

December 30, 2003

Re: [redacted]- De Novo Branch Application into the [redacted]

Dear [redacted]:

This letter responds to your request on behalf of your client, [redacted] (the "Bank"), for a determination by the Pennsylvania Department of Banking (the "Department") of whether or not Pennsylvania law would permit a Virginia state-chartered bank or national bank located in Virginia to establish a de novo branch in Pennsylvania.

Section 904 of Pennsylvania's Banking Code of 1965 states:

(a) General rule - An institution may establish and maintain:

* * *

(iii) branches established with the prior written approval of the Department of Banking after the filing of an application for approval in a form prescribed by the Department accompanied by any applicable fee and after investigation by the Department, except that Department approval shall not be required for national banks.

(b) Reciprocity condition - A banking institution existing under the laws of another jurisdiction may not establish a branch in this Commonwealth unless the laws of the state where it is located would permit an institution chartered under the laws of this Commonwealth or a national bank located in this Commonwealth to establish and maintain a branch in such other state on substantially the same terms and conditions.

7 P.S. § 904(a) and (b).

For purposes of applying the provisions of Section 904 of Pennsylvania's Banking Code, the term "institution" is defined as ". . . an institution subject to this act, an interstate bank and a banking institution existing under the laws of another jurisdiction which will become an interstate bank upon the acquisition of a branch in this Commonwealth." 7 P.S. § 901. An "interstate bank" is defined as "[a] banking institution existing under the laws of another state, the District of Columbia or a territory or possession of the United States and authorized to engage in the business of receiving demand deposits or a national bank having a head office in another state, the District of Columbia or a territory or possession

[redacted]
December 30, 2003
Page 2

of the United States and authorized to engage in the business of receiving demand deposits, which lawfully maintains one or more branch offices in this Commonwealth.” 7 P.S. § 102(hh).

Accordingly, a Virginia state-chartered bank or national bank located in Virginia which is authorized to receive demand deposits may establish a branch in Pennsylvania pursuant to Section 904 of Pennsylvania’s Banking Code, provided that the laws of the [redacted] permit a Pennsylvania state-chartered bank or national bank located in Pennsylvania to establish a de novo branch in Virginia on substantially the same terms and conditions.

The Department has reviewed applicable interstate branching provisions at Section 6.1-44.1, *et seq.*, of the Code of Virginia and has determined that the provisions of the Code of Virginia regarding de novo branching are substantially the same as those requirements contained in Section 904 of Pennsylvania’s Banking Code. Accordingly, a Virginia state-chartered bank or a national bank located in Virginia which is authorized to receive demand deposits may establish a de novo branch in Pennsylvania pursuant to Section 904 of Pennsylvania’s Banking Code in reciprocity with a Pennsylvania state-chartered bank’s or Pennsylvania-located national bank’s ability to establish a de novo branch in Virginia pursuant to Section 6.1-44.4 of the Code of Virginia.

In addition, please be advised that the Pennsylvania Department of Banking applies the procedures and philosophies set forth in the *Nationwide Cooperative Agreement*, dated November 13, 1996, in processing interstate applications of multi-state banking institutions.

The Department's analysis is based upon the facts as stated in this letter. Any change in the facts could result in an amendment or reversal of the Department's position. This letter has been authorized by the appropriate Department personnel and constitutes a duly authorized statement of the Department's position regarding the issues discussed herein. This letter may not be relied upon or construed as constituting legal advice.

Please do not hesitate to contact me if you have any further questions regarding this matter.

Sincerely,

Carter D. Frantz
Staff Counsel

cc: Ronald P. Wysochansky
Deputy Secretary of Banking

Craig E. Herrold
Director, Bureau of Supervision and Enforcement

Joseph A. Moretz
Manager, Corporate Applications