Audit Committee Purpose

The Audit Committee (the "Committee") of Willow Grove Bancorp, Inc. (the "Company") is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee's primary duties and responsibilities are to:

- Appoint and oversee the Company's independent auditors in accordance with Section 301 of the Sarbanes-Oxley Act of 2002 and Section 10A(m)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act").
- Monitor the integrity of the Company's financial reporting processes and systems of internal controls regarding finance, accounting, legal, and regulatory compliance.
- Monitor the qualifications, independence, and performance of the Company's independent auditors.
- Provide an avenue of communication among the independent auditors, management, and the Board of Directors and with respect to any complaints relating to accounting, internal controls or auditing matters and the confidential anonymous submission by employees regarding questionable accounting or auditing matters.

The Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary to carry out its duties.

II. Committee Membership and Meetings

The Committee shall consist of a minimum of three independent directors as such independence is defined for Committee members by the NASDAQ's listing standards and the Exchange Act and the rules thereunder.

All members of the Committee shall have sufficient financial experience and ability to enable them to discharge their responsibilities including the ability to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication.

III. Committee Duties and Responsibilities

The Committee shall meet at least four times per year or more frequently as deemed necessary; the Committee shall review the Audit Charter on an annual basis and have the Charter appended to the Company's proxy materials at least every three years in accordance with regulations of the Securities and Exchange Commission ("SEC"). The Committee should meet privately in executive session at least annually with management, the internal auditor, the independent auditors, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed. The Committee, or at least its Chairman, should communicate with management and the independent auditors no less than quarterly to review the Company's financial statements and significant findings based upon the auditor's limited review procedures. The Chairman or another member of the Committee selected thereby should review the Company's earnings releases with management and the independent auditors prior to their release.

The Committee shall have the following additional responsibilities with respect to the Company and its consolidated subsidiaries.

1. Affirm an understanding with the outside auditors that they must report directly to the Committee and that the Committee has the ultimate authority and responsibility to select, retain, oversee and approve the compensation of the outside auditors.

2. Meet with the independent auditors and financial management of the Company to review both the scope of the proposed annual audit and the procedures to be utilized, and at the conclusion of such audit, meet with independent auditors independently of management to discuss their comments and recommendations.

3. Review and approve the internal audit function of the Company including (a) its purpose, independence, authority, and reporting obligations (b) the annual audit program, budget, and staffing, (c) presentation of internal audit's annual audit plan to external auditors for review and comment, (d) coordination of the audit plan with the independent auditor, (e) provide for periodic external reviews by a third party of internal audit department for effectiveness, and (f) the appointment, termination, and compensation of the internal audit staff.

4. Approve, in advance, the provision by the independent auditor of all permissible audit and non-audit services (with the exception of certain *de minimus* non-audit services constituting not more than 5% of all auditing revenues paid during the fiscal year; not initially recognized to be non-audit; and promptly brought to the attention of the audit committee and approved prior to completion).

5. If necessary to discharge the duties and responsibilities of the Committee, engage and determine funding for independent counsel and other advisers.

6. Review the independent auditor's examination of the Company's (a) financial statements, (b) evaluation of the internal system of audit and financial controls, and (c) financial statements contained in the annual report to shareholders.

7. Review with management, internal audit, and others that the Committee deems appropriate, the Company's internal system of audit and financial controls and the results of such audits.

8. Review the Company's financial reporting process, its accounting standards and principles, and any significant changes to these standards and principles in their application.

9. Review and resolve those matters pertaining to the integrity of management, including conflicts of interest and adherence to the standards of business conduct as required by the Company. Such review should include, when appropriate, meeting with management and General Counsel.

10. Ensure that the outside auditors submit to the Committee written disclosures and the letter from the auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and discuss with the auditors the auditors' independence.

11. Maintain an active dialogue with the outside auditors regarding any disclosed relationships or services that could affect the objectivity and independence of the outside auditors, and be responsible for taking, or recommending that the Board of Directors take, appropriate action to oversee the outside auditors' independence.

12. Establish procedures to receive, retain and respond to any complaints and concerns regarding the Company's accounting, internal accounting controls or auditing matters, including enabling employees to transmit concerns regarding questionable accounting or auditing matters by confidential, anonymous submission.