

**FIRST BANK OF DELAWARE**  
**AUDIT COMMITTEE CHARTER**

**Statement of Policy**

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of First Bank of Delaware (the “Company”) is to:

- assist the Board in its oversight of (i) the integrity for the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the independent auditors’ qualifications and independence, (iv) the performance of the Company’s internal audit function and independent auditors, and (v) the Company’s management of market, credit, liquidity and other financial and operational risks;
- decide whether to appoint, retain or terminate the Company’s independent auditors and to pre-approve all audit, audit-related and other services, if any, to be provided by the independent auditors; and
- prepare the report required to be prepared by the Committee pursuant to the rules of the Securities and Exchange Commission (the “SEC”) for inclusion in the Company’s annual proxy statement.

**Composition**

There shall be a committee of the board of directors to be known as the Audit Committee. The Audit Committee (“Committee”) shall be composed of at least three members, each of whom must be “independent” under the rules of the Nasdaq Stock Market and under Section 401 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and the rules promulgated thereunder. Each member of the audit committee (i) must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement, (ii) must not accept (except in his or her capacity as a member of the Committee, the Board or any other Board committee) directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, other than fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service), and (iii) must not participate in the preparation of the financial statements of the company or any current subsidiary of the company. In addition, 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 that results in the individual’s financial sophistication.

## **Structure and Operations**

The Board, taking into account the views of the Chairman of the Board, shall designate one member of the Committee as its chairperson. The Committee shall meet at least once during each fiscal quarter, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairperson.

The Committee may invite such members of management and other persons to its meetings as it may deem desirable or appropriate. The Committee shall report regularly to the Board, summarizing the Committee's actions and any significant issues considered by the Committee.

## **Duties and Responsibilities**

The following are the duties and responsibilities of the committee:

- Meet with the independent auditors and the Company's management and such other personnel as it deems appropriate and discuss such matters as it considers appropriate, including the matters referred to below. The Committee must meet separately with the independent auditors and the Company's management at least once each fiscal quarter.
- Decide whether to appoint, retain or terminate the Company's independent auditors and pre-approve all audit, audit-related and other services, if any, to be provided by the independent auditors (including resolving disagreements between management and the auditor regarding financial reporting).
- Decide whether to appoint and retain and be directly responsible for the compensation and oversight of the work of any registered public accounting firm, other than the independent auditors, engaged by the Company to perform audit, review or attest services for the Company or its consolidated entities.
- Obtain from the independent auditors in connection with any audit report filed with the SEC, a report relating to the Company's annual audited financial statements describing all critical accounting policies and practices to be used, all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and any material written communications between the independent auditors and management, such as any "management" letter or schedule or unadjusted differences.
- Discuss with management and the independent auditors the company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition

and Results of Operations” and “Controls and Procedures,” and discuss with the Company’s Chief Executive Officer and Chief Financial Officer their certifications to be provided pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act, including whether the financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows of the Company as of and for the periods presented and whether any significant deficiencies and material weaknesses exist in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information or whether any fraud has occurred, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

- Discuss, as applicable: (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company’s selection or application of accounting principles, and major issues as to the adequacy of the Company’s internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- Discuss with the independent auditors on at least an annual basis the matters required to be discussed by Statement of Accounting Standards No. 61, as it may be modified or supplemented, as well as any problems or difficulties the auditors encountered in the course of the audit work, including any restrictions on the scope of the independent auditors’ activities or access to requested information, and any significant disagreements with management.
- Review with management and, as appropriate, the independent auditors periodically, on at least an annual basis: (i) the independent auditors’ annual audit scope, risk assessment and plan, (ii) the form of independent auditors’ report on the annual financial statements and matters related to the conduct of the audit under generally accepted auditing standards, and (iii) comments by the independent auditors on internal controls and significant findings and recommendations resulting from the audit.
- Review the procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters, and to assess compliance with these procedures.
- Review and assess compliance with the policies governing the hiring by the Company of any current or former employee of the Company’s independent auditors to ensure that no former employee of the independent auditors who was a member of the

company's audit engagement team undertakes a financial reporting oversight role at the Company within one year of the date of the commencement of procedures for a review or audit.

- Obtain assurance from the independent auditors that the audit of the Company's financial statements was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934, as amended, which sets forth certain procedures to be followed in any audit of financial statements required under that Act.
- Discharge any other duties or responsibilities delegated to the Committee by the Board from time to time.

### **Delegation to Subcommittee**

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee. The Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditors, provided that any such approvals are presented to the Committee at its next scheduled meeting.

### **Resources and Authority of the Committee**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special or independent counsel, accountants or other experts, as it deems appropriate, without seeking approval of the board or management

