



Codorus Valley Bancorp, Inc.

VIA ELECTRONIC TRANSMITTAL
(SIGTARP.response@do.treas.gov)
AND U.S. FIRST CLASS MAIL

March 6, 2009

Neil M. Barofsky
Special Inspector General - TARP
1500 Pennsylvania Ave., N.W.
Suite 1064
Washington, D.C. 20220

RE: Response to Request for Information

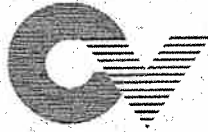
Dear Mr. Barofsky:

On behalf of Codorus Valley Bancorp, Inc. (the "Company"), I am responding to your request for information issued pursuant to The Emergency Economic Stabilization Act of 2008 ("EESA"). The Company received \$16.5 million of CPP funds on January 9, 2009. The Company's response follows the sequence of information as requested in your letter.

- (1) Our Anticipated Use of CPP Funds. The principal intended use of CPP funds is to support loan growth. In 2008, PeoplesBank, a Codorus Valley Company (the "Bank"), the principal subsidiary of the Company, originated approximately \$254,194,000 of loans which resulted in a net increase in loans in the amount of \$132,954,000. [REDACTED]

b(4)

Additionally, the Bank adopted the Hometown Investment Plan which is described in full on the advertisement attached hereto as Exhibit "A." The advertisement was published in our local newspaper as a full page advertisement on Sunday, January 11, 2009, two (2) days after receiving CPP funds. The attached was also mailed to all of the Company's shareholders on February 1, 2009.




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To date, the following has occurred pursuant to the Bank's Hometown Investment Plan.

- On February 17, 2009, the Bank contributed \$50,000 to the United Way to provide initial funding for an emergency fund, the purpose of which is to help people affected by the souring economy pay for food, shelter, utility bills and rent.
- Five (5) consumer borrowers have requested and been granted six (6) month deferrals in loan payments due to job loss or lay off.
- The Bank continues to monitor business lines of credit pursuant to credit standards in place and has made no determination that any particular line of business or category of client should be terminated.
- The Bank continues its history of providing professional assistance to local non-profit agencies. Attached as Exhibit "B" is a list of the Bank's Leadership staff and their non-profit activities.
- The Bank donated \$1,000 to SCORE, a local agency, the mission of which is to provide training, mentoring and formal course of study to those interested in starting new businesses and to current owners of small businesses. The Bank also operates a program to provide "credit" check-ups for consumers. See the brochure attached as Exhibit "C."

(2) Segregation of CPP Funds. At the present time, the CPP funds have not been segregated from other institutional funds.  b(8)

(3) Actual Use of CCP Funds. See response at (1) above.

(4) Expected Use of Unspent CPP Funds. In addition to the response at (1) above, the Company intends to use the CPP funds to support its lending activities and to cushion against potential losses incurred during the current recession. Prior to the advent of CPP, the Company had determined that, because of robust loan growth,



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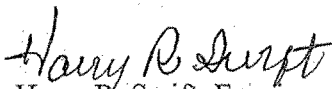
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to remain well capitalized the Company would need to raise capital before year-end 2009. Attached as Exhibit "D" is Schedule HC-R, Regulatory Capital, from the Company's call report for December 31, 2008. As indicated at the bottom of the page, the Company's risk-weighted capital was in decline from quarter to quarter. This decline was due, in main part, to loan growth. The CPP funds served to bolster capital, thus enabling the Bank to continue lending aggressively without seeking alternative and, likely more expensive, capital sources.

- (5) The Company and Board, through its Compensation Committee, recently engaged in the required review of senior executive incentive plans and concluded that those plans do not encourage excessive risk taking. Currently, there is no direct contractual or policy provision connecting loan risks and executive compensation. Nor are there any current plans to offset limitations implemented as a requirement of the Company's participation in the Capital Purchase Program by other changes to longer terms or deferred forms of compensation. Parenthetically you should note that the Company's compensation philosophies result in comparatively moderate compensation practices. The Summary Compensation Table from last year's Proxy is attached as Exhibit "E."

I, Harry R. Swift, General Counsel of the Company and the Bank, certify that: I have reviewed this response and the supporting documents, and, based on my knowledge, this response and the supporting documents do not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Very truly yours,


Harry R. Swift, Esquire
General Counsel

HRS/acs
Attachments

We've been making a difference in York County for 145 years.

It is, after all, our home, too.

Since 1864, we have been building relationships with our clients and within our community. Together we have weathered economic downturns, overcome social turmoil, fought wars, and survived natural disasters. Today our community is facing another serious event. This time, it's a global economic crisis. Once again, we are ready to help our clients and our neighbors survive these difficult times.

You may be familiar with the Capital Purchase Program recently created by the U.S. Treasury. Through this program, the Treasury will invest additional capital in strong, profitable, well-managed banks, like PeoplesBank, who have demonstrated the potential and the desire to lead our nation's economic recovery efforts. We recognize these are difficult times for you, our friends and neighbors, and because we meet the standards required by the U.S. Treasury, we have decided to take part in this voluntary program. Participating in this program makes good sense for our Company, our shareholders, and our community.

The Capital Purchase Program is not free. The U.S. Treasury will receive a set rate of return from us with the expectation that these funds will be used appropriately. That said, we believe you have the right to know how we plan to utilize this new capital and our Company's resources to help you.

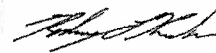
So, we're publishing our commitment to you in the form of the PeoplesBank Hometown Investment Plan. Here's how our Plan will work:

- **WE WILL** defer your payments for up to six months if you are laid off from your job during 2009 as a result of the economic downturn and you have a consumer loan with PeoplesBank. This gives you time to find another job and get back on your feet.
- **WE WILL** continue to provide business lines of credit for qualified PeoplesBank business clients. You can, therefore, keep moving your business forward with the confidence that funding for ongoing operations will be available.
- **WE WILL** create a special fund administered by the United Way of York County to provide for the extraordinary needs in our community.
- **WE WILL** provide funding for the delivery of educational programs and consulting services to assist local businesses in making sound business decisions and to help consumers learn how to manage their finances and to maintain or improve their credit ratings.
- **WE WILL** make members of our PeoplesBank team available to provide leadership and support to non-profit agencies burdened by the increasing need for their services and decreased funding.
- **WE WILL** continue to invest the capital necessary to promote economic growth and job creation in our community by providing loans to businesses and residents of our hometown who meet our credit standards.

York County is a special place – one known for its hard-working, industrious, and successful citizens. As the largest independent financial institution headquartered in York County, we consider it both our responsibility and a privilege to continue making a difference in our hometown.

So if you're already a PeoplesBank client, thank you for your confidence in us. If you're not yet a PeoplesBank client, wouldn't this be the right time to become one?

Sincerely,



Rodney L. Krebs
Chairman of the Board



Larry J. Miller
President and CEO


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(888) 846-1970
www.peoplesbanknet.com

 Member FDIC

NASDAQ: CVLY



Rodney L. Krebs

Larry J. Miller

LEADERSHIP NONPROFIT ORGANIZATION CHART
 AS OF 02/19/2009

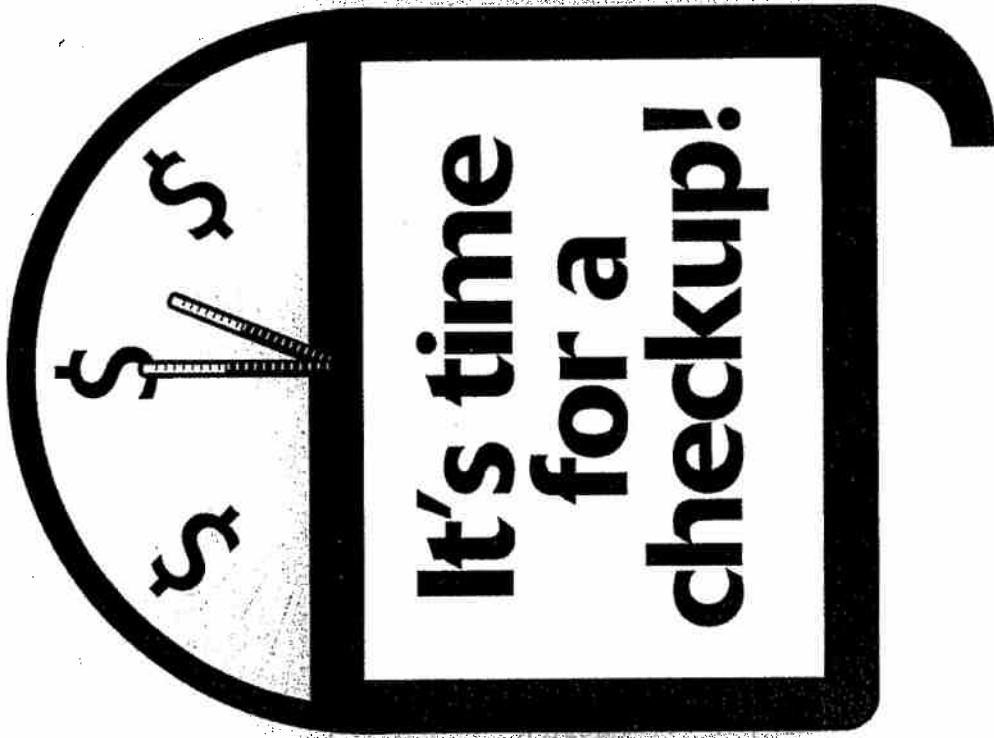
Organization	Position	Meeting Date	Frequency	Time	Duration (includes travel)
		b(6)			
American Legion Baseball	Team Mom	Varies	Spring/Summer	Varies	Varies
Bandits Tournament Softball	Team Mom	Varies	Spring/Summer	Varies	Varies
Rockettes Softball	Team Mom	Varies	Spring/Summer	Varies	Varies
Spring Grove Varsity Baseball	Team Mom	Varies	Spring	Varies	Varies
Technology Skills USA Competition	Judge	TBD	Annually/Upon Invitation	8:00 a.m.	8 hours
York County School of Technology	Board of Advisors Member	Varies	Quarterly	Varies	2 hours
		b(6)			
Career Opportunities Program	Facilitator	Varies	Twice per month from Oct/Mar		
Coach Basketball and Soccer	Team Leader	As Needed	Capital Campaign	Evenings	
Cultural Alliance	Director		Monthly	Varies	1.5 hours
Panther Foundation	Capital Campaign Co-Chair		As needed	Varies	
			Other Ad-hoc migs and joint calls.	Varies	
*Also assist as needed to United Way and Leg-Up Farm regarding HR and By-Law related issues.		b(6)			
York-Adams Boy Scouts Council	Council Commissioner	3rd Tuesday	Monthly	5:00 p.m.	2 hours
	Council Commissioner	3rd Thursday	Monthly	7:00 p.m.	2 hours
	Executive Committee	3rd Tuesday	Monthly	12 Noon	2 hours
	Finance Committee	Varies	Quarterly	7:30 a.m.	2 hours
	Investment Committee	Varies	Quarterly	7:30 a.m.	2 hours
York County Estate Planning Council	Board Member	Varies	Six (6) Times Per Year	12 Noon	2 hours
York Rotary Club	Member	Wednesday	Weekly	12 Noon	2 hours
York Symphony Orchestra	Board Member	2nd Monday	Monthly	7:30 p.m.	2 hours

Organization	Position	Meeting Date	Frequency	Time	Duration (includes travel)
Walter's Art Museum	Walter's Women's Committee	Tuesday-Varies	Monthly Sept-June; Add'l mtgs occ.	Varies	4.5 hours
	Chairperson - Budget & Organization Committee - Art Blooms Fund Raising Committee	Varies	Fund raising mtgs throughout the year; 2 full days the end of March	Varies	3.5 hours
	Chairperson - Long Range Planning Committee - Walter's Women's Committee	Varies	Monthly	Varies	3.5 hours
Dover CARES	Member-Executive Leadership Group	2nd Tuesday	Monthly	6:30 PM	1-2 hours
	Communications Manager-Strategist				
Farm & Natural Lands Trust	Member-Special Events Committee	1st Monday	Monthly	11:30 AM	2 hours
York College Advisory Board	Member	TBD	Quarterly	TBD	2 hours
Glenview Alliance Church	Youth Treasurer		Monthly		1 hour
	Coordinator - Welcome Ministry		Monthly		1 hour
	Budget Committee		Annual		2 hours
	Audit Committee		Annual		3 hours
Leadership York	President, Director	3rd Tuesday	Monthly	7:30am	1.5 hours
	Finance Committee	floats	As needed/quarterly		
	Sustainability Committee	floats	Semi-annually	8:00am	1.5 hours
	Executive Committee	2nd Monday	Monthly	7:30am	1.5 hours
York City Dollars for Scholars	Director, Treasurer	2nd Thursday	Monthly	7:00pm	2 hours
York County Heritage Trust	Director	3rd Wednesday	Monthly	4:00pm	1.5 hours
	Finance Committee	2nd Wednesday	Monthly	3:00pm	1.5 hours
None at this time.					

Organization	Position	Meeting Date	Frequency	Time	Duration (includes travel)
		b(6)			
19th District Intern Association	Treasurer	Wednesdays	Monthly	7:30	1.5 hours
Red Cross (York/Adams Chapter)	Exec Bd; Finance Dev Chair	Thursdays	Monthly	noon	1.5 hours
	Board Member	Mondays	Monthly	noon	2 hours
Rotary Club of York	Past President	Wednesdays	Weekly	noon	2 hours
	Chair Misc Committees, Past Presidents	Wednesdays	Monthly	7:30 AM	1.5 hours
York Suburban School District	Coach	Assorted	Weekly	Evenings	Assorted
		b(6)			
Better York	Director & Vice Chairman	1st Monday	Quarterly (March, June, Sept., Dec.)	4:00 p.m.	2 hours
	Executive Committee	1st Monday	Non-Quarterly Months (8 times)	12 Noon	2 hours
Cultural Alliance of York County	Director	Last Wednesday	Monthly (except July & August)	4:00 p.m.	2 hours
	Member - Board Development Comm.	Varies	Quarterly	4:00 p.m.	2 hours
	Chair - New Member Affiliation Comm.	Varies	As Needed	None	2 hours
Penn State-York	Director	Thursday	Quarterly (March, May, Oct., Dec.)	11:30 a.m.	3 hours
SYC School District Foundation (2011)	Director & Treasurer	2nd Tuesday	Quarterly (Feb, May, Sept., Nov.)	7:00 p.m.	2 hours
WellSpan Health (2014)	Director	4th Friday	Monthly	8:00 a.m.	3 hours
	Vice Chair - Finance/Investment Comm.	4th Tuesday	Monthly	4:00 p.m.	2 hours
York College Community Opportunity Scholarship Program	Member	Varies	Quarterly	8:30 a.m.	2 hours
York College Institute for Reg. Affairs	Member - Advisory Committee	Varies	Semi-Annually	12 Noon	2 hours
YorkCounts Commission	Immediate Past Chair - Board of Directors	4th Thursday	Monthly	7:30 a.m.	2 hours
	Various Committees	Varies	Monthly	Varies	Varies
York County Comm. Foundation (2010)	Director	Varies	Quarterly	4:00 p.m.	2 hours
	Executive Committee	Varies	Quarterly	4:00 p.m.	2 hours
	Chair - Ag./Land Preservation Comm.	Varies	Quarterly	12 Noon	2 hours
	Chair-Elect - Board Development Comm.	Varies	Quarterly	4:00 p.m.	2 hours

Organization	Position	Meeting Date	Frequency	Time	Duration (includes travel)
Optimist Club of East York	Member	b(6)	Monthly		1-2 hours
Panther Foundation	Treasurer/Board member	1st Wednesday	Monthly	5:30PM	1-2 hours
	Finance Committee	Varies	Monthly	1:30PM	1-2 hours
Panther United Soccer Assoc	Treasurer/Board member	3rd Monday	Monthly	7:30PM	2-3 hours
	Head Coach	Tues/Thur	Weekly	5:30PM	1-2 hours
Penn Oaks Swim Club	Vice President	Varies	Monthly	7:00PM	2 hours
United Way	Day of Caring Volunteer		Annual		4 hours
Yorkshire United Methodist Church	Board of Trustees	1st Monday	Monthly	7:00PM	1-2 hours
YWCA-York	Oversight Committee	Varies	Monthly	Varies	2 hours
		b(6)			
Crispus Attucks	Director	2nd Thursday	Monthly	5:30PM	2 hours
	Finance Committee	2nd Thursday	Monthly	7:30PM	2 hours
Farm & Natural Lands Trust	Advisory Board Strategic	no set schedule			
York County Juvenile Probation	Youth Aid Panelist	1st Tuesday	Monthly	6:30PM	3 hours
		b(6)			
Albright Care Services (ACS)	Trustee	Varies	Quarterly	9:00 a.m.	5 hours
	Finance Committee	Varies	Quarterly	9:00 a.m.	5 hours
	Planning & Strategy Committee	Varies	Quarterly	9:00 a.m.	5 hours
YCEDC	Director	Varies	Quarterly	12 Noon	1.5 hours
	Grants Committee	As Needed	Not established		
YMCA	Director	3rd Monday	Monthly	4:00 p.m.	1 hour
		b(6)			
Codorus Social Club	Treasurer	4th Thursday	Monthly	7:30 PM	2 hours
Jedd Paup Mem. Scholar. Fund, Inc.	Treasurer		No set meeting time or frequency		
Jefferson Brothers of the Brush	Treasurer	3rd Sunday	Quarterly	1:30 PM	3 hours
Jefferson Cemetery Association	Treasurer		Annually in January	7:00 PM	3 hours
SCFSA	Secretary/Treasurer	1st Thursday	Monthly	8:30 AM	2 hours
Spring Grove Area Scholar. Foundat.	Board Member	2nd Tuesday	Monthly	7:00 PM	1 1/2 hours

Organization	Position	Meeting Date	Frequency	Time	Duration (includes travel)
		b(6)			
Southern Branch YMCA	Board of Management	Last Tues/mo	Monthly (except July & August)	6pm	2 hrs
	Finance Chair	Last Tues/mo	Monthly (except July & August)	5:15pm	2 hrs *
	Coordinator, annual bull roast	August-November	Varies		24 hrs
*prep work, maint budget & variance rpt.					
		b(6)			
Housing Initiatives Corp./CDC	Director	2nd Tuesday	Monthly	7:30 a.m.	1.5 hours
	Board Development Committee Chair	4th Tuesday	Every other month	3:30 p.m.	1.5 hours
	Finance Committee Member	2nd Tuesday	Every other month	8:00 a.m.	1.5 hours
	McCallister Board Director	3rd Wednesday	Quarterly	8:00 a.m.	1.5 hours
St. Johns Episcopal Church	Finance Committee	1st Thursday	Quarterly	7:30 a.m.	1.5 hours
	Relief & Development Coordinator	1st Sunday	Quarterly	11:00 a.m.	1 hour
	Youth Activities Committee	2nd Sunday	Monthly	11:00 a.m.	1 hour
United Way of York	Allocations Panel	1x: Multiple Agencies	Annually	NA	24 hours total
	Member Review Panel	1x: Multiple Agencies	Annually	NA	24 hours total



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 **PEOPLESBank**
what's next.



Let's examine the health of your credit.

We all know how important it is to have regular physical checkups, but have you had a credit checkup lately? Like a medical checkup, a credit checkup will help you identify whether your credit is healthy or if you need to take action. Unfortunately, very few people ever think of having a credit health checkup until it's too late.

At PeoplesBank, we want you to think of us as your personal credit trainer. Through education, motivation, and some simple exercises, we'll help you get your credit in shape so that you can live the lifestyle you want.



Rx

Your prescription
for healthy credit

Refills available

No substitutions necessary

PeoplesBank



PeoplesBank A Codorus Valley Company
Member FDIC

Self-help is the best medicine

You may have seen or heard advertisements for credit repair services who claim that they can help you restore your credit. Save yourself some time and money and focus on getting your credit health back by yourself.

Under the Fair Credit Reporting Act, you are entitled to ask for an investigation of information in your credit file that you feel is inaccurate or incomplete. There is no charge for this. You are entitled to a free report if a company takes adverse action against you, like denying your application for credit, if you request the report within 60 days of the action.

Each of the nationwide consumer reporting companies is required to provide to you, upon your request, a free copy of your credit report once every twelve months. To order yours, visit annualcreditreport.com or call 1-877-322-8228.

Carefully review your credit report annually and, if you notice a problem, make sure you follow our steps to recovery.

The first step to recovery

Tell the consumer reporting company (Equifax, Experian, or TransUnion), in writing, what you think is inaccurate. Your letter should include your name, address, the item(s) you dispute and why, and that you want it to be removed or corrected. Send your letter by certified mail and return receipt requested so you

can document what you sent and they received. Keep copies of everything!

The consumer reporting company will then work with the source of the inaccurate information to conduct a complete investigation. If after reviewing your claim your report is corrected, all consumer reporting companies will be notified so they can correct your file. They must also give you the results in writing and a free copy of your report once the change is made.

If the investigation does not resolve your dispute and no change is made to your file, you can ask that a statement of your dispute be included in your file and in future reports. You can expect to pay a fee for this.

Please see the specific instructions at the end of this booklet on how to dispute a credit issue with each of the consumer reporting companies. We have also included a sample dispute letter format (*on page 8*) that you may follow.

The second step to recovery

Tell your creditor or other information provider, in writing, that you are disputing their item. Make sure you include copies of all documents that support your position. If they provide the item to a consumer reporting company, they must include notice of your dispute. If the information you dispute is found to be incorrect, they may not report it again.

When your check-up shows a true problem

When any negative information in your credit report is accurate, you must let nature take its course and allow time to pass. There is no prescription to help you get rid of this problem.

Consumer reporting companies can report most accurate negative information for seven years and bankruptcy information for ten years. Information about unpaid judgments against you can be reported for seven years or until the statute of limitations runs out, whichever is longer.

The following information has no time limit on reporting:

- Information about criminal convictions
- Information reported in response to your application for a job that pays more than \$75,000 a year
- Information reported because you've applied for more than \$150,000 worth of credit or life insurance

Generally, the reporting period runs for seven years from the date that the event took place.

4

Need professional help?

Even though you may have some negative information in your credit report, it doesn't mean you won't always be able to get credit. Creditors all look at your credit history differently and each have their own standards they follow for granting credit.

There are many reputable, non-profit credit counseling organizations that are available to work with you to help solve your financial problems. They can help you work out a repayment plan with your creditors. Be careful when selecting someone to work with, though. Not all organizations who call themselves non-profit provide their services for free, or are even legitimate. If possible, find an organization that offers in-person counseling. Local consumer protection agencies, friends and family members, and even your financial institution can help guide you to good sources for help.

Reputable credit counseling organizations offer free educational materials and workshops. They can advise you on how to budget your money and manage it wisely. They will help you develop a personalized plan to solve your money problems.

5

Disputing a problem

To file a dispute with Experian, please do the following:

Visit www.experian.com/disputes2/index.html. This is the recommended method and you must have an Experian credit report on hand.

If you do not have internet access, you may call 1-888-397-3742 or send a letter to Experian Corporation, P. O. Box 9701, Allen, TX 75013.

To file a dispute with Equifax, please do the following:

Visit https://www.econsumer.equifax.com/consumer/sitepage.ehtml?forward=online_dispute. This is the recommended method and you must have an Equifax credit report on hand.

You may also send your dispute in writing to Equifax Credit Information Services LLC, P. O. Box 740241, Atlanta, GA 30374.

To file a dispute with TransUnion, please do the following:

Visit <http://www.transunion.com/corporate/personal/creditDisputes.page>. This is the recommended method and you must have a TransUnion credit report on hand.

If you do not have internet access, you may call 1-800-916-8800.
You may also send your dispute in writing to TransUnion Consumer Solutions, P. O. Box 2000, Chester, PA 19022-2000.

Sample dispute letter

Date

Your Name

Your Address

Your City, State, and Zip Code

Complaint Department

Name of Company

Address

City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file.
The item I dispute is circled on the attached copy of the report I received.

This item (*identify the item by name of source and type of item*) is (*inaccurate or incomplete*) because (*describe why*).
I am requesting that the item be deleted (*or request another change*) to correct the information.

Enclosed are copies of (*use this sentence if applicable and describe what is enclosed*) supporting my claim. Please investigate this matter and (*delete or correct*) the disputed item as soon as possible.

Sincerely,

Signature

Your Name

Enclosures: (*List what you're enclosing*)



Call Rpt ref	Description	A	B Items not subj to risk-wghtng	C	D	E	F	
		\$		0%	20%	50%	100%	
RCA1a	Cash and balances due from dep inst							
RCA1a	Cash items	3,046		0	3,046 (1)			
RCA1b	Currency & coin	4,492		4,492 (1)				
RCA2b	Balances due(less frb)	951			951 (2)			
RCA4	Bal due from FRB	6,416		6,416 (2)				
RCA5	Total cash and due from	14,905	0	10,908	3,997	xxxxxxxxxxxxxxxx	0	5.36%
RC-R 34	proof	14,905						
RC2a	Held-to-maturity securities							
	PB trust preferred risk category 100%(bv)(Tr Pref)	1,498					1,498 (1)	
	CVB trust preferred risk category 100%(bv)(Tr Pref)	934					934 (1)	
	Total securities-htm	2,432	0	0	0	0	2,432	100.00%
RC-R 35	proof	2,432						
RC2b	Available-for-sale securities							
	PB debt securities risk category 0%(bv)			0 (4&5)				
	risk category 20%(bv)	66,834			66,834 (7)			
	risk category 50%(bv)	3,505				3,505		
	risk category 100%(bv) unreal gain/loss	1,825	1,825 (A)					
	CVB & PB equity sec, not bank stocks						0 (1)	
	Total securities-afs	72,164	1,825	0	66,834	3,505	0	20.95%
RC-R 36	proof	72,164						
RC3	Federal funds sold	0	xxxxxxxxxxxx		0 (2)	xxxxxxxxxxxx	0	20.00%
RC-R 37	proof	0						
RC4a	Loans and leases held for sale	7,373				7,373		50.00%
RC-R 38	proof	7,373						
RC4b	Loans & Leases, net of unearned income							
	Loans sec by RE							
RCC1a	Construct and LD	88,189			4,834		83,355 (1)	
RCC1b	Sec by farmland	16,895			577		18,118 (1)	
RCC1c1	Home equity lines	46,900				17,577	29,323 (1)	
RCC1c2a	Sec by 1st ln on 1-4 fam	73,452			60	72,978 (1)	414 (1) (C)	
RCC1c2b	Sec by jr ln on 1-4 fam	26,934			50		26,884 (1)	
RCC1d	Sec by 5 or more fam prop	13,643					13,643 (1)	
RCC1e	Sec by nonfarm/nonres (less CVB ln)	225,975		180	179		225,616 (1)	
RCC3	Loans to farmers	2,659			82		2,577 (1)	
RCC4	Comm and industrial	60,818			596		60,222 (1)	
RCC6	Loans to indiv (consumer lns)	7,851			1,845 (9a)(B)		6,006 (1)	
RCC8	Obligations of mun's (Ve)	7,021			6,927		94 (1)	
RCC9	Other	861					861 (1)	
RC4a	Total loans	573,078		180	15,150	90,555	467,193	89.95%
RC-R 39	proof	573,078						
RC4c	Less: Allow for loan and lease losses	4,690	4,690					0.00%
RC-R 40	proof	4,690						
RC5	Trading assets	0			0			
RC-R 41	proof	0						
	All other assets							
RC8	Premises and FIA (PB & CVB)	11,556					11,556 (5)	
RC7	Other real estate owned	2,052					2,052 (5)	
RC10	Intangible assets	364	364				0 (9)	
RC11	Other assets:							
	PB equity securities-bank stks							
	FHLB stock	2,617			2,617 (7a)			
	ACBS stock	75					75 (1)	
	Interest Rec for loans & securities	2,500		0	704	347	1,449	
	Other	18,340	(820) (A)				18,960 (9)	
	Total all other assets	37,504	(255) (255)	0	3,321	347	34,092	93.14%
RC-R 42	proof	37,504						
RC-R 43	proof	702,766	(3,121)	11,088	89,302	101,780	503,717	81.46%
RC-R 43	Total assets(on b/s)	702,766						
	Off balance sheet	34,260		0	2,826	0	31,434	93.40%
RC-R 44-54	proof	34,260						
RC-R 55	Total assets	737,026	(2 121)	11,088	82,128	101,780	535,151	82.01%
RC-R 56	Risk weight factor	xxxxxxxxxxxx	n/a	0%	20%	50%	100%	
RC-R 57	Risk -weighted assets by category	xxxxxxxxxxxx	xxxxxxxxxxxx	0	18,426	50,890	535,151	82.01%
RC-R 58	Market risk equivalent assets	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	0	
RC-R 59	Risk weighted assets before ded	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	604,467	
RC-R 60	Less: Excess allow for ln & lease losses	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	0	
RC-R 61	Less: Allocated trsf risk reserve	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	0	
RC-R 62	Total risk-weighted assets	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	604,467	86.01%
	Capital (spot bal)	52,181						
	Less: net unreal gain (loss)	1,204	(formula subtracts this cell)					
	Qualifying trust pref (net of investment)	10,000	(subj to 25% limit of Tier 1 cap b4 tp)	12,653		10,000	TP total	
	Less: 10% of fmv of MSR's & 100% of goodwill and other intangibles	364	(formula subtracts this cell)					
	Tier 1 capital	60,613						
	Allow for loan losses	4,690	(not to exceed 1.25% of tot gross riskweighted assets)					
	45% of unreal gains on equity sec	0						
	Tier 2 capital	4,690						
	Total Tier 1 + Tier 2 capital	65,303						
Ratios:	Min			9/30/08	6/30/08	3/31/08	12/31/07	
	6.00%	Total tier 1 to risk wghted assets(net)	10.03%	10.80%	11.21%	11.76%	12.14%	
	10.00%	Total cap to risk wghted assets(net)	10.80%	11.59%	11.97%	12.49%	12.86%	
	6.00%	Leverage(D)	9.12%	9.37%	9.61%	9.70%	9.84%	

Notes:

- (A) Per instructions: unreal gains and losses, the associated def tax entry and invest in noncons sub are not subj to risk weighting.
- (B) Student loans gl 1080160 +gl 1080180 + f/s adj if any.
- (C) Nonaccrual loans and loans past due 90 days or more with a call code of 1c2a
- (H) Corresponding item number under that column in instruction manual.
- (D) Tier 1 capital/qtd avg assets(000's) as adjusted from RC-R line 3f ---->> 664,767 - 364 664,403
 (qtd avg assets - unreal gains/losses impact - 10% mtg svcg rights - 100% of goodwill and other intangibles)

SUMMARY COMPENSATION TABLE

The following table summarizes the total compensation paid or earned by each of the Named Executive Officers for the fiscal year ended December 31, 2007. The Corporation has entered into an employment agreement with its Chief Executive Officer which is described beginning on page 22.

Payments characterized as "Non-equity Incentive Plan Compensation" payments for fiscal year ended December 31, 2007 were determined by the Committee at its January 22, 2008 meeting based on 2007 Corporation performance and were paid on February 1, 2008. There were no Stock Awards or other bonuses paid or earned in the fiscal year ended December 31, 2007.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$) (1)	Non-equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$) (6)	All Other Compensation (\$) (2), (3) (4), (5)	Total (\$)
Larry J. Miller, Vice Chairman, President and Chief Executive Officer	2006	230,000	37,185	--	50,376	--	88,224	31,973	437,758
	2007	250,000	--	--	33,587	65,037	93,848	32,588	475,060
Harry R. Swift, Esquire, Executive Vice President, General Counsel, Cashier	2006	178,000	25,014	--	--	--	49,331	8,132	260,477
	2007	184,000	--	--	--	48,013	51,519	8,916	292,448
Jann A. Weaver, CPA, Executive Vice President and Chief Financial Officer	2006	104,000	18,005	--	--	--	28,379	7,446	157,830
	2007	109,000	--	--	--	27,501	30,209	7,834	174,544

- (1) The amount in column (f) reflects the amount recognized for financial statement purposes for the fiscal years ended December 31, 2006 and 2007, in accordance with FAS 123(R), of awards pursuant to the 2000 Stock Incentive Plan and thus, includes amounts from awards granted prior to 2007. Assumptions used in the calculation of this amount for fiscal years ended December 31, 2005, 2006 and 2007 are included in footnote 12 to the Corporation's audited financial statements for the fiscal year ended December 31, 2007, included in the Corporation's Annual Report filed on Form 10-K filed with the SEC on or around March 24, 2008.
- (2) The amounts reflected in column (i) include, for each Named Executive Officer:
- matching contributions allocated by the Corporation to each Named Executive Officer pursuant to the Corporation's 401 (k) Retirement Plan which is more fully described on page 21 under the heading "401k Retirement Plan" (2006: Mr. Miller, \$6,600; Mr. Swift, \$4,929; Mr. Weaver, \$3,120) (2007: Mr. Miller, \$6,750; Mr. Swift, \$5,520; Mr. Weaver, \$3,270);
 - the incremental cost attributable to certain tax benefits provided pursuant to an Officer Group Term Replacement Plan which provides each Named Executive Officer and other members of executive management with a death benefit equal to three times annual base salary (2006: Mr. Miller, \$2,410; Mr. Swift, \$1,876 and Mr. Weaver, \$976) (2007: Mr. Miller, \$2,315; Mr. Swift, \$1,968; and Mr. Weaver, \$1,064);

- an incremental cost attributable to the annual expenses of the Change of Control and Supplemental Retirement Trust established for the benefit of the Named Executive Officers and other members of executive management at the Hershey Trust Company (2006: Mr. Miller, \$300; Mr. Swift, \$200; and Mr. Weaver, \$200) (2007: Mr. Miller, \$275; Mr. Swift, \$183; and Mr. Weaver, \$183);
 - imputed cost of life insurance (2006: Mr. Miller, \$1,083; Mr. Swift, \$1,127; and Mr. Weaver, \$574) (2007: Mr. Miller, \$1,279; Mr. Swift, \$1,245; Mr. Weaver, \$645).
- (3) In addition to the items noted in footnote (2) above, the amount in column (i) reflects:
- the cost of long-term health care insurance for Mr. Miller (2006: \$16,675) (2007, \$16,680), which is described on page 24 under the heading "Long-Term Nursing Care Agreement";
 - well-day payments to Mr. Miller (2006: \$4,423) (2007: \$4,808) and Mr. Weaver (2006: \$2,000) (2007: \$2,096) under the Corporation's well-day program; and
 - Supplemental disability insurance premiums for Mr. Miller (\$481 annually) and Mr. Weaver (\$576 annually).
- (4) The amount attributable to perquisites for 2006 and 2007 for each Named Executive Officer is less than \$10,000.
- (5) The incremental cost attributable to Corporation-provided automobiles (calculated in accordance with Internal Revenue Service guidelines) are included on the W-2 of named executives who receive such benefits. Each such named executive is responsible for paying income tax on such amount.
- (6) Column (h) reflects change from December 31, 2005 to December 31, 2006, and from December 31, 2006 to December 31, 2007 in the present value of future benefits under a Supplemental Executive Retirement Plan (SERP).