

CAPITAL CROSSING BANK
AUDIT COMMITTEE CHARTER

**Originally approved by the Board of Directors on March 30, 2000;
amended on February 28, 2001, May 22, 2002, May 12, 2003, May 20, 2004 and
March 24, 2005**

Section 1. Purpose.

The function of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Capital Crossing Bank (the “Bank”) is to oversee the Bank’s: (i) accounting and financial reporting processes, (ii) independent auditors; and (iii) system of internal controls regarding finance, accounting, legal compliance and ethics. As set forth in further detail below, the Committee’s primary duties and responsibilities are to serve as an independent and objective party to:

- monitor the Bank’s financial reporting processes and internal control system;
- be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged by the Bank for the purpose of preparing or issuing an audit report or performing other audit services or permissible non-audit services for the Bank (the “Independent Auditors”);
- review and appraise the work of the Independent Auditors, who shall report directly to the Committee, and its internal audit department (the “Department”); and
- provide an open avenue of communication among the Independent Auditors, management, the Department and the Board.

Section 2. Composition of the Committee.

The Committee shall be appointed by the Board and shall be comprised of three or more directors meeting the independence and experience requirements of applicable regulations and listing standards of the Nasdaq Stock Market, Inc. (“Nasdaq”). In particular, members of the Committee: (i) may not accept any consulting, advisory or compensatory fee from the Bank, other than in the member’s capacity as a member of the Board or any committee of the Board; and (ii) must not be an affiliated person (as defined in the rules and regulations promulgated by the Securities and Exchange Commission (the “SEC”) and Nasdaq) of the Bank apart from capacity as a member of the Board or any committee of the Board.

Section 3. Procedure and Administration

(a) *Meetings.*

The Committee shall meet as often as it deems necessary in order to perform its responsibilities; provided, however, that in no event shall the Committee meet less frequently than five times per year. The Committee may also act by unanimous written consent in lieu of a meeting. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. The Committee shall periodically meet separately with: (i) the Independent Auditor; (ii) Bank

management and (iii) the Bank's internal auditors. The Committee shall keep such records of its meetings as it shall deem appropriate.

(b) *Subcommittees.*

The Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of a single member), as it deems appropriate from time to time under the circumstances. Any decision of a subcommittee to preapprove audit, review, attest or non-audit services shall be presented to the full Committee at its next scheduled meeting.

(c) *Reports to Board.*

The Committee shall report regularly to the Board of Directors.

(d) *Funding.*

The Committee is empowered, without further action by the Board of Directors or the Bank's management, to cause the Bank to pay the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

(e) *Annual Self-Evaluation.*

At least annually, the Committee shall evaluate its own performance.

Section 4. Responsibilities and Duties.

To fulfill its responsibilities and duties the Committee shall:

Independent Auditors

- (a) Be directly responsible for the appointment, compensation, retention and oversight of the work of the Independent Auditors. All audit-related services to be provided by the Independent Auditors must be approved in advance by the Committee, and all non audit-related services to be provided by the Independent Auditors must be approved in advance by either: (i) a majority of the members of the Committee or (ii) the Chairman of the Committee;
- (b) Discuss with the Independent Auditors, and appraise the overall plan/scope of, the audit and related fees.
- (c) Determine, through discussions with the Independent Auditors, that no restrictions exist that would affect the scope of their examination.
- (d) Evaluate internal accounting controls through a review of the report of the Independent Auditors that describes internal accounting, organizational, or

operating control weaknesses, and determine that appropriate corrective action is being taken by management.

- (e) Ensure receipt of a formal written statement from the Independent Auditors consistent with Independence Standards Board Standard No. 1, as modified or supplemented (Independence Discussions with Audit Committees). On an annual basis, review and discuss with the Independent Auditors all significant relationships the Independent Auditors have with the Bank that may affect the Independent Auditors' objectivity or independence to determine the Independent Auditors' independence. If the Committee is not satisfied with the Independent Auditors' assurances of independence, it shall take or recommend to the Board appropriate action to ensure the independence of the Independent Auditor.
- (f) Review the performance of the Independent Auditors and approve any proposed discharge of the Independent Auditors when circumstances warrant.
- (g) Periodically consult with the Independent Auditors out of the presence of management about internal controls and the fullness and accuracy of the Bank's financial statements, including, if any, significant deficiencies and/or material weaknesses in such financial statements.
- (h) Discuss certain matters required to be communicated to audit committees in accordance with Statement on Auditing Standards No. 61, as amended (Codification of Statements on Auditing Standards).

Documents/Reports Review

- (i) On at least an annual basis, review, update and present to the Board for approval, this Charter.
- (j) Review the Bank's annual financial statements, including any certification, report, opinion, or review rendered by the Independent Auditors and the Bank's quarterly financial statements, including the Bank's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (k) Review accounting and financial reporting to the Board, the stockholders and general public.
- (l) Review the regular internal reports to management prepared by the Department and management's response.
- (m) Discuss generally the types of information to be disclosed in the Bank's earnings press releases, as well as in financial information and earnings guidance provided to analysts, rating agencies and others.

Financial Reporting Process

- (n) In consultation with the Independent Auditors and the Director of Internal Audit and other members of the Department as are appropriate, review the integrity of the Bank's financial reporting processes, both internal and external and management's assessment of such processes.
- (o) Evaluate the adequacy and effectiveness of the Bank's accounting policies, procedures and financial and accounting management through observations and discussions with the Independent Auditors and appropriate officers of the Bank.
- (p) Discuss with the Independent Auditors the auditors' judgments about the quality and appropriateness of the accounting principles applied in the Bank's financial reporting, including complex or unusual transactions or judgments concerning significant estimates.
- (q) Consider and approve, if appropriate, major changes to the Bank's auditing and accounting principles and practices as suggested by the Independent Auditors, management, or the Department; and review significant accounting changes.
- (r) Consider the impact of significant regulatory changes, and accounting or reporting developments proposed by the Financial Accounting Standards Board, the SEC, the Federal Deposit Insurance Corporation and Nasdaq, or any other significant matters that may have a bearing on the annual audit.
- (s) Monitor that status of the testing of internal control over financial reporting in order to ensure effectiveness of such internal control.

Process Improvement

- (t) Establish regular and separate systems of reporting to the Committee usually consisting of executive sessions with each of management, the Independent Auditors and members of the Department regarding any significant judgments made in management's preparation of the financial statements and the view of each as to the appropriateness of such judgments.
- (u) Following completion of the annual audit, review separately with each of management, the Independent Auditors and the Department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (v) Review any significant disagreement among management and the Independent Auditors or the Department in connection with the preparation of the financial statements.

- (w) Review with the Independent Auditors, the Department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
- (x) Consider and review with management and the Director of Internal Audit, the Department charter, performance, budget and staffing.

Ethical and Legal Compliance

- (y) Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (z) Review activities, organizational structure, and qualifications of the Department, including reviewing and concurring in the appointment, replacement, reassignment or dismissal of the Director of Internal Audit.
- (aa) Review, with the Bank's counsel, legal compliance matters including corporate securities trading policies and any other legal matter that could have a significant impact on the Bank's financial statements.
- (bb) Perform any other activities consistent with the Committee's Charter, the Bank's By-laws and governing laws, as the Committee or the Board deems necessary or appropriate.

Regulatory Compliance

- (cc) Review examination reports, supervisory letters and other regulatory communications addressed to the Board that assess operational risk, control or compliance functions or information technology and monitor any needed corrective action.
- (dd) At least annually, receive a report on the status of any open or unresolved matter requiring management attention pursuant to findings or recommendations contained in examination reports, supervisory letters and other regulatory communications.
- (ee) Approve for inclusion in the Bank's proxy soliciting materials and other regulatory filings, an audit committee report complying with the requirements of Item 306 of Regulation S-K promulgated by the SEC, as the same may be amended from time to time.

Section 5. Authority.

The Committee shall have the authority to: (i) engage independent counsel and other advisors, as it determines necessary to carry out its duties, without approval from the Board or management; and (ii) obligate the Bank to pay the fees of such advisors. The Committee, at its discretion, may also seek advice from internal counsel or the

Bank's regular outside counsel. The Independent Auditors shall report directly to the Committee. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee or advisor of the Bank to meet with the Committee or any advisors engaged by the Committee.

Section 6. Internal Audit Department.

(a) *Structure and Reporting*

The Director of Internal Audit shall report to the Committee. On a quarterly basis, the Director shall provide the Committee with an update on the status of the Bank's annual audit plan, reports issued and other relevant audit concerns.

(b) *Purpose and Responsibilities*

A charter for the Department has been established to document the purpose, independence and authority, and reporting responsibilities of the Department and such charter will be approved by the Committee on at least an annual basis.

(c) *Interaction with Third Parties*

The Department will work closely with the Independent Auditors to facilitate the completion of the required annual and quarterly audit work and to assist in testwork as deemed appropriate in an effort to reduce audit fees. The Department will also oversee the results of regulatory examinations to assist management in ensuring that appropriate corrective action is being taken.

Section 7. Controls and Procedures

(a) *Procedures for Complaints.*

The Committee shall periodically review the Bank's established procedures for (i) the receipt, retention and treatment of complaints received by the Bank regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Bank of concerns regarding questionable accounting or auditing matters to confirm that they are effectively operating.

(b) *Related-Party Transactions.*

The Committee shall review all related party transactions on an ongoing basis, and all such transactions must be approved by the Committee.

(c) *Risk Management.*

The Committee shall discuss the Bank's policies with respect to risk assessment and risk management, including guidelines and policies to govern the process by which the Bank's exposure to risk is handled.

(d) *Additional Powers.*

The Committee shall have such other duties as may be delegated from time to time by the Board of Directors.