

The Bancorp Bank HSA

YOUR GUIDE TO YOUR HEALTH SAVING ACCOUNT



www.mybancorpHSA.com

A Health Savings Account, or HSA, can be a valuable tool to help you save money for medical expenses for you and your family. An HSA is a tax-exempt account established primarily for the purpose of paying qualified medical expenses. Most people who are covered under an IRS qualified High-Deductible Health Plan (HDHP) can open and contribute to an HSA.¹

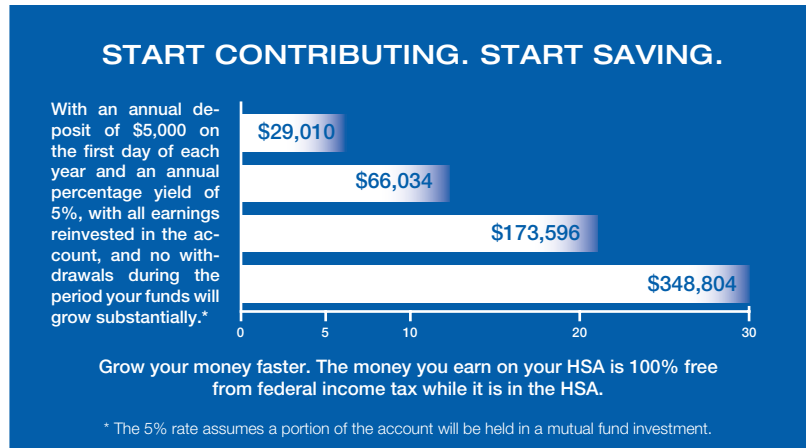
THE BANCORP HSA OFFERS AN OUTSTANDING HSA PRODUCT

ACCOUNT FEATURES INCLUDE:

- No application or account set-up fees
- No monthly maintenance fee
- Earn interest on your account from day one²
- Over 20,000 deposit locations nationwide
- Free, no annual fee HSA Visa® Check Card for easy account access
- No charge for using another bank's ATM³
- Up to \$10 monthly rebate for other bank's ATM surcharge fees
- Free first order of checks
- Full online account access to monitor savings and expenses
- 24/7 Customer Service
- Optional line of credit available to cover HSA shortfalls
- Ability to invest balances over \$2,500

THE TIME IS NOW TO OPEN YOUR ACCOUNT

To Open a Bancorp HSA Health Savings Account, please contact your Benefit Administrator



HSA ADVANTAGES

TAX DEDUCTIBLE CONTRIBUTIONS AND DISTRIBUTIONS

- The money you deposit into your HSA will reduce your taxable income for the year, even if you don't itemize your taxes. If you make deposits to the account, the money can be 100% tax deductible, up to the IRS maximum.
- Withdrawals made for qualified medical expenses are tax-free. A complete list of qualified medical expenses is available through the Internal Revenue Service at www.irs.gov.

UNUSED CONTRIBUTIONS ROLLOVER

Another advantage is that you are not obligated to use the money you contribute to your HSA each calendar year. The money can remain in the account and earn interest until you need it – whether that's next month, next year or in 10 years. At the age of 65, the account can be used as retirement savings or continue to be used for medical expenses. You decide.

THERE ARE MANY WAYS TO MAKE DEPOSITS INTO YOUR HSA. USE THE OPTIONS THAT ARE CONVENIENT FOR YOU.

- E-Money Mover – an exclusive money transfer service
- MoneyGram® ExpressPaymentSM– Over 18,000 locations nationwide
- The UPS Store™– Over 3,000 locations nationwide
- Credit Card
- Check or Money Order
- Electronic Bank Transfers
- Wire Transfers
- ATMs Accepting Deposits
- Direct Deposit

ACCESS THE POWER

The Bancorp Bank is a full-service commercial bank that offers a wide range of personal and business financial services nationwide. With a clear vision of quality and innovation, The Bancorp Bank is taking the lead in delivering financial products and services that our customers want.

PROTECTING YOUR PRIVACY AND SECURITY

The Bancorp Bank is committed to treating and using your financial information responsibly. We will safeguard your information and comply with all regulations and laws related to privacy and will continue to assess new technology for protecting your privacy.

We do not share specific customer information with outside companies for any purpose without customer consent, unless required by law.

To learn more, visit our web site at www.mybancorpHSA.com.

¹ The material presented here is not intended to serve as a substitute for tax advice from a qualified professional. Any person considering opening an HSA should consult a tax advisor first to determine the tax consequences of doing so. It is the responsibility of the individual to determine eligibility for an HSA. ² Interest paid on balances over \$1.00. ³ Mail in receipts within 60 days to receive rebate.

FEE STRUCTURE - HEALTH SAVINGS ACCOUNT

IBC Custom Product Offering

- No application or set-up fees
- No monthly maintenance fee
- No minimum balance requirements
- Outstanding interest rates paid on balances over \$1.00
- Free, no annual fee Check Card and free first order of checks
- Free money transfer functions
- No account closure fee

SCHEDULE OF FEES Applicable to Checking, Savings and Health Savings Accounts (fees are in U.S. dollars)

Duplicate Copy of Statement	\$3.00 per request
Check Copies (In excess of 5 copies. Free online copies available for the prior 12 months of history)	\$1.00 per copy
Insufficient funds (whether item paid or returned)	\$30.00 per item
Uncollected item (charged at bank's discretion)	\$30.00 per item
Deposited Item Returned	\$7.00 per item
Stop Payment	\$15.00 per check request
Checks	
First Order of Personal Checks	Free within the U.S.
Reorder	Cost depends on style and quantity
Treasurer's Check	\$8.00
IRS Levy, Legal Requests, and/or Subpoenas	\$100.00
Writ	\$175.00
Wire Transfers-Domestic	
Incoming	Free
Outgoing	\$12.00
Wire Transfers-International	
Incoming	Free
Outgoing	\$45.00
Credit Card Funds Transfer	
Incoming	2.50% of transaction amount
Electronic Bank Transfers or Automated Clearing House	
Incoming	Free
Outgoing	\$1.50 per automated transfer or E-Money Mover transfer \$5.00 per non-automated transfer or paper transfer
Research Request (Over 30 minutes)	\$25.00 per hour
Dormant Account (Assessed when there is no activity on account)	\$15 Annual Assessed after 24 months of inactivity for checking or savings account.
HSA Debit Card + ATM Card	First Card and Authorized Signer Card Free \$10.00 each replacement card
Outgoing Rollover fee	\$20.00
Faxing of customer information or response to customer initiated requests over 20 pages	\$2.00 per page
Expedited Document or Card Delivery Charge	\$30.00 per envelope

Please visit www.mybancorpHSA.com to view interest rates.*

*Rates subject to change.

Frequently Asked Questions Health Savings Account

Making HSA Contributions

Who can contribute to an HSA?

Both an employer and employee may contribute to an HSA. The money in the health savings account is owned by the employee. Your employer can not control how you use the funds in your HSA account.

What is the maximum amount I may contribute to my HSA?

You can decide how to contribute to your HSA (one-time or multiple times throughout the year) as long as you keep in mind that you don't exceed the maximum allowable annual contribution. You have until April 15 of the following year to make a qualified contribution.

For calendar year 2009, the maximum HSA contributions are:

- For individual coverage, the maximum contribution is \$3,000.
- For family coverage, the maximum contribution is \$5,950.
- In addition to the maximum contribution amount, catch-up contributions of \$1,000 may be made by or on behalf of individuals age 55 or older and younger than 65.
- If a spouse is also 55 or older, a second HSA must be established and a second contribution of \$1,000 could be made to that account.

If an individual has more than one HSA, the annual contribution limit applies to all the HSAs.

Can I use funds from my IRA to fund my HSA?

For tax years beginning in 2007, an individual may make a one-time contribution to an HSA of an amount distributed from his or her IRA. The contribution must be made in a direct trustee-to-trustee transfer. Amounts distributed from the IRA are not includible in the individual's income to the extent that the distribution would otherwise be includible in income. Such distributions are not subject to the 10-percent additional tax on early distributions.

The amount that can be distributed from the IRA and contributed to an HSA is limited to the otherwise maximum deductible contribution to the HSA computed on the basis of the type of coverage under the HDHP at the time of the contribution. The amount that can otherwise be contributed to the HSA for the year of the contribution from the IRA is reduced by the amount contributed from the IRA. No deduction is allowed from the amount contributed from an IRA to an HSA.

DISTRIBUTIONS

An individual is allowed only one distribution and contribution during his or her lifetime, except that if a distribution and contribution are made during a month in which an individual has individual coverage as of the first day of the month, an additional distribution and contribution may be made during a subsequent month within the taxable year in which the individual has family coverage. The limit applies to the combination of both contributions.

If the individual does not remain an eligible individual during the testing period, the amount of the distribution and contribution is includible in the individual's gross income. The testing period is the period beginning with the month of the contribution and ending on the last day of the 12th month following such month. The amount is includible for the taxable year of the first day during the testing period that the individual is not an eligible individual. A 10 percent additional tax also applies to the amount includible. An exception applies if the individual ceases to be an eligible individual by reason of death or disability.

May I use my HRA or FSA to fund my HSA?

For distributions and contributions made on or after the date of the enactment of the Act and before January 1, 2012, the Act allows certain amounts in a Health FSA or HRA to be distributed and contributed through a direct transfer to an HSA without violating the otherwise applicable requirements for such arrangements. The amount that can be distributed from the Health FSA or HRA may not exceed an amount equal to the lesser of (i) the balance in the Health FSA or HRA as of September 21, 2006, or (ii) the balance in the Health FSA or HRA as of the date of the distribution. The balance in the Health FSA or HRA as of any date is determined on a cash basis (i.e. expenses incurred that have not been reimbursed as of the date the determination is made are not taken into account).

Any amounts contributed to the HSA are excluded from the employee's income for income and employment tax purposes and are not taken into account in applying the maximum deduction limitation for HSA contributions. This provision is limited to one distribution with respect to each Health FSA or HRA of the individual.

Example: An individual has a balance in his or her Health FSA as of September 21, 2006 of \$2,000 and the balance in his or her account as of January 1, 2009 is \$3,000. Under the new changes, the individual may distribute an amount not to exceed \$2,000 from his or her Health FSA to his or her HSA. If the individual ceases to be an eligible individual as of June 1, 2009, the \$2,000 contribution amount is included in his or her gross income and subject to a 10-percent additional tax. If instead, the distribution and contribution are made as of June 30, 2009 when the balance in the Health FSA is \$1,500, the amount of the distribution and contribution is limited to \$1,500.

How do I make withdrawals (or take distributions) from my HSA?

You can make tax-free withdrawals (also known as distributions) from your HSA to pay for qualified medical expenses at any time during the year. When your account is opened, you receive a debit card and checks for easy access to your funds. However, you do not have to make withdrawals from your HSA each year. Your contributions remain in your HSA from year-to-year until you use them. If you make withdrawals for non-qualified medical expenses or for other reasons, the amount withdrawn will be subject to income tax and may be subject to an excise tax as well. Please keep in mind you should track all of your withdrawals from your HSA so you can supply documentation on your expenditures, if needed. It is up to you to monitor the deposits and withdrawals made to your HSA.

How do I report distributions on my tax return?

How you report your distributions depends on whether or not you used the distribution for qualified medical expenses.

- When you use a distribution from your HSA for qualified medical expenses, you do not pay tax on the distribution but you have to report the distribution on IRS Form 8889. Follow the instructions for the form and attach it to your IRS Form 1040.
- When you do not use a distribution from your HSA for qualified medical expenses, you must pay tax on the distribution and report the amount on IRS Form 8889. Follow the instructions for the form and attach it to your IRS Form 1040. You must also report and pay an additional tax on your IRS Form 1040, unless you meet one of the exceptions established by the IRS. You will need to contact the IRS or your accountant for more information on the exceptions.

In addition, if an amount is contributed to your HSA this year (by you or your employer), and the HSA is used to pay for medical expenses of someone who is not covered by a high deductible health plan (HDHP), or is also covered by another health plan that is not an HDHP, at the time the expenses are incurred, you must report and pay tax on the distribution. See the IRS instructions on Form 8889 for more information.

Reporting and paying the additional tax:

There is a 10% additional tax on the part of your distribution that was not used for a qualified medical expense. The account owner is required to report the additional tax in the Other Taxes section of your IRS Form 1040.

Exceptions to the additional tax:

There is no additional tax if you are disabled, age 65 or older, or die during the year.

Are health insurance premiums qualified medical expenses?

In most cases, health insurance premiums are not qualified medical expenses. However, the following are exceptions:

- Premiums for qualified long-term care insurance
- Premiums for AmeriHealth continuation coverage
- Premiums for health coverage while an individual is receiving unemployment compensation
- For individuals over age 65, premiums for Medicare Part A or B, a Medicare HMO and the employee share of premiums for employer-sponsored health insurance, including premiums for employer-sponsored retiree health insurance. Premiums for Medigap policies are not qualified medical expenses.