



MARKET SQUARE PLAZA | 17 N SECOND STREET, SUITE 1300 | HARRISBURG, PA 17101
Ph 717.787.6991 Fx 717.787.8773 w www.banking.state.pa.us

SECRETARY OF BANKING

October 27, 2008

To: Chief Executive Officers of Pennsylvania State-Chartered Banking & Trust Institutions and Savings Associations

The Pennsylvania Department of Banking encourages all eligible institutions to thoroughly investigate and analyze the Capital Purchase Program announced by the United States Treasury and the Temporary Liquidity Guarantee Program announced by the Federal Deposit Insurance Corporation. Both programs were created to enhance the strength of financial institutions, foster market liquidity and promote market stability.

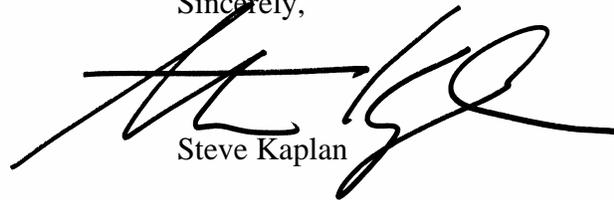
On October 14, 2008, Treasury Secretary Paulson announced an initiative referred to as the Capital Purchase Program. Under the Capital Purchase Program, which is intended to provide additional capital to banks, bank holding companies, savings associations, and certain other financial institutions, the Treasury may purchase newly issued senior preferred stock of a participating organization. The senior preferred shares will qualify as Tier 1 capital. The minimum subscription amount available to a participating institution is 1% of risk-weighted assets. The maximum subscription amount is the lesser of \$25 billion or 3% of risk-weighted assets. The application by a qualified financial institution must be received by the institution's appropriate Federal banking agency at the location(s) designated by the agency no later than 5:00 p.m. (EST) on November 14, 2008.

Also on October 14, 2008, the Federal Deposit Insurance Corporation announced the creation of the Temporary Liquidity Guarantee Program which will guarantee certain newly issued senior unsecured debt issued by participating institutions on or after October 14, 2008, and before June 30, 2009. In addition, any participating depository institution will be able to provide full deposit insurance coverage for non-interest-bearing deposit transaction accounts, regardless of dollar amount. For all newly issued senior unsecured debt, an annualized fee equal to 75 basis points multiplied by the amount of debt issued under the program shall be charged. For non-interest-bearing transaction deposit accounts, a 10 basis point surcharge would be applied to non-interest-bearing transaction deposit accounts not otherwise covered by the existing deposit insurance limit of \$250,000. This surcharge will be added to the participating bank's existing risk-based deposit insurance premium paid on those deposits. All eligible entities will automatically be included in the program for the first 30 days and will stay in the program unless they opt out of the program on or before November 12, 2008. An entity can opt out of either the senior unsecured debt guarantee part of the program, or the transaction account guarantee part of the program, or both. Institutions will need to carefully consider the ramifications of opting out. If an eligible entity chooses to opt out of the Temporary Liquidity Guarantee Program, the choice is irrevocable and all entities that opt out will be published on the FDIC's website.

Treasury's Capital Purchase Program and the FDIC's Temporary Liquidity Guarantee Program complement one another and share a common goal – to restore capital flows to the consumers and businesses that form the core of our economy. The Pennsylvania Department of Banking supports those goals and encourages institutions to thoroughly analyze these programs to determine their suitability in each specific case. We recognize the rapidly evolving nature of these and other programs, but we strongly encourage our institutions to be proactive in obtaining and evaluating information. Institutions should contact their primary federal regulator for specific enrollment details. Additional information can be found at www.treas.gov and www.fdic.gov.

The Pennsylvania Department of Banking is committed to helping you with this evaluation process and to helping build a stronger economy together. I have designated Kevin R. Pyle, Director of the Office of Economic Development in the Department of Banking, to coordinate the flow of communication on these matters with our state-chartered institutions. Kevin can be reached at (717) 214-4760 or kevpyl@state.pa.us.

Sincerely,



Steve Kaplan