

**THE BANCORP, INC.**  
**AUDIT COMMITTEE CHARTER**

As of June 22, 2004

**Purpose**

The Audit Committee is appointed by the Board of Directors (“the Board”) of The Bancorp, Inc., a Delaware corporation (“Bancorp”) to assist the Board in monitoring (i) the integrity of the financial statements of Bancorp, including, without limitation, overseeing the accounting and financial reporting processes of Bancorp and the audits of the financial statements of Bancorp, (ii) the compliance by Bancorp with legal and regulatory requirements, including, without limitation, those of relevant bank holding company regulatory authorities and of the NASDAQ Stock Market, Inc. or any securities exchange or other interdealer automated quotation system on which Bancorp’s securities are traded (the “Relevant Trading Market”), (iii) the independent auditor’s qualifications and independence, and (iv) the performance of Bancorp’s internal audit function and independent auditors.

The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission (“SEC”) to be included in Bancorp’s annual proxy statement if and when Bancorp’s common stock, or other equity securities, are registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

**Committee Membership**

The Audit Committee shall consist of no fewer than three members. The members of the Audit Committee shall meet the independence and experience requirements of the Relevant Trading Market and Section 301 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). At least one member of the Audit Committee shall have past 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, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. To the extent practicable, at least one member of the Audit Committee shall be an “audit committee financial expert” as that term is defined in rules promulgated by the SEC pursuant to Section 407 of the Sarbanes-Oxley Act.

The Chairman and members of the Audit Committee shall be appointed by the Board on the recommendation of the Nominating Committee. Audit Committee members may be replaced by the Board.

**Committee Authority and Responsibilities**

The Audit Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged by Bancorp (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for Bancorp, and each such registered public accounting firm

shall report directly to the Audit Committee. The Audit Committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification), and shall approve all audit engagement fees and terms and all significant non-audit engagements with the independent auditors. The Audit Committee shall have the sole authority to preapprove any auditing service or non-audit service (as defined in the Sarbanes-Oxley Act) performed by the independent auditor as provided by Section 202 of the Sarbanes-Oxley Act. The Audit Committee may delegate to one or more members of the Audit Committee the authority to grant preapprovals required under such Section. Each decision of any member to whom authority is so delegated to preapprove an activity under such Section shall be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee may form and delegate authority to subcommittees when appropriate. The Audit Committee shall consult with management but shall not delegate these responsibilities to management.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee may request any officer or employee of Bancorp or Bancorp'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 meet with management, the internal auditors and the independent auditor in separate executive sessions periodically. The Audit Committee may also, to the extent it deems necessary or appropriate, meet with Bancorp's investment bankers or financial analysts who follow Bancorp.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisers to advise the Committee. Bancorp shall provide for appropriate funding, as determined by the Audit Committee, for payment of (i) compensation to (a) the registered public accounting firm employed by Bancorp for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for Bancorp and (b) any advisers employed by the Audit Committee and (ii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall annually review the Audit Committee's own performance.

The Audit Committee, to the extent it deems necessary or appropriate, shall:

#### Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in any regulatory or other filings, including (if Bancorp's securities are registered under the Exchange Act) its annual report on Form 10-K.
2. Review and discuss with management and the independent auditor Bancorp's quarterly financial statements included in any regulatory or other filings, including (if Bancorp's securities are registered under the Exchange Act) its quarterly report on Form 10-Q,

including disclosures made in management's discussion and analysis and including the results of the independent auditors' reviews of the quarterly financial statements.

3. Review and discuss with management and/or the independent auditor (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in Bancorp's selection or application of accounting principles, and major issues as to the adequacy of Bancorp's internal controls and any special audit steps adopted in light of material control deficiencies and (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on Bancorp's financial statements.
4. Discuss with management Bancorp's earnings press releases, including the use (if any) of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. This discussion may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The Audit Committee need not discuss in advance each earnings release or each instance in which Bancorp may provide earnings guidance.
5. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on or relating to Bancorp's financial statements.
6. Discuss with management Bancorp's major financial risk exposures and the steps management has taken to monitor and control such exposures, including Bancorp's risk assessment and risk management policies. The Audit Committee must discuss guidelines and policies to govern the process by which risk assessment and management is undertaken.
7. 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. Review with the independent auditor any audit problems or difficulties and management's response. In particular, discuss:
  - (a) The adoption of, or changes to, Bancorp's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.
  - (b) The management letter provided by the independent auditor and Bancorp's response to that letter.
  - (c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
8. Review the experience and qualifications of the senior members of the independent auditor team.

9. Obtain and review a formal written statement from the outside auditors at least annually regarding (a) the auditor's internal quality-control procedures, (b) any material issues raised by the most recent 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, (c) any steps taken to deal with any such issues, and (d) all relationships between the auditor and Bancorp (to assess the auditor's independence), consistent with Independent Standards Board Standard 1. Actively engage in a dialogue with the auditor with respect to disclosed relationships or services that may impact the objectivity and independence of the auditor. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditors. This evaluation should include the review and evaluation of the lead partner of the independent auditor. The Audit Committee shall present its conclusions to the Board and, if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the auditor. The Audit Committee shall take, or recommend that the full Board take, appropriate action to oversee the independence of the outside auditor.
10. In addition to assuring the regular rotation of the lead audit partner as required by Section 203 of the Sarbanes-Oxley Act, consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm itself on a regular basis.
11. Set policies for Bancorp's hiring of employees or former employees of the independent auditor who were engaged on Bancorp's account.
12. Discuss with the national office of the independent auditor issues on which they were consulted by Bancorp's audit team and matters of audit quality and consistency.
13. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

#### Oversight of Bancorp's Internal Audit Function

14. Review Bancorp's internal audit function to insure it is an appropriate control process for reviewing and approving Bancorp's internal transactions and accounting, including any outsourcing of some or all of this function.
15. Review the significant reports to management prepared by the internal auditors and management's responses.
16. Discuss with the independent auditor the internal audit function, budget and staffing and any recommended changes in the planned scope of the internal audit.

## Compliance Oversight Responsibilities

17. Obtain from the independent auditor assurance that no reporting obligation to management under Section 10A of the Securities Exchange Act of 1934 (“Section 10A”) has been triggered, including assurance that in the course of conducting its audit, the independent auditor did not detect or otherwise become aware of information indicating that an illegal act (whether or not perceived to have a material effect on the financial statements of Bancorp) has or may have occurred that would be required to be reported under Section 10A.
18. Obtain reports from management, the internal auditors, the independent auditor and legal advisers that Bancorp and its subsidiary entities are in conformity with applicable legal requirements and the Bancorp’s Code of Business Conduct and Ethics. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to Bancorp’s policies and procedures regarding compliance with applicable laws and regulations and with Bancorp’s Code of Business Conduct and Ethics.
19. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding Bancorp’s financial statements or accounting policies.
20. Review the findings of any examination by regulatory agencies such as the SEC, Federal Reserve, FDIC, or the Delaware Banking Commissioner.
21. Be familiar with Management’s response to regulatory examinations.
22. Discuss with Bancorp’s counsel legal matters that may have a material impact on the financial statements or Bancorp’s compliance policies.
23. Establish procedures for (i) the receipt, retention and treatment of complaints received by Bancorp regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submission by employees of Bancorp of concerns regarding questionable accounting or auditing matters.

## **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 Bancorp’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.