



**YORK TRADITIONS<sup>®</sup>**  
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# SHAREHOLDER *Report*

*1st Quarter / March 31, 2015*

# MESSAGE FROM THE CHAIRMAN & CEO



May 1, 2015

DEAR SHAREHOLDER:

York Traditions Bank reported net income available to common shareholders of \$521,000, or 24 cents per share, for the first quarter ended March 31, 2015, compared to \$376,000, or 17 cents per share, for the first quarter ended March 31, 2014. This represents a \$145,000, or 38.6%, increase. Book value per common share stood at \$12.87 at March 31, 2015. Return on average assets was 0.72% compared to 0.56% in the first quarter of 2014. Return on average equity increased as well, ending the first quarter of 2015 at 6.73%.

Loans and deposits grew 7.7% in the last twelve months, and our net interest margin increased slightly, raising net interest income \$134,000, or 5.6%. Falling long-term interest rates boosted residential mortgage volume, increasing gains from the sale of mortgages by \$480,000, or 145%. For the first three months of 2015, we originated \$19.8 million of residential mortgages compared to \$14.5 million in the same period last year.

These increases helped offset higher other expenses related to our new branch office in Hanover, Pennsylvania and several key technology initiatives now underway. In April we successfully converted our debit card processing, Internet banking, and mobile banking to Fiserv, a world leader in providing financial services technology to financial institutions. Through this partnership, we anticipate bringing more innovative products to our customers and taking advantage of backroom efficiencies created by Fiserv's integrated products.

On March 27, 2015, the Bank completed a \$5 million aggregate principal amount of subordinated notes, due March 27, 2025, with a 6.25% interest rate. Subordinated debt counts as Tier 2 capital for regulatory purposes. The Bank also repaid \$5,115,000 of preferred stock on March 31, 2015 as part of the United States Treasury's Small Business Lending Fund (SBLF). We enjoyed a 1% dividend rate on the SBLF; however, that rate would have increased to 9% in early 2016. Preferred stock dividends are not tax deductible. On a fully tax equivalent basis, the 9% dividend would equate to an interest rate of 13.64%. By replacing the SBLF with the subordinated debt, we substantially lowered our future borrowing costs. We remain well capitalized with adequate capital levels assuming normal organic growth and earnings.

Our loan quality remains excellent. Loan recoveries exceeded charged-off loans in the first quarter. Non-performing assets/total assets were a satisfactory 0.73%. Our loan loss allowance/loans ratio stood at 1.09%.

On April 1, we announced the promotion of Gene Draganosky to the position of President. Gene brings many years of banking and senior leadership expertise to his elevated role. He will continue to report to me and will partner with me, the Board, and the Senior Team to sustain our strategic growth plans and ensure leadership continuity in the years ahead.

Thank you for your continued support and investment in York Traditions Bank.

A handwritten signature in red ink that reads "Mike Kochenour". The signature is fluid and cursive.

Michael E. Kochenour  
Founder, Chairman & CEO

# FINANCIAL HIGHLIGHTS *(unaudited)*:

*(Dollars in thousands, except per share data)*

<b>SELECTED FINANCIAL DATA</b>	<b>MAR 31, 2015</b>	<b>DEC 31, 2014</b>	<b>MAR 31, 2014</b>
Investment securities	\$ 37,481	\$ 35,215	\$ 40,959
Loans, net of unearned income	244,945	237,798	227,329
Total assets	311,255	300,231	290,057
Deposits	255,155	247,860	236,918
Borrowings	21,529	18,390	21,394
Subordinated debt	5,000	-	-
Shareholders' equity	28,311	32,815	30,928
Book value per common share	\$ 12.87	\$ 12.62	\$ 11.94
Allowance/loans	1.09%	1.08%	1.06%
Non-performing assets/total assets	0.73%	0.74%	0.49%
Tier 1 capital/average assets	9.28%	10.80%	10.86%

## THREE MONTHS ENDED MAR 31,

<b>SELECTED OPERATIONS DATA</b>	<b>2015</b>	<b>2014</b>
Interest income	\$ 3,074	\$ 2,875
Interest expense	(528)	(463)
Net interest income	2,546	2,412
Provision for loan losses	(90)	(96)
Investment securities gains	-	6
Gains on sale of mortgages	812	332
Other income	246	225
Other expense	(2,749)	(2,320)
Income before income taxes	765	559
Income taxes	(231)	(170)
Net income	534	389
Preferred stock dividends	(13)	(13)
Net income available to common shareholders	\$521	\$376
Earnings per common share (basic and diluted)	\$0.24	\$0.17
Return on average assets	0.72%	0.56%
Return on average equity	6.73%	5.19%
Net interest margin	3.66%	3.65%
Net charge-offs(recoveries)/average loans	-0.02%	0.00%



## Board of Directors

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**DAVID L. BODE, CCIM, SIOR**

*Managing Partner*

*ROCK Commercial Real Estate, LLC*

**JOHN D. BROWN**

*CEO, Blockhouse, Inc.*

**ELIZABETH F. CARSON**

*Retired Banking Executive*

**WANDA D. FILER, M.D.**

*Founder, Strategic Health Institute*

**WILLIAM R. HARTMAN**

*First Vice Chairman, President and CEO*

*York County Community Foundation*

**PAUL V. KILKER**

*President, GGS Information Services*

**TIMOTHY J. KINSLEY**

*Vice President, Kinsley Properties/Construction*

**MICHAEL E. KOCHENOUR**

*Chairman of the Board*

**JOHN M. POLLI**

*President, JMP Consulting*

**WILLIAM J. SHORB**

*President, R.E.H. Holdings*

## Senior Management

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**MICHAEL E. KOCHENOUR, FOUNDER**

*Chairman and CEO*

**EUGENE J. DRAGANOSKY**

*President*

**JOHN D. BLECHER, FOUNDER**

*Managing Director, Chief Operating Officer/*

*Chief Financial Officer*

**TERESA L. GREGORY**

*Managing Director, Mortgage Services*

**MICHAEL E. HUSON**

*Managing Director, Business Services*

**CAROLYN SCHAEFER**

*Managing Director,*

*Personal Banking and Wealth Management*

## Branch Locations

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**ST. CHARLES WAY OFFICE**

717-747-2610

**EASTERN BOULEVARD OFFICE**

717-747-2620

**SUSQUEHANNA TRAIL OFFICE**

717-747-2640

**WHITE STREET OFFICE**

717-747-2660

**EISENHOWER DRIVE OFFICE**

717-637-2610

## Administrative Headquarters

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**TRADITIONS CENTER**

226 Pauline Drive, P.O. Box 3658

York, PA 17402-0136

717-741-1770



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