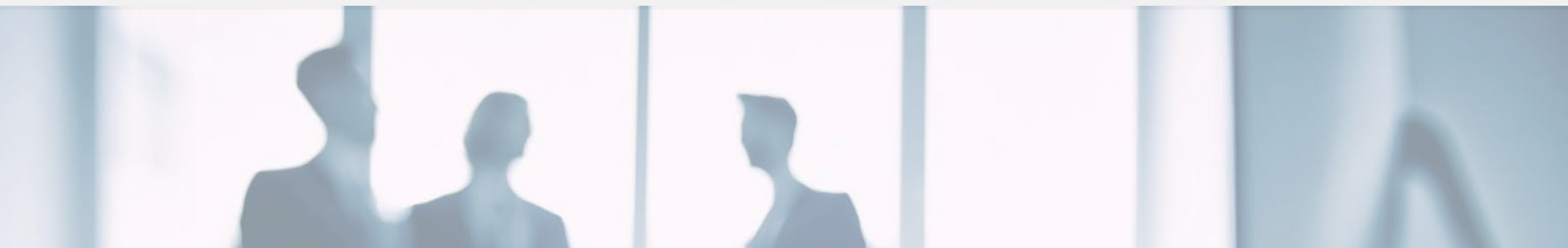




# Business Review and Plan

1<sup>st</sup> Quarter 2018

# Forward Looking Statements and Other Disclosures



Statements in this presentation regarding The Bancorp, Inc.'s business that are not historical facts are "forward-looking statements" that involve risks and uncertainties. These statements may be identified by the use of forward-looking terminology, including the words "may," "believe," "will," "expect," "anticipate," "estimate," "intend," "plan," or similar words. These forward-looking statements are based upon the current beliefs and expectations of The Bancorp, Inc.'s management and are inherently subject to significant business, economic, regulatory, and competitive uncertainties and contingencies, many of which are difficult to predict and beyond our control. For further discussion of these risks and uncertainties, see the "risk factors" sections of The Bancorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017, its other public filings with the SEC and appendix on page 32. In addition, these forward-looking statements are based upon assumptions with respect to future strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements. The forward-looking statements speak only as of the date of this presentation. The Bancorp, Inc. does not undertake to publicly revise or update forward-looking statements in this presentation to reflect events or circumstances that arise after the date of this presentation, except as may be required under applicable law.

This presentation contains information regarding financial results that is calculated and presented on the basis of methodologies other than in accordance with accounting principles generally accepted in the United States ("GAAP"). Please refer to the footnote on slide 31 for a definition of "Adjusted Post Provision Income" and the reconciliation of the applicable GAAP financial measure.

This presentation may contain statistics and other data that in some cases has been obtained from or compiled from information made available by third-party service providers. The Bancorp, Inc. makes no representation or warranty, express or implied, with respect to the accuracy, reasonableness or completeness of such information.

Past performance is not indicative nor a guarantee of future results.

Copies of the documents filed by The Bancorp, Inc. with the SEC are available free of charge from the website of the SEC at [www.sec.gov](http://www.sec.gov) as well as on The Bancorp, Inc.'s website at [www.thebancorp.com](http://www.thebancorp.com).

This document is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities.



# The Bancorp Strategy

The Bancorp has developed a client-driven business strategy which leverages our strategic assets and has significantly improved our financial performance

## Key Financial Metrics

	Q1 2018 YTD	Near term Objective	Multi-year Objective
Core Revenue Growth <sup>1</sup>	24%	>10%	>10%
Efficiency Ratio <sup>1</sup>	65%	<69%	<60%
Return on Equity %	17.5%	14.0%	20.0%
Return on Assets %	1.3%	1.20%	1.75%
Tier 1/Avg Assets (consolidated)	7.7%	>8.5%	>9.0%

## BUSINESS STRATEGY ELEMENTS:

- Leverage Payments Platform
  - Value-added solutions
  - Low cost funding
  - Significant fee income
- Build out our historically low credit loss lines of businesses
- Focus on execution

<sup>1</sup> 3/31/2018 vs. 3/31/2017 net interest income plus non interest income excluding change in value of unconsolidated entity and gain/loss on sale of securities

The Bancorp

# Serving the world's most successful companies....

**>100,000,000**

Prepaid Cards in U.S.  
Distribution

**\$4.4 Billion**

Total Assets

**1.1+ Billion**

Merchant Card Transactions  
Processed Annually

**\$459 Billion**

Combined Annual Payments  
Processing Volume



**70k**

Merchants served within  
Mastercard/Visa  
Networks

**100+**

Private-Label  
Non-Bank Partners

**TOP 15**

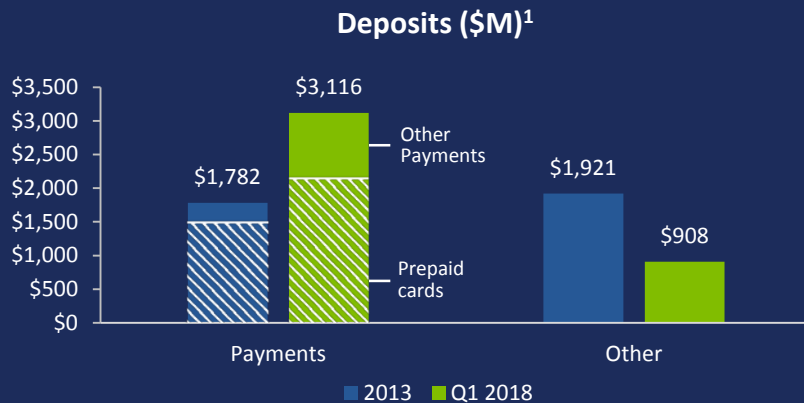
Automated Clearing House  
(ACH) Originating Bank

**>200k**

ACH Originators  
Sponsored

...creates a stable, low cost deposit base...

The Bancorp has a unique deposit gathering platform linked to our payments franchise



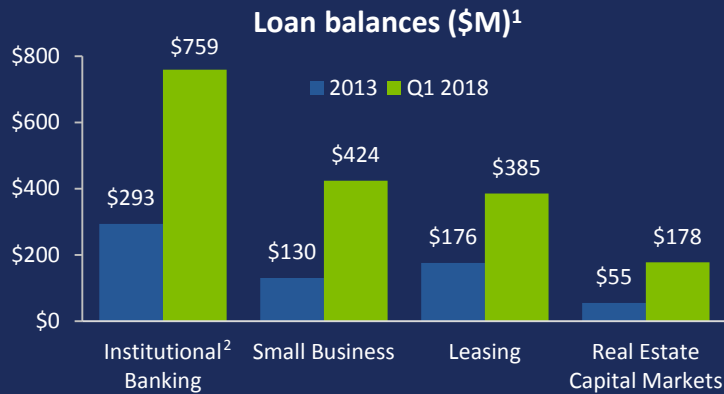
<sup>1</sup> Based on average annual or YTD balances through 3/31/2018

#### HIGHLIGHTS:

- Average deposit cost of 0.49% for the quarter ended 3/31/2018
- Payments represent the largest and fastest growing source of deposits (14% compounded annual growth rate since 2013)
- Decline in Other reflects the exit of HSA, Institutional Banking and other non-strategic deposit relationships

...which we are utilizing to build our lending franchise

We will continue to grow our historically low loss lending activities within our key business lines



**2018 Compound Annual Growth Rates for period 2013 – Q1 2018:**  
Institutional Banking 25%, Small Business 32%, Leasing 20%

<sup>1</sup> End of period balances    <sup>2</sup> Securities-Backed Lines of Credit



#### **Institutional Banking**

Banking and lending solutions for wealth managers



#### **Real Estate Capital Markets**

Commercial real estate loan origination and securitization



#### **Small Business**

SBA and other small business lending



#### **Leasing**

Niche vehicle fleet leasing and management

# Management Scorecard

## Strategic Initiatives Achieved

- ✓ Developed multi-year business plan that was approved by The Bancorp Board of Directors
- ✓ Executed against Phase 1 and 2 of cost reduction plan
- ✓ Delivered positive and improving financial performance from the business
- ✓ Executing against Integrated Compliance Plan to address regulatory issues and de-risk the bank
- ✓ Continued to reduce investments in non-strategic businesses and non-strategic assets
- ✓ Made substantial investment in our senior management teams and infrastructure

## 2018 Management Agenda Items

- Maintain revenue momentum and build new sources of revenue generation
- Create and implement an actionable innovation framework
- Reengineer operating platform (Phase 3) to support innovative growth
- Implement Integrated Compliance Program and complete encyclopedia of regulatory issues
- Implement enhanced culture, inclusion and diversity program
- Integrate the automated SBLOC platform (Talea) with key partners
- Implement long-term liquidity and capital management program

# Key differentiators for The Bancorp

Leading payments franchise, driving fee income growth

Commencing Phase #3 re-engineering of platform to enable innovative growth

Low cost payments deposits will only partially adjust to increases in market interest rates

Asset sensitive balance sheet with majority of loans and investments that will quickly reprice to higher interest rates

Low credit-loss history lending products have grown rapidly and receive lower risk-based capital treatment





# 1<sup>st</sup> Quarter 2018

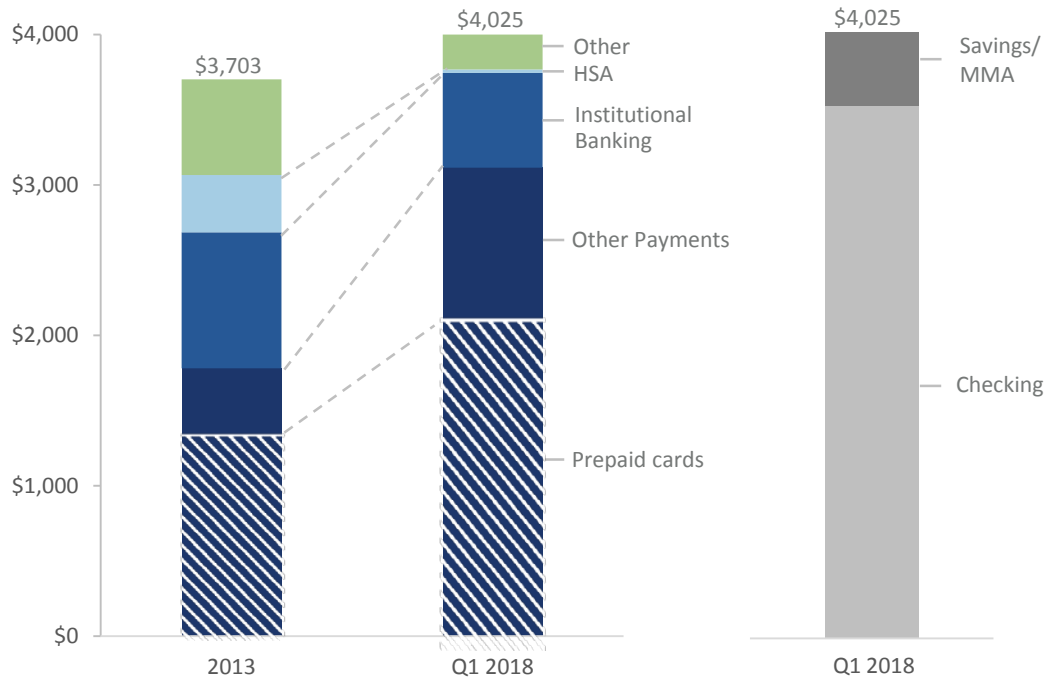
Financial and Business Highlights



# Low Cost Deposit Base

The Bancorp has a unique deposit gathering platform linked to our payments franchise

Deposits by business line and deposit type (\$M)<sup>1</sup>



## Highlights

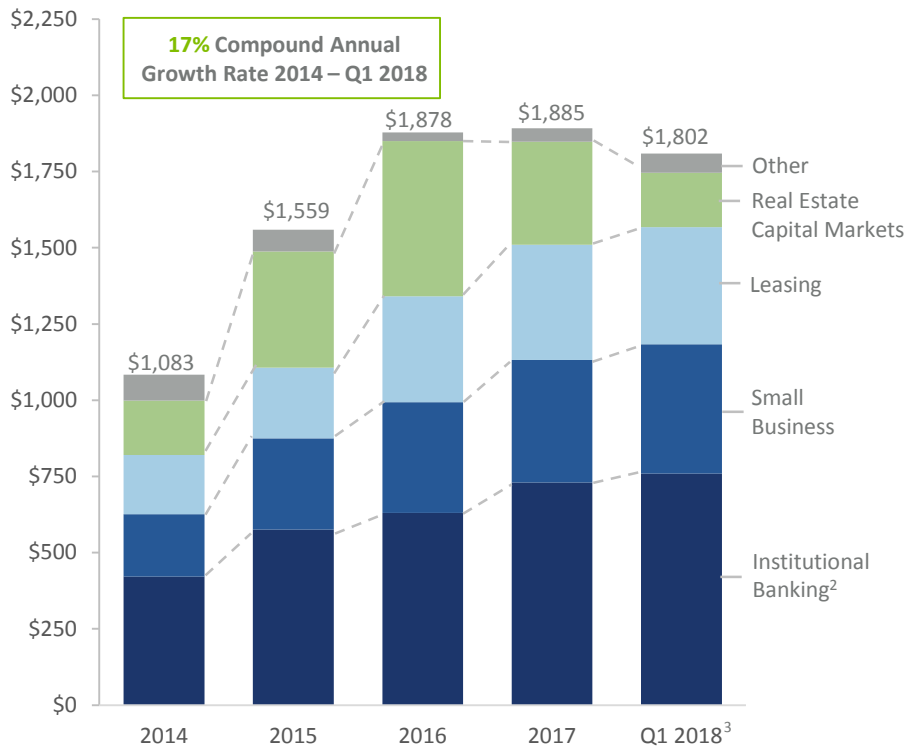
- Average deposit cost of 0.49% for the quarter ended 3/31/2018
- Payments (Prepaid cards and Other payments) represent the largest and fastest growing source of funds (14% compound annual growth since 2013)

<sup>1</sup> Based on average annual or YTD balances through 3/31/2018

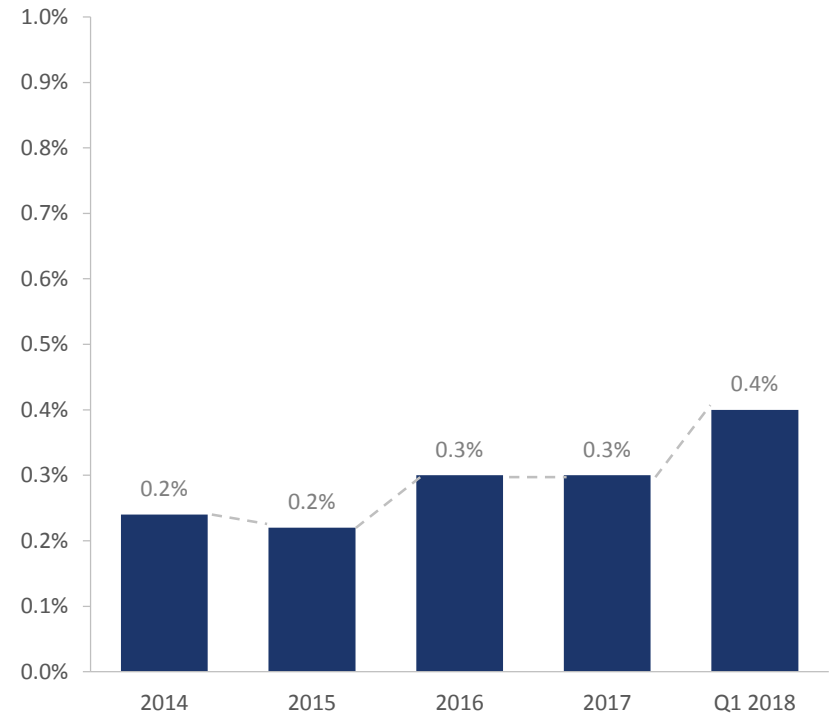
# Loan Growth Across Platform

We continue to grow our key lending businesses which have had low loss histories

Loan balances (\$M)<sup>1</sup>



Non-performing loans/total loans<sup>1</sup>



	2014	2015	2016	2017	Q1 2018
Non-performing loans (\$000) <sup>1</sup>	\$2,056	\$2,330	\$3,633	\$4,223	\$6,159
Non-performing loans as % of equity capital	0.6%	0.7%	1.2%	1.3%	1.9%

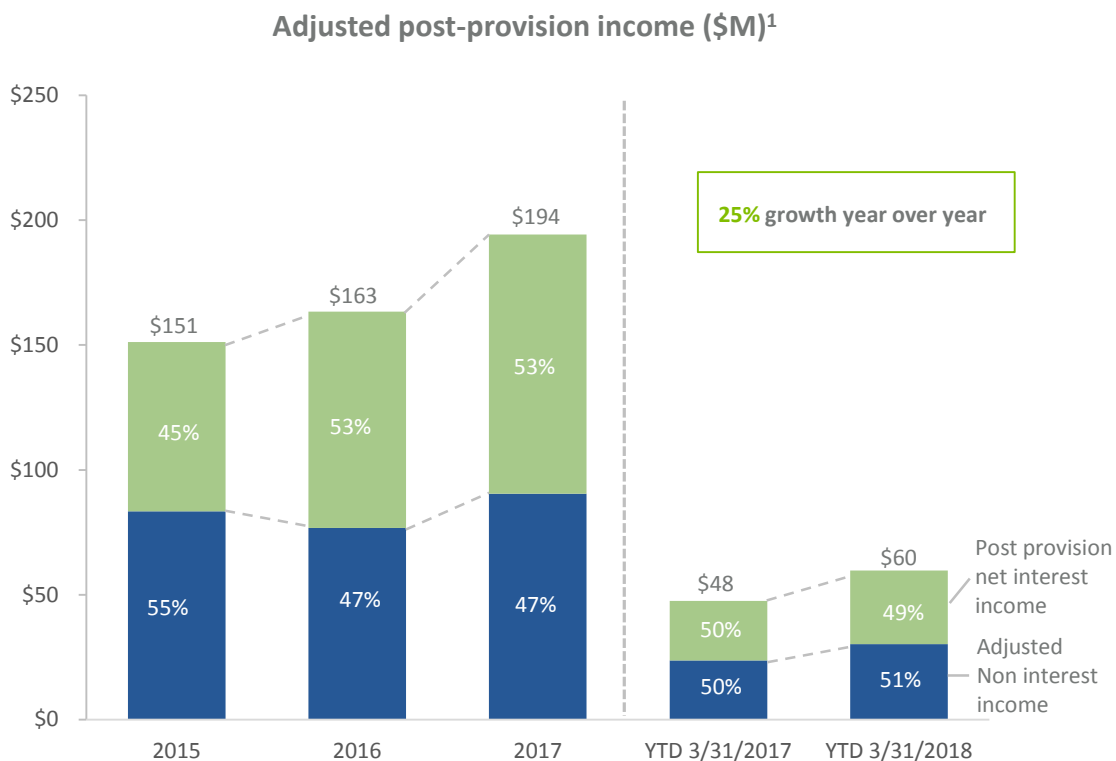
<sup>1</sup> End of period balances for continuing lines of business

<sup>2</sup> Securities-Backed Lines of Credit

<sup>3</sup> Reduction in total loans resulted from real estate capital markets securitization in Q1 2018

# Consistent Generation of Non-Interest Income

The Bancorp has a healthy mix of non-interest income relative to other financial institutions of similar size



## Highlights

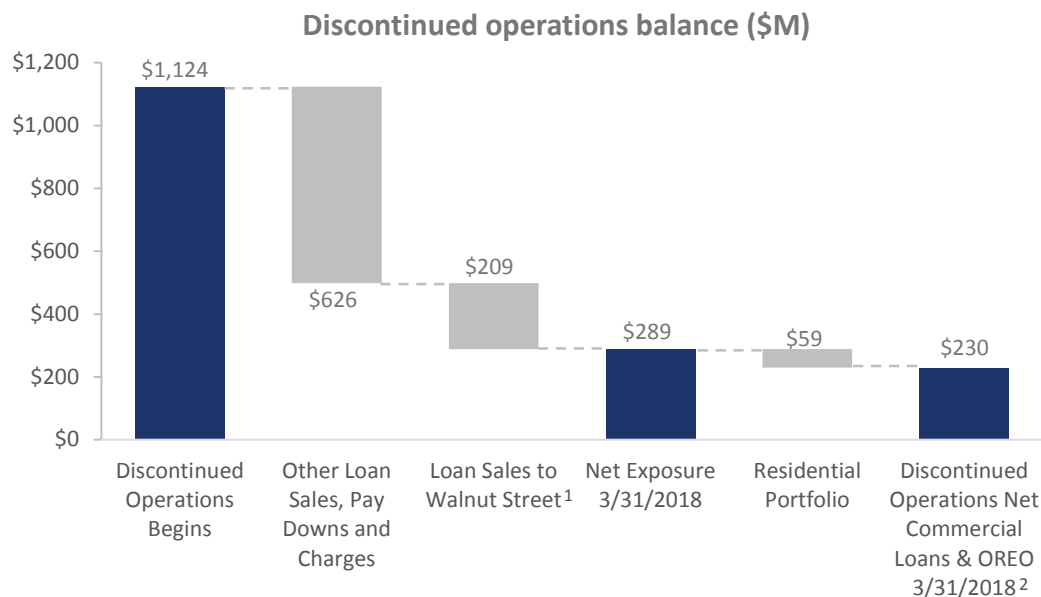
- Payments franchise a key generator of non-interest income
- 51% non-interest income vs. 22% for average community banks<sup>2</sup>

<sup>1</sup> For reconciliation of post provision income to GAAP, please see appendix (page 31)

<sup>2</sup> Based on peer group community banks. Source: UBPR

# Focus on Reducing Non-strategic Assets

Significant progress has been made in stabilizing the discontinued portfolio through 2017 and Q1 2018



(\$M)	Exposure as of 3/31/2018 <sup>3</sup>	% Marks to Principal <sup>4</sup>
8 Largest relationships > \$8 million	\$145	3%
Other loans	\$50	17%
Total discontinued commercial loan exposure	\$195	7%

## Highlights

- The Bancorp discontinued its Philadelphia-based commercial real estate operations in 2014
  - Significant reductions over past two years
  - Disposing remainder of portfolio as soon as practical with optimal execution
- While credit risk remains, discontinued credit performance improved in 2017 and 2018 after large fair value credit marks in previous periods

<sup>1</sup> Balance of Walnut Street (discontinued loan sale financed by bank in 2014) at 3/31/2018 was \$70.0M

<sup>2</sup> Remaining commercial loan exposure as of 3/31/2018. Includes OREO (other real estate owned)

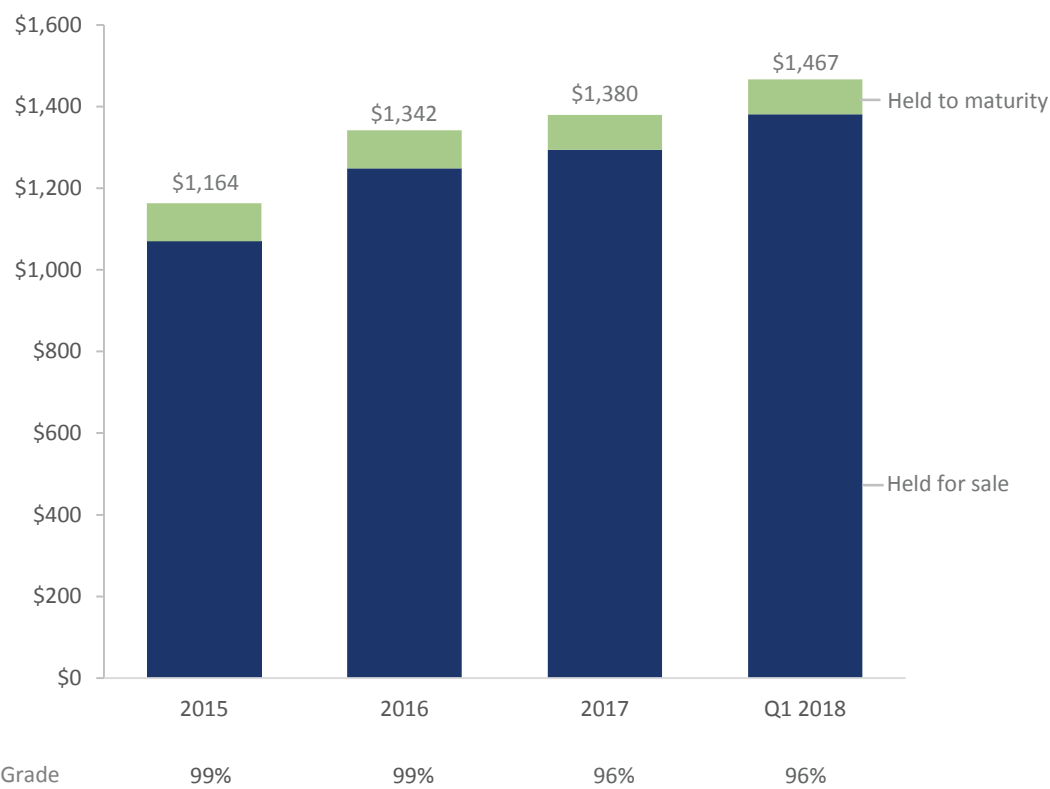
<sup>3</sup> See footnote 1 for discontinued loan sales financed by the bank which are reported as investment in unconsolidated entity on the balance sheet

<sup>4</sup> Current marks as a percentage of 3/31/2018 principal. Cumulative marks to original commercial loan principal are approximately 26%

# High Quality Investment Securities Portfolio

We have maintained our liquid securities portfolio even as our core lending businesses have grown

Securities portfolio (\$M)<sup>1</sup>



## Highlights

- 95% of portfolio rated A- or better
- Yield on securities portfolio >2.75% YTD with low duration relative to peers
- Portfolio managed by highly experienced internal team
- Highly liquid assets<sup>2</sup> are >45% of total assets. Peer on balance sheet liquidity <20% per UBPR

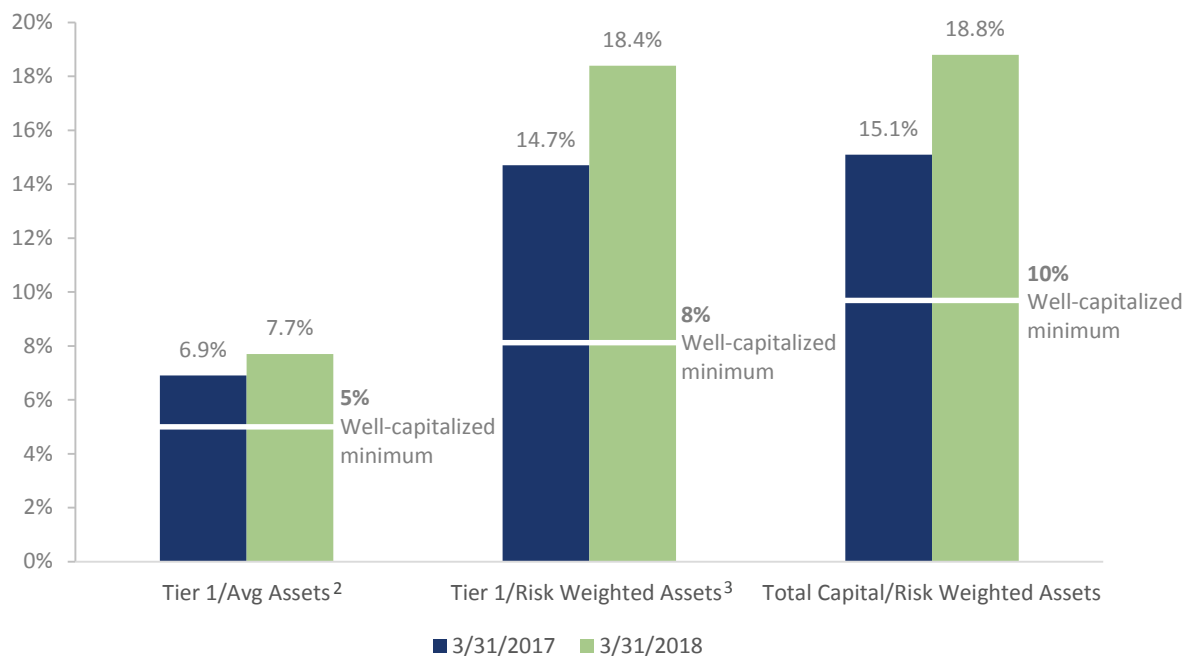
<sup>1</sup> End of period balances

<sup>2</sup> Highly liquid assets include investment securities, balances at the Federal Reserve bank and short term assets and an FRB line of credit, collateralized by loans

# Commitment to a Well-capitalized Balance Sheet

We are committed to maintaining a strong capital position as we grow our business

The Bancorp capital ratios<sup>1</sup>



## Highlights

- Capital ratios increasing with Tier 1/Average Assets approaching near term target of 8.5% with longer term target of 9.0%
- Risk based ratios reflect lower risk based requirements for Securities-Backed Lines of Credit, SBA loans and select investment securities as a result of lower industry wide losses

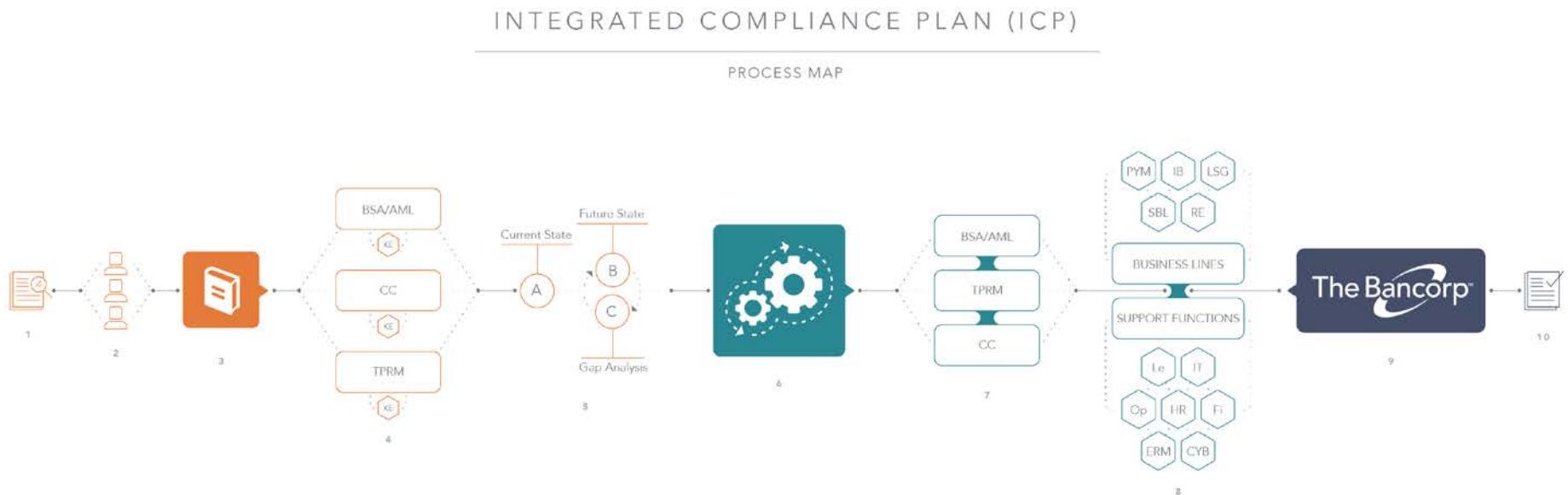
<sup>1</sup> Consolidated capital ratios

<sup>2</sup> Tier 1/Avg Assets (leverage ratio) for the bank at 3/31/2018 was 7.3%

<sup>3</sup> The Common Equity Tier 1 Ratio (CET1) is equivalent with a well capitalized minimum of 6.5%

# Implemented an Integrated Compliance Plan

We are executing against our integrated compliance plan that includes BSA/AML<sup>1</sup>, Third Party Risk Management and Consumer Compliance



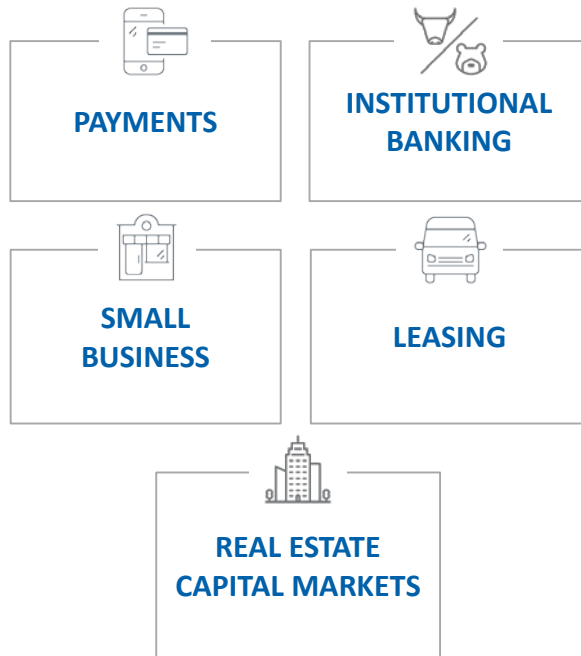
<sup>1</sup> Bank Secrecy Act/Anti-Money Laundering



# The Bancorp Business Plan

We are focused on executing our business unit strategies while building cross-organizational enablers to implement our business plan

Implement specialized business unit strategies to increase revenue growth and productivity

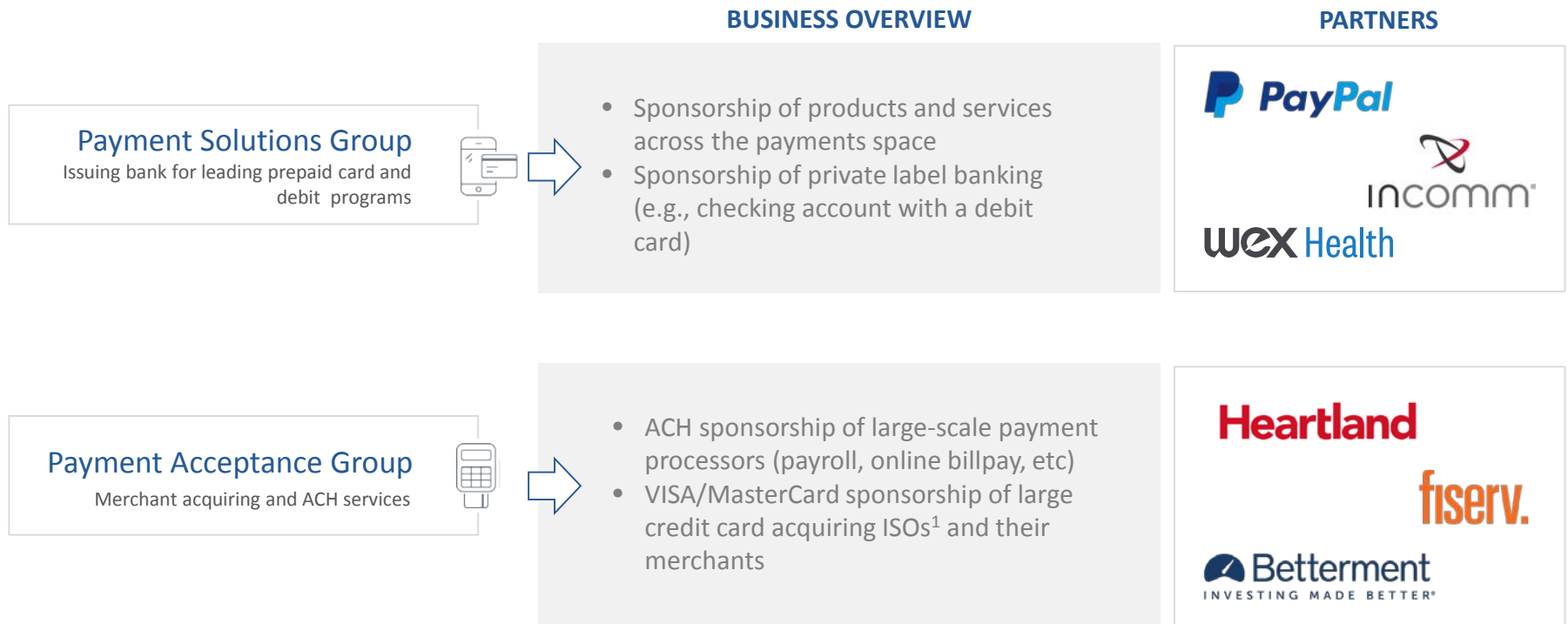


Build cross-organizational capabilities to enable strategy implementation and efficiency





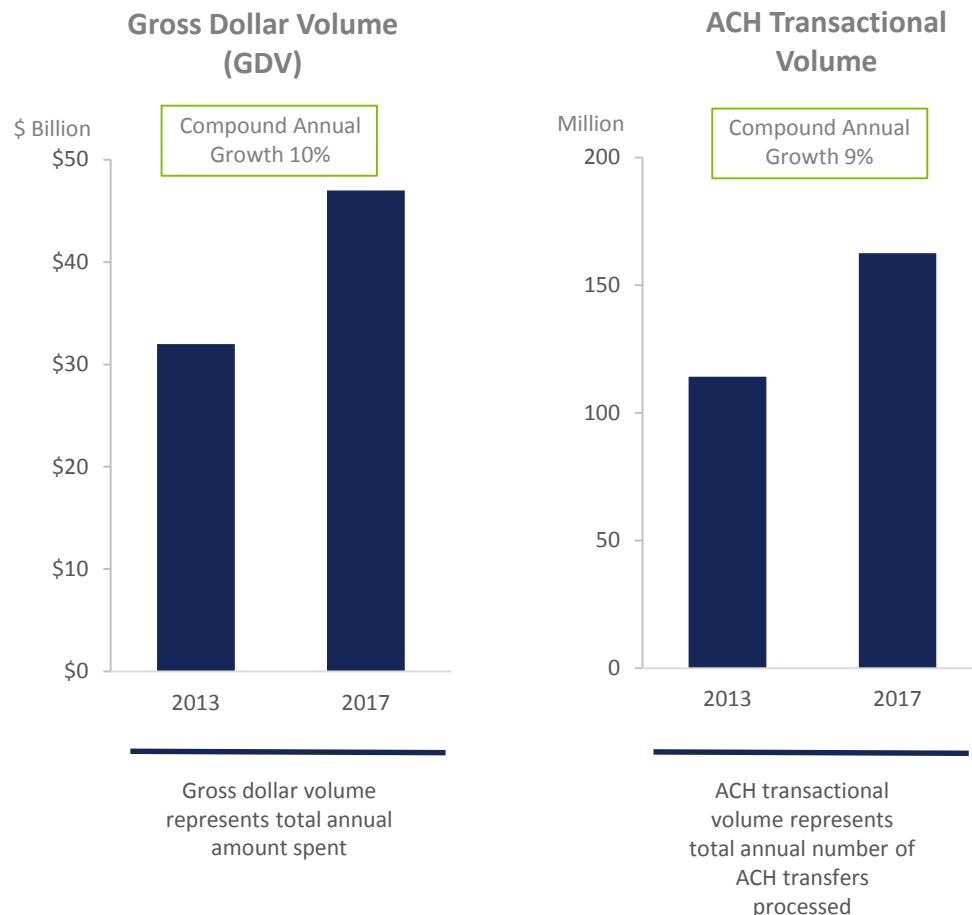
Our Payments capability is comprised of the Payments Solutions Group (Issuance) and Payment Acceptance Group (Acceptance)



<sup>1</sup> Independent Sales Organization (ISO)



Our growing Payments business is the primary driver of non-interest income and the largest source of our deposits



## Financial Highlights

- Largest source of deposits (~\$3.0B in 2017, 75% of total)
- Key driver of non-interest income (2017 non-interest income ~\$60M, 5% growth YoY, 65% of total 2017 non-interest income)

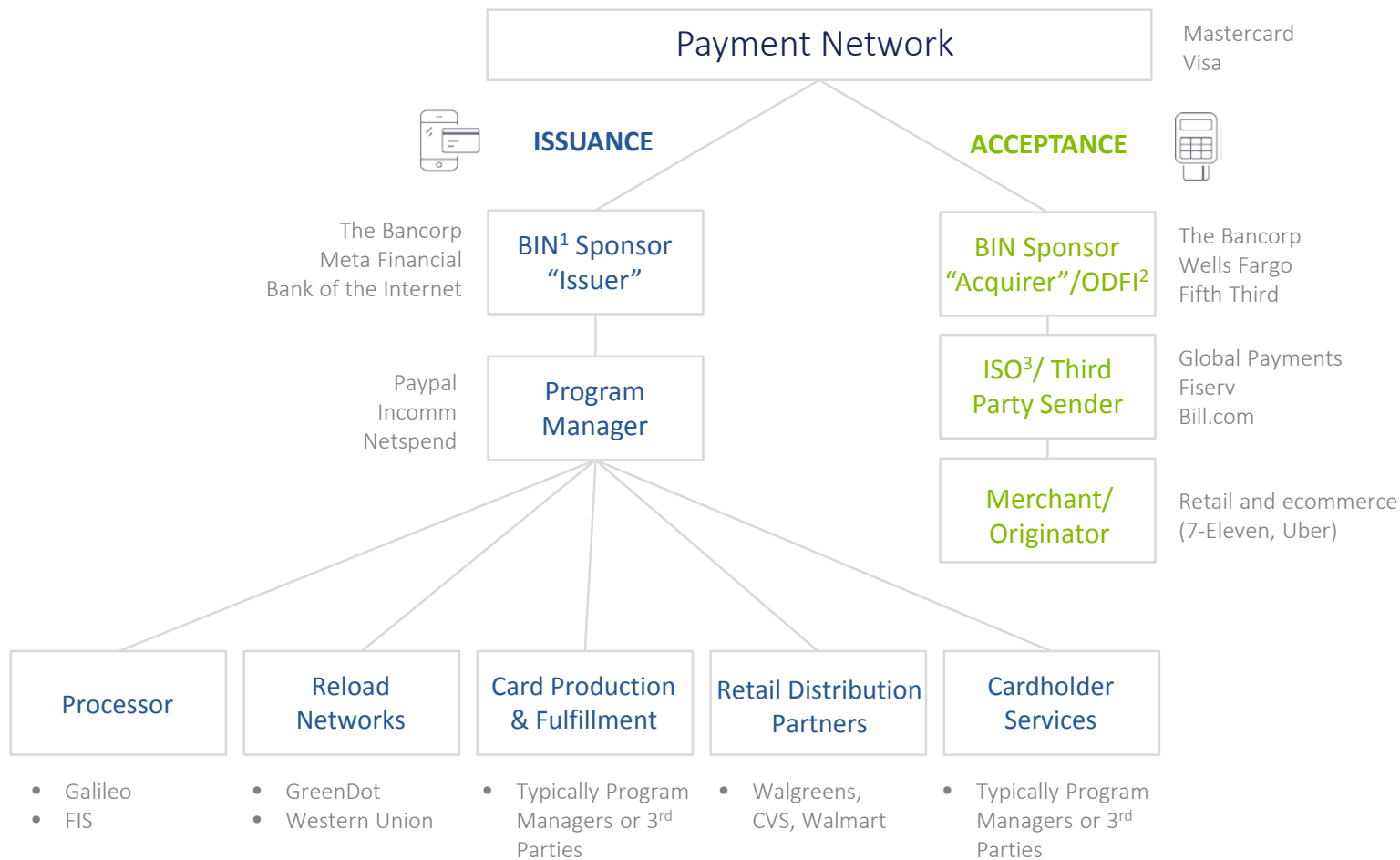
## Key Market Metrics

- Largest U.S. issuer of prepaid cards (>100M)
- 7<sup>th</sup> largest U.S. debit issuer
- 15<sup>th</sup> largest U.S. originator of ACH transactions

# Business Unit Strategies – Payments Ecosystem



The Bancorp plays a key role within a highly developed marketplace



<sup>1</sup> Bank Identification Number (BIN)

<sup>2</sup> Originating Depository Financial Institution (ODFI)

<sup>3</sup> Independent Sales Organization (ISO)



The Bancorp works in a highly integrated manner with our Program Managers and Processors

Issuing Bank



“We provide the bank platform...”

- Principal Member and conduit to card networks
- Principal oversight and control of program
- Facilitates the flow of and assumes fiduciary responsibility for funds
- Ensures compliance with applicable law and regulatory guidance
- Settles with the card networks for all transactions

Program Manager



“...while they manage the client relationship”

- Key Product Management role
  - Identifies target client market
  - Designs fee plans
  - Executes on implementation plan
- Key Marketing role
  - Develops marketing plans
  - Forms relationships with vendors and distributors
- Manages day to day product/program management functions
  - Customer service and customer experience
  - Works with Issuing Bank to manage processors

Processor

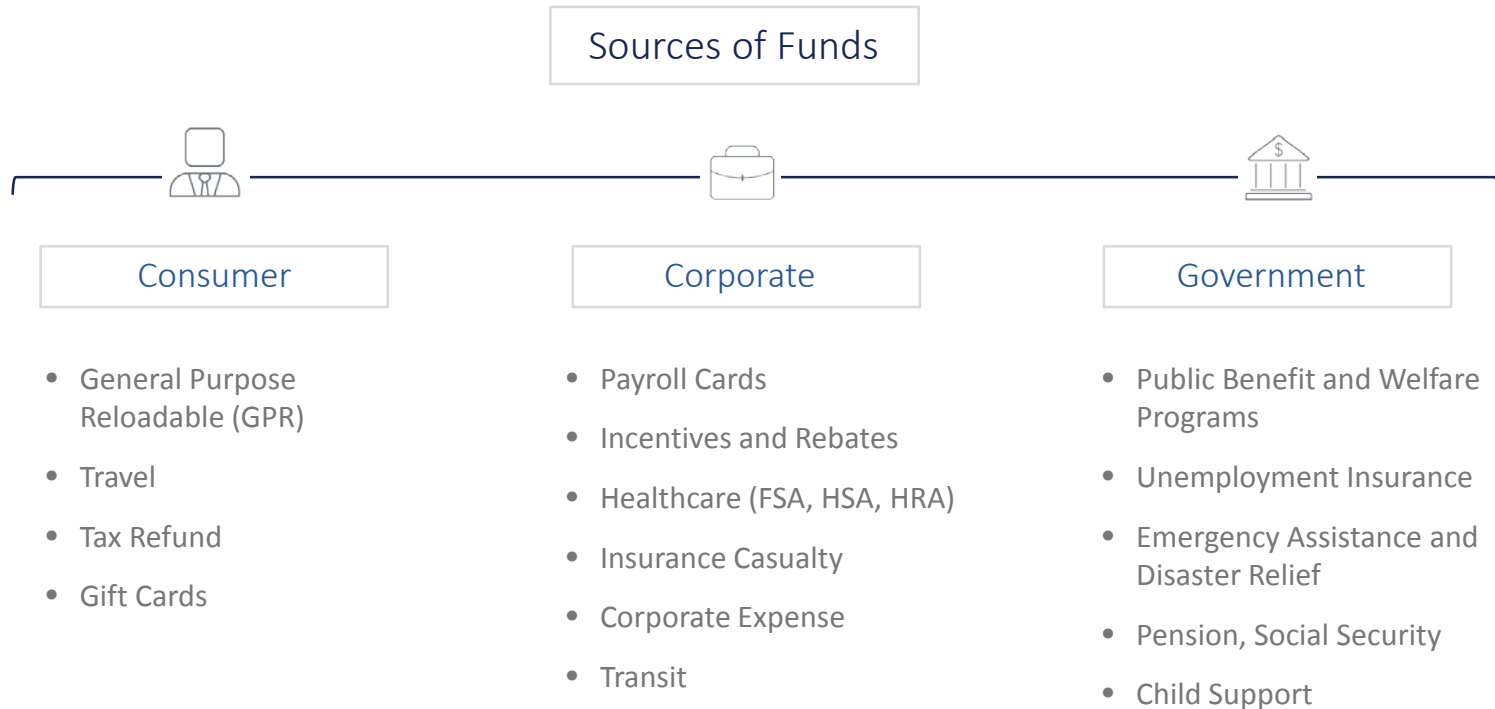


“...and they provide accounting and administration”

- Key Functions
  - Creates card accounts, facilitates card production and package delivery
  - Maintains account of record (card balances, transactions, customer interaction history)
  - Interfaces with card networks
- Key Risk Controls
  - Administers program parameters, thresholds and rules
  - Facilitates transaction risk scoring



The Bancorp delivers the ability to access funds across a wide spectrum of markets





The Bancorp has significant opportunities to grow our core payments business and expand into related markets



## Payment Issuance (PSG)

- Expanding relationships with long-term strategic clients in a consolidating market
- Enhancing payment solutions offering across market segments
- Develop new programs and partnerships as the market evolves



## Payment Acceptance (PAG)

- Built and launched a direct Rapid Funds Transfer channel. Rapid Funds is a new to market Visa/MC card-based transaction type for real-time corporate disbursements and P2P payments
  - Allows The Bancorp to sell a turn-key solution
  - Generates incremental revenue with little incremental expense
- Deepening relationships with long-term strategic clients through cross selling of supplemental payment products



## Credit Linkage

- Pursuing opportunities to provide credit to payments partners in the business to business arena
- Evaluating opportunities to expand credit sponsorship in late 2018



Institutional Banking delivers private label lending and banking services to wealth management providers

## Business Model

- Integrated banking solutions for wealth managers
  - Deposit services
  - Lending services (Securities-Backed lines of credit and advisor acquisition lines)
  - Payment services (debit cards and payment cards)

## Highlights

- Loan growth rate of 25% since 2013 with significant additional market opportunity
- Launched loan automation platform Talea in Q1 2018
- Market dynamics support business model
  - Advisors shifting from large broker dealers to independent platforms
  - Sector shift to fee based accounts
  - Emergence of new wealth management providers



**30,000+** financial advisors served



**\$2.2 trillion** in partner assets under management

**TALEA™**





The Bancorp is building a focused small business lending platform in attractive regional markets and client segments

## Business Model

- Building a distinct platform within the fragmented SBA market
  - National portfolio lender approach allows pricing and client flexibility
  - Highly focused business unit allows for commitment to operational excellence
  - Solid credit performance over time

## Highlights

- Focused on building an integrated national platform
  - Client segment strategy tailored by market
  - Expansion of businesses development capacity
  - Developed the SBAlliance program to provide lending support to banks and financial institutions who need SBA lending capabilities



Compound growth rate of  
32% since 2013



\$700K average  
7a loan size



The Bancorp has built a leasing business that is focused on delivering solutions to commercial and government entities with small auto/truck fleets

## Business Model

- Niche provider of vehicle leasing solutions
  - Focus on smaller fleets (less than 100 vehicles)
  - Direct lessor (Bancorp sources opportunities directly) and provides value-added services
  - Healthy mix of commercial and government-related business (70% commercial)
  - Historical acquisition integration capability is a key driver of growth

## Highlights

- Meaningful organic growth opportunities given fragmented market
- Near-term strategic priorities
  - Enhance sales process and staffing model
  - Pursue technology/operations enhancements to scale business



Compound growth rate of  
20% since 2013



38% auto/  
62% trucks



>\$385M in current  
leasing contracts



The Bancorp has built a niche commercial real estate capital markets business

## Business Model

- Launched in 2012, we have a dedicated team focused on the commercial real estate market
  - Originate floating rate transactions for sale
  - Bank balance sheet provides flexibility vs. warehouse players
- Origination focused primarily on multi-family, office and retail in primary and secondary markets
- Strong credit culture and capital markets experience and expertise

## Highlights

- Completed several securitizations since 2013 and most recently in Q1 2018, generating significant non-interest income
- Focus on originating commercial real estate loans to be sold in private securitizations with a target to complete 2-3 transactions per year



**60-80** commercial real estate loans per year



Origination of private securitization transactions



# Appendix



# Capital Ratios and Selected Financial Data - The Bancorp, Inc.

	As of or for the twelve months ended December 31, 2017	As of or for the three months ended March 31, 2018
<b>Selected Capital and Asset Quality Ratios:</b>		
Equity/assets	6.88%	7.55%
Tier 1 capital to average assets	7.90%	7.69%
Tier 1 capital to total risk-weighted assets <sup>1</sup>	16.73%	18.36%
Total capital to total risk-weighted assets	17.09%	18.75%
Allowance for loan and lease losses to total loans	0.51%	0.50%
<b>Balance Sheet Data (\$M):</b>		
Total assets	\$4,708	\$4,369
Loans, net of unearned costs (fees)	\$1,392	\$1,463
Commercial loans held for sale	\$503	\$350
Allowance for loan and lease losses	\$7.1	\$7.3
Total cash and cash equivalents	\$909	\$575
Total investments	\$1,381	\$1,467
Deposits	\$4,261	\$3,955
Shareholders' equity	\$324	\$330
<b>Selected Ratios:</b>		
Return on average assets	0.5%	1.3%
Return on average common equity	7.0%	17.5%
Net interest margin	3.04%	3.12%
Book value per share	\$5.81	\$5.87

<sup>1</sup> The Common Equity Tier 1 Ratio (CET1) is equivalent

# Loan Portfolio and Asset Quality Overview

Category (000s)	2014	2015	2016	2017	Q1 2018 Balance	% of Total Loans	Non-accrual Loans	OREO	30-89 Days Delinquent	90+ Days Delinquent	Q1 2018 YTD Charge-offs (net)
SBA <sup>1</sup>	\$165,134	\$189,893	\$209,629	\$229,205	\$244,595	14%	\$2,105	\$405	\$658	\$268	\$499
SBA <sup>1</sup> held for sale	\$38,704	\$109,174	\$154,016	\$165,177	\$172,030	9%	-	-	-	-	-
Leasing	\$194,464	\$231,514	\$346,645	\$377,660	\$385,467	21%	-	-	\$2,229	\$2,375	(\$2)
Security backed lines of credit	\$421,862	\$575,948	\$630,400	\$730,462	\$759,369	42%	-	-	\$86	-	-
Other consumer lending	\$36,168	\$23,180	\$17,374	\$14,133	\$17,416	1%	\$1,411	-	\$69	-	\$14
Other specialty lending	\$48,625	\$48,315	\$11,073	\$30,720	\$45,729	3%	-	-	-	-	-
Real Estate Capital Markets	\$178,376	\$380,764	\$509,124	\$338,139	\$177,776	10%	-	-	-	-	-
<b>Total</b>	<b>\$1,083,333</b>	<b>\$1,558,788</b>	<b>\$1,878,261</b>	<b>\$1,885,496</b>	<b>\$1,802,382</b>	<b>100%</b>	<b>\$3,516</b>	<b>\$405</b>	<b>\$3,042</b>	<b>\$2,643</b>	<b>\$511</b>

<sup>1</sup> Small Business Administration

# Adjusted Post Provision Income Reconciliation<sup>1</sup>

Category (\$M)	2015	2016	2017	Q1 2017 YTD	Q1 2018 YTD
Interest income	\$83.5	\$102.2	\$122.0	\$28.5	\$35.3
Interest expense	\$13.6	\$12.2	\$15.3	\$3.6	\$5.2
Net interest income	\$69.9	\$90.0	\$106.7	\$24.9	\$30.1
Provision for loan and lease losses	\$2.1	\$3.4	\$2.9	\$1.0	\$0.7
<b>Net interest income post provision</b>	<b>\$67.8</b>	<b>\$86.6</b>	<b>\$103.8</b>	<b>\$23.9</b>	<b>\$29.4</b>
Beginning non-interest income	\$133.1	\$42.5	\$91.5	\$24.2	\$29.1
(Gain) on sale of investment securities	(\$14.4)	(\$3.2)	(\$2.2)	(\$0.5)	-
(Gain) loss on sale of Health Savings Account portfolio & European Payments Business	(\$33.5)	-	\$0.9	-	-
Change in value of investment in unconsolidated entity	(\$1.7)	\$37.5	-	-	\$1.2
<b>Adjusted Non-interest income</b>	<b>\$83.5</b>	<b>\$76.8</b>	<b>\$90.2</b>	<b>\$23.7</b>	<b>\$30.3</b>
<b>Adjusted post provision income</b>	<b>\$151.3</b>	<b>\$163.4</b>	<b>\$194.0</b>	<b>\$47.6</b>	<b>\$59.7</b>

<sup>1</sup> Post provision income for continuing operations is calculated as follows: Net interest income less provision for loan and lease losses plus non-interest income excluding (gain)/loss on sales of investment securities and Health Savings Accounts, change in value of unconsolidated entity and sale of European payments business

# Risk Factors

The following risk factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in this presentation

The risk factors discussed and identified in our Annual Report on Form 10-K for the year ended December 31, 2017, and in other of our public filings with the SEC include but are not limited to the following:

- an inconsistent recovery from an extended period of weak economic and slow growth conditions in the U.S. economy have had, and may in the future have, significant adverse effects on our assets and operating results, including increases in payment defaults and other credit risks, decreases in the fair value of some assets and increases in our provision for loan losses;
- weak economic and credit market conditions may result in a reduction in our capital base, reducing our ability to maintain deposits at current levels;
- operating costs may increase;
- adverse governmental or regulatory policies may be promulgated;
- management and other key personnel may be lost;
- competition may increase;
- the costs of our interest bearing liabilities, principally deposits, may increase relative to the interest received on our interest bearing assets, principally loans, thereby decreasing our net interest income;
- loan and investment yields may decrease resulting in a lower net interest margin;
- possible geographic concentration could result in our loan portfolio being adversely affected by economic factors unique to the geographic area and not reflected in other regions of the country;
- the market value of real estate that secures certain of our loans, principally loans we originate for sale into secondary markets, Small Business Administration loans under the 504 Fixed Asset Financing Program and our discontinued commercial loan portfolio, has been, and may continue to be, adversely affected by recent economic and market conditions, and may be affected by other conditions outside of our control such as lack of demand for real estate of the type securing our loans, natural disasters, changes in neighborhood values, competitive overbuilding, weather, casualty losses, occupancy rates and other similar factors;
- we must satisfy our regulators with respect to Bank Secrecy Act, Anti-Money Laundering and other regulatory mandates to prevent additional restrictions on adding customers and to remove current restrictions on adding certain customers;
- the loans from our discontinued operations are now held for sale and were marked to fair value based on various internal and external inputs; however, the actual sales price could differ from those third-party fair values. The reinvestment rate for the proceeds of those sales in investment securities depends on future market interest rates; and
- we may not be able to sustain our historical growth rate in our loan, prepaid card and other lines of business.