

The Bancorp Inc.

February 24, 2009

Mr. Neil M. Barofsky, Special Inspector General
Office of the Special Inspector General
Trouble Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Neil M. Barofsky,

The below constitutes the response of The Bancorp, Inc to your inquiry of February 6, 2009 with reference to Bancorp's uses and plans for actions in connection with its receipt on December 12, 2008 of \$45.2 MM in funding from the CPP/TARP. We envision our program as having three phases:

Phase I: Initial use of funds for efficient reduction of Bancorp's interest cost.

Phase II: Interim revival of new loan origination and identification of new and effective programs.

Phase III: Implementation of longer-term initiatives.

PHASE I:

We completed our application for TARP funding on October 27, 2008, were notified of our approval early in December, and received funding on December 12, 2008. \$6MM was allocated to the bank subsidiary to offset higher cost funding and add to the capital of that subsidiary. \$27 MM was applied to offset higher cost funding at the holding company, which had been down streamed to the bank to increase its capital. (b) (4)

(b) (4)

PHASE II:

During the period July 1, 2008 through December 31, 2008, net loans at the Bancorp bank grew by \$22 MM in contrast to net loan growth during the period January 1, 2008 through June 30, 2008 of \$140 MM. During the second half of 2008, management became concerned about being able to retain its "well capitalized risk based" ratios because of the dramatic reduction in expected repayments. This reduction in loan origination reflected our concern for adequacy of capital and our need to understand better the trend and velocity of the stream of repayments. Since having received the TARP funding, loan origination activity has been revived. However, it must be noted that since the standard interlude between origination and funding is approximately 90 days,



the impact of this activity will only be evident in the second quarter 2009. Through February 12, 2009 \$9 MM in net loan growth has occurred and an additional \$16 MM in loans are scheduled for closing. As a community bank our primary lending focus is commercial lending to small to medium size businesses.

(b) (4)

EXECUTIVE COMPENSATION:

(b) (4)

(b) (4)

We look forward to reporting further expansion of lending activities. Growth has been a hallmark of this institution since its inception in 2000.

I certify the accuracy of all statements, representation, and supporting information provided, subject to the requirement and penalties set forth in Title 18, United States Code, Section 1001.

Very truly yours,



Betsy Z. Cohen
Chief Executive Office

