

**Please note the change in location:  
The Capitol Theatre at the Appell Center  
for the Performing Arts  
50 North George Street, York, Pennsylvania 17401**



March 7, 2019

**Notice of Annual Meeting of Shareholders  
To Be Held April 15, 2019**

Dear Shareholder,

You are invited to attend the Annual Meeting of Shareholders of York Traditions Bank (the “Bank”) to be held on Monday, April 15, 2019, at 4:00 p.m., in the **Capitol Theatre at the Appell Center for the Performing Arts, 50 North George Street, York, Pennsylvania**, to consider and take action on the following matters:

1. Elect three Directors to Class II for three-year terms expiring in 2022;
2. Ratify the selection of BDO USA, LLP as the Bank’s independent auditors for the year ending December 31, 2019; and
3. Transact such other business as may properly come before the Annual Meeting of Shareholders.

The vote of each Shareholder is important. A Proxy Statement and Proxy are enclosed with this mailing. You are encouraged to review this material and complete, sign, date and return the Proxy in the enclosed postage-paid envelope prior to the Meeting. It is important for you to return the Proxy and indicate whether or not you plan to attend the Annual Meeting of Shareholders.

We encourage our Shareholders to attend the Annual Meeting. If you wish to attend, we ask that you contact Teri Clinton at (717) 747-2606 or [tclinton@yorktraditionsbank.com](mailto:tclinton@yorktraditionsbank.com) to confirm your attendance.

**Your Board of Directors recommends a vote “FOR” the election of each of the nominees for Director listed in the enclosed Proxy Statement and “FOR” the ratification of the selection of BDO USA, LLP as the Bank’s independent auditors for the year ending December 31, 2019.**

Sincerely,

A handwritten signature in black ink that reads "Michael E. Kochenour". The signature is fluid and cursive, with a long horizontal flourish at the end.

Michael E. Kochenour  
Chairman



# YORK TRADITIONS BANK

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## PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MONDAY, APRIL 15, 2019

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### GENERAL INFORMATION

#### *Time and Place of Annual Meeting of Shareholders*

This Proxy Statement contains information about the Annual Meeting of Shareholders of York Traditions Bank to be held Monday, April 15, 2019, beginning at 4:00 p.m., in the Capitol Theatre at the Appell Center for the Performing Arts, 50 North George Street, York, Pennsylvania, and at any adjournments or postponements of the Annual Meeting of Shareholders. The Proxy Statement was prepared at the direction of the York Traditions Bank Board of Directors to solicit your Proxy for use at the Annual Meeting of Shareholders. It will be mailed to Shareholders on or about March 7, 2019.

#### *Description of York Traditions Bank*

York Traditions Bank is a Pennsylvania-chartered banking institution that opened for business on October 28, 2002. The Bank's principal office is located at 226 Pauline Drive, York, Pennsylvania 17402; the telephone number is (717) 741-1770. All inquiries should be directed to Michael E. Kochenour, Chairman.

### VOTING PROCEDURES

#### *Who is entitled to vote?*

Shareholders owning Bank common stock on February 28, 2019 are entitled to vote at the Annual Meeting of Shareholders or any adjournment or postponement of the Annual Meeting of Shareholders. Each Shareholder has one vote per share on all matters to be voted on. On February 28, 2019 there were 2,821,958 shares of common stock outstanding.

#### *On what am I voting?*

At the Meeting, you will be asked to:

- Elect three Directors to Class II for three-year terms expiring in 2022;
- Ratify the selection of BDO USA, LLP as the Bank's independent auditors for the year ending December 31, 2019; and
- Attend to any other business properly presented at the Meeting.

#### *How does the Board of Directors recommend I vote on the proposals?*

The Board of Directors recommends a vote FOR the election of each of the three nominees as Directors to Class II and FOR the ratification of the selection of BDO USA, LLP as the Bank's independent auditors for the year ending December 31, 2019.

*How do I vote?*

Sign and date each Proxy form you receive and return it in the postage-paid envelope provided. If you sign your Proxy form, but do not mark your choices, your Proxy will be voted FOR the election of the three persons nominated for election as Directors to Class II and FOR the ratification of the selection of BDO USA, LLP as the Bank's independent auditors for the year ending December 31, 2019.

You may revoke your Proxy at any time before it is exercised. To do so, you must give written notice of revocation to the Secretary, York Traditions Bank, 226 Pauline Drive, P.O. Box 3658, York, Pennsylvania 17402, submit another properly signed Proxy with a more recent date, or vote in person at the Annual Meeting of Shareholders after giving written notice to the Secretary of the Bank.

*What is a quorum?*

A "quorum" is the presence at the Annual Meeting of Shareholders, in person or by Proxy, of the holders of a majority of the outstanding shares. There must be a quorum for the Annual Meeting of Shareholders to be held. Abstentions are counted for purposes of determining the presence or absence of a quorum, but are not considered a vote cast under Pennsylvania law. Brokers holding shares in street name for their customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. Such shares for which brokers have not received voting instructions from their customers are called "broker non-votes." Under Pennsylvania law, broker non-votes will be counted to determine if a quorum is present with respect to any matter to be voted upon by Shareholders at the Annual Meeting of Shareholders only if such shares have been voted at the Annual Meeting of Shareholders on another matter other than a procedural motion.

*What vote is required to approve each item on the agenda?*

The three nominees for election as Directors to Class II receiving the highest number of votes will be elected to the Board of Directors.

The affirmative vote of a majority of the votes cast, in person or by Proxy, is required to ratify the selection of BDO USA, LLP as the Bank's independent auditors.

*Who will count the vote?*

The Judges of Election appointed by the Board of Directors will count the votes cast in person or by Proxy at the Annual Meeting of Shareholders.

*How are Proxies being solicited?*

In addition to solicitation by mail, the officers, Directors and employees of the Bank may, without additional compensation, solicit Proxies by telephone or personal interview. Brokers and other custodians, nominees and fiduciaries will be requested to forward soliciting material to the beneficial owners of common stock held by such persons and will be reimbursed by the Bank for their expenses. The cost of soliciting Proxies for the Annual Meeting of Shareholders will be borne by the Bank.

## BOARD OF DIRECTORS

The Board of Directors of the Bank is divided into three classes, Class I, Class II and Class III. The classes are staggered to expire at successive Annual Meetings of Shareholders. The successors to the class of Directors whose terms will then expire will be elected to hold office for a term expiring at the third succeeding Annual Meeting of Shareholders and when their successors are duly elected and qualified. Set forth below is certain information relating to the current Board of Directors. All seven of the original Directors have served as Directors of the Bank since its organization in 2002. Current Class II Directors Paul V. Kilker and Timothy J. Kinsley have decided to retire following this year's Annual Meeting of Shareholders. As a result, they have not been nominated for reelection to Class II.

<u>Name and age as of 2/28/19</u>	<u>Principal Occupation</u>	<u>Shares Beneficially Owned as of 2/28/19</u> (1), (2)	<u>Percent of Total Shares</u> (3)
<b><u>Current Class II Directors and Nominees for Class II Directors</u></b>			
David L. Bode 50	Managing Partner, ROCK Commercial Real Estate, LLC Bank Director since 2014	8,852 (4)	0.31%
R. Eric Menzer 54	President, York Professional Baseball Club, LLC Bank Director since 2018	688 (5)	0.02%
Kevin J. Schreiber 38	President and CEO York County Economic Alliance Bank Director since 2018	188	0.01%

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1 The securities "beneficially owned" by an individual are determined in accordance with the definitions of "beneficial ownership" set forth in the General Rules and Regulations of the Securities and Exchange Commission and may include securities owned by or for the individual's spouse and minor children and any other relative who has the same home, as well as securities that the individual has or shares voting or investment power, or has the right to acquire beneficial ownership of within 60 days after February 28, 2019. An individual has the right to disclaim beneficial ownership of certain securities.

2 Information furnished by Directors and the Bank.

3 Based on 2,855,743 shares of common stock, which includes 2,821,958 outstanding shares plus 33,785 shares issuable pursuant to options held by the respective person or group that are currently exercisable or may be exercised within 60 days of February 28, 2019 ("presently exercisable stock options").

4 Includes 5,000 shares held by RBC Capital Markets for the benefit of David L. Bode Keogh Plan and 1,000 shares issuable pursuant to presently exercisable stock options.

5 Includes 668 shares owned jointly with his wife, Kendall B. Menzer.

**Current Class III Directors (term expires 2020)**

John D. Brown 61	Director, Blockhouse, Inc. Bank Director since 2002	185,361 (6)	6.49%
Wanda D. Filer, MD 59	Owner, Strategic Health Institute Bank Director since 2002	30,030 (7)	1.05%
Michael E. Kochenour 66	Chairman, York Traditions Bank Bank Director since 2002	32,195 (8)	1.13%
Elizabeth F. Carson 62	Retired Banking Executive Bank Director since 2015	13,714 (9)	0.48%

**Current Class I Directors (term expires 2021)**

John M. Polli 54	President, Reliance Student Transportation, LLC Bank Director since 2002	42,255 (10)	1.48%
William J. Shorb 63	Managing Partner, Hillside Lane Associates Bank Director since 2002	26,258 (11)	0.92%
Eugene J. Draganosky 55	President & Chief Executive Officer, York Traditions Bank Bank Director since 2015	7,844 (12)	0.27%

Information concerning the beneficial ownership of Messrs. Kilker and Kinsley is shown in the table below:

Paul V. Kilker 69	President, Kilker Holdings, Inc. Board Member since 2002	140,623 (13)	4.92%
Timothy J. Kinsley 53	Vice President, Kinsley Construction, Inc. Board Member since 2002	104,151 (14)	3.65%

6 Includes 2,000 shares issuable pursuant to presently exercisable stock options.

7 Includes 26,718 shares owned jointly with Robert B. Filer, her husband; 1,312 shares held by Charles Schwab & Company for the benefit of Robert B. Filer IRA; and 2,000 shares issuable pursuant to presently exercisable stock options.

8 Includes 16,146 shares owned jointly with Vicky A. Kochenour, his wife; 1,250 shares owned jointly with Danielle Rae Kochenour, his daughter; and 13,406 shares held by RBC Capital Markets for the benefit of Michael E. Kochenour IRA.

9 Includes 12,714 shares owned jointly with Richard D. Carson, her husband, and 1,000 shares issuable pursuant to presently exercisable stock options.

10 Includes 1,000 shares issuable pursuant to presently exercisable stock options.

11 Includes 10,750 shares owned by Mari K. Shorb, his wife; and 2,084 shares owned jointly with his wife.

12 Includes 1,500 shares held by RBC Capital Markets for the benefit for Eugene J. Draganosky IRA and 2,625 shares of restricted stock.

13 Includes 135,614 shares owned by Kilker Holdings, Inc., a corporation controlled by Mr. Kilker; 625 shares owned by Lynn S. Kilker, his wife; 1,705 shares owned jointly with his wife; and 1,000 issuable pursuant to presently exercisable stock options.

14 Includes 102,151 shares owned by Kinsley Investments LLC, a corporation controlled by Mr. Kinsley, and 1,500 shares issuable pursuant to presently exercisable stock options.

As of February 28, 2019, the Bank's Directors and executive officers, as a group, beneficially own 618,964 shares of common stock, representing 21.67% of shares outstanding, including shares subject to presently exercisable stock options.

The Board of Directors met thirteen times during 2018. Each Director attended at least 75% of the combined total number of meetings of the Board of Directors and the committees of which he or she was a member, except for Timothy J. Kinsley. Six Directors attended the 2018 Annual Meeting of Shareholders.

#### *Committees of the Board of Directors*

During 2018, the Board of Directors of the Bank maintained a Loan Committee, an Audit Committee, a Compensation Committee and a Governance Committee.

*Loan Committee.* The 2018 Loan Committee members were: William J. Shorb (chairman), Michael E. Kochenour, John M. Polli, David L. Bode and Eugene J. Draganosky. The Loan Committee approves loans over a certain dollar amount and may approve loans up to the Bank's legal lending limit. The Loan Committee met fifteen times during 2018.

*Audit Committee.* The 2018 Audit Committee members were: Paul V. Kilker (chairman), Wanda D. Filer and Michael E. Kochenour. Timothy J. Kinsley also served on the Audit Committee until April when he was replaced by John M. Polli. R. Eric Menzer joined the Audit Committee effective January 1, 2019. The Audit Committee met four times during 2018. The Audit Committee operates under an Audit Committee Charter, which establishes its primary duties and responsibilities, including the following:

- Monitor the integrity of the Bank's financial reporting process and systems of internal controls regarding finance, accounting and regulatory compliance;
- Monitor the independence and performance of the Bank's independent auditors, internal auditing and loan review;
- Provide an avenue of communication among the independent auditors, management, internal auditing and the Board of Directors;
- Monitor the Bank's Compliance Program and oversight of management's implementation of the compliance risk management system;
- Oversee the Bank's Enterprise Risk Management Program; and
- Provide oversight of information technology, including contracting for independent testing, monitoring technology initiatives and cybersecurity preparedness.

*Compensation Committee.* The 2018 Compensation Committee members were: John D. Brown (chairman), Wanda D. Filer, Paul V. Kilker and Elizabeth F. Carson. Michael E. Kochenour participates as a non-voting member. The Compensation Committee met three times in 2018. The Compensation Committee makes recommendations to the Board of Directors in the following areas of compensation:

- Overall compensation philosophy;
- Executive and Board of Directors compensation;
- Stock-based incentives to officers and key associates;
- Bank-wide cash incentives;
- Executive officer employment and change of control contracts; and
- Chief Executive Officer salary and incentive compensation.

Salary grades and ranges are used to support our commitment to remain competitive in the market place. The salary grades are based on market data regarding banks of comparable asset size and banks located within our market area. Each position, including those of the executive officers, is placed into a salary grade. Recommended changes to compensation are based on the market data and individual performance.

Stock-based incentives and bank-wide cash bonus payouts are based on achievement of annual objectives and bottom line financial performance. Mr. Kochenour does not participate in discussions concerning his personal compensation.

*Governance Committee.* The 2018 Governance Committee members were: Elizabeth F. Carson (chairwoman), John D. Brown, Wanda D. Filer and Michael E. Kochenour. Kevin J. Schreiber joined the Governance Committee effective January 1, 2019. The Governance Committee met four times during 2018. The Governance Committee operates under a Governance Charter which establishes its primary duties and responsibilities, including the following:

- Identify, evaluate and recommend persons to become Board and Advisory Board members; and
- Review and recommend, from time to time, appropriate modifications to the Bank's governance policies and documents.

#### *Procedure for Nominating Directors*

The Bank's Board of Directors nominates individuals to be elected as Directors. A Shareholder who desires to nominate an individual for election to the Board of Directors at the 2020 Annual Meeting of Shareholders should submit a proposal in writing to the Secretary of York Traditions Bank in accordance with Article II, Section 4 of the Bank's Bylaws, not less than sixty days nor more than ninety days prior to the anniversary date of the 2019 Annual Meeting of Shareholders; provided, however, that if the 2020 Annual Meeting of Shareholders is called for a date that is not within thirty days of the anniversary date of the 2019 Annual Meeting of Shareholders, such notice shall be mailed and received by or delivered to the Secretary of the Bank no later than the close of business on the fifth day following the mailing date of the notice of the Annual Meeting of Shareholders. The nominating Shareholder must include in the proposal certain information listed in Article II, Section 4 of the Bylaws. To obtain a copy of the Bank's Bylaws, Shareholders should write to John D. Blecher, Secretary, York Traditions Bank, 226 Pauline Drive, P.O. Box 3658 York, Pennsylvania 17402.

#### *Compensation of the Board of Directors*

*2002 Directors' Compensation Plan.* The 2002 Directors' Compensation Plan ("2002 Directors' Plan") expired in 2012, and no additional grants may be awarded under such Plan.

Pursuant to the 2002 Directors' Plan, each of the initial Directors who was not an employee of the Bank was granted an option to purchase 1,250 shares of common stock upon their appointment to the Board. Each such option vested over a three-year period. Additionally, as annual compensation for serving on the Board of Directors, each non-employee Director was granted an option to purchase 500 shares of common stock at an exercise price of not less than the fair market value of Bank common stock on the date of grant. To be entitled to receive this grant, the Director was required to attend a minimum of 75% of the meetings of the Board of Directors held since the last Annual Meeting of Shareholders and ending on the date of the most recent Annual Meeting of Shareholders. In any year following the first year in which the Bank's audited year-end financial statements reflected net income for the year, a Director who was entitled to receive options as annual compensation was entitled to elect to receive \$5,000 cash in lieu of such options.

*2012 Non-Employee Directors' Stock Incentive Plan.* On June 21, 2012, the Board of Directors adopted the 2012 Non-Employee Directors' Stock Incentive Plan ("2012 Directors' Plan") to succeed the expired 2002 Directors' Plan. The 2012 Directors' Plan authorizes the grant of nonqualified stock options, stock appreciation rights, restricted stock and deferred stock units. The Board is authorized to issue up to 50,000 shares of common stock under the Plan.



Under the 2012 Directors' Plan, as in effect for periods prior to the period running from the 2016 Annual Meeting of Shareholders through the 2017 Annual Meeting of Shareholders, in addition to permitting the discretionary grant of awards, the Plan set forth certain terms on which the payment of certain minimum compensation amounts to each non-employee Director was required. Such provisions, which are commonly found in stand-alone non-employee director compensation programs, rendered the 2012 Directors' Plan cumbersome to administer because an amendment to the Plan was required whenever the Board of Directors determined it advisable or appropriate to modify the form, amount, or the terms on which non-employee Directors should receive compensation for discharging their duties as Board Members.

Therefore, in August 2016, the Board of Directors amended the 2012 Directors' Plan to eliminate the provisions setting forth the required minimum compensation of non-employee Directors.

In connection with this amendment, the Board of Directors established a Non-Employee Director Compensation Program, which is administered by the Compensation Committee and is described below.

*Non-Employee Directors' Compensation Program.* Under the Non-Employee Directors' Compensation Program, compensation owing to a non-employee Director is payable immediately following the Annual Meeting of Shareholders of the Bank for services rendered as a Director during the program year. Beginning April 2018, compensation was payable quarterly in arrears. Employee Directors and Directors who are a party to a consulting agreement with the Bank are not eligible to participate in the Program.

In accordance with the Program as in effect, each non-employee Director, except for the Chairman of the Board, shall receive 25% of the following as compensation for their quarterly service period.

- Board Member. \$5,000 annual retainer and \$750 per Board Meeting attended during Program year;
- Committee Chair. \$3,000 annual retainer for Audit Committee chair and \$1,000 annual retainer for all other committee chairs; and
- Committee Member. \$4,000 annual retainer for Loan Committee members and \$2,000 annual retainer for all other committee members.

Non-employee Directors may elect to receive cash in lieu of restricted stock for any compensation payable under the Non-Employee Director Compensation Program.

## EXECUTIVE OFFICERS

### *Executive Officers*

The following table sets forth selected information about the Bank's executive officers:

<u>Name</u>	<u>Age as of 2/28/19</u>	<u>Position</u>
Eugene J. Draganosky	55	President & Chief Executive Officer
John D. Blecher, CPA	58	Chief Operating Officer & Chief Financial Officer
Dr. Teresa L. Gregory	51	President, Traditions Mortgage
Michael E. Huson	53	Managing Director, Business Services
J. Mark Poliski	54	Chief Credit Officer
Bradley A. Willow	57	Managing Director, Personal Banking & Signature Banking

## EXECUTIVE COMPENSATION

### *Summary Compensation Table*

The following Summary Compensation Table shows all compensation paid by the Bank for services rendered during the past two fiscal years to the Chief Executive Officer and the next most highly compensated officer:

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Stock Awards(1)</u>	<u>All Other Compensation</u>	<u>Total</u>
Eugene J. Draganosky President & Chief Executive Officer	2018	\$229,231	\$49,450	\$24,006	\$20,215	\$322,902
	2017	\$210,000	\$33,330	\$24,450	\$29,465	\$297,245
John D. Blecher Chief Operating Officer & Chief Financial Officer	2018	\$171,346	\$31,050	\$14,002	\$14,915	\$231,313
	2017	\$163,846	\$29,970	\$19,560	\$16,825	\$230,201

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<sup>1</sup> The identified amount of the stock awards is based on the fair market value on the date of grant.

*All Other Compensation Table*

The following table provides the detail for All Other Compensation shown above in the Summary Compensation Table.

<u>Name</u>	<u>Year</u>	<u>Qualified Retirement Plan Bank Contribution</u>	<u>Club Dues</u>	<u>Life Insurance Paid by Bank</u>	<u>Total All Other Compensation</u>
Eugene J. Draganosky	2018	\$11,713	\$6,780	\$1,722	\$20,215
	2017	\$10,222	\$18,189	\$1,054	\$29,465
John D. Blecher	2018	\$8,483	\$5,340	\$1,092	\$14,915
	2017	\$10,492	\$5,160	\$1,173	\$16,825

*Outstanding Equity Awards at Fiscal Year End*

The following table shows the outstanding equity awards granted to each executive officer named in the Summary Compensation Table:

<u>Name</u>	<u>Grant Date</u>	<u>Option Awards</u>				<u>Stock Awards</u>	
		<u>Number of Securities Underlying Unexercised Options Exercisable</u>	<u>Number of Securities Underlying Unexercised Options Unexercisable</u>	<u>Option Exercise Price</u>	<u>Option Expiration Date</u>	<u>Number of Shares of Stock/Units That Have Not Vested</u>	<u>Market Value of Shares/Units That Have Not Vested</u>
Eugene J. Draganosky	04/2016	-	-	-	-	1,125	\$13,275
	04/2017	-	-	-	-	1,500	\$24,450
	04/2018	-	-	-	-	1,171	\$24,006
John D. Blecher	04/2016	-	-	-	-	1,125	\$13,275
	04/2017	-	-	-	-	1,200	\$19,560
	04/2018	-	-	-	-	683	\$14,002

Information concerning beneficial ownership of Bank common stock by Eugene J. Draganosky is included in the information above concerning Directors. The following table shows the beneficial ownership of common stock by the other executive officer named in the Summary Compensation Table:

<u>Name</u>	<u>Shares Beneficially Owned as of 02/28/19</u>	<u>Percent of Total Shares</u>
John D. Blecher	15,780 <sup>(1)</sup>	0.55%

<sup>1</sup> Includes 4,997 shares owned jointly with Sharon I. Blecher, his wife; 8,458 shares held by Haverford Trust Company for the benefit of John D. Blecher IRA; and 2,325 shares of restricted stock.

*Employment Agreements.* The Bank entered into a three-year Employment Agreement with Eugene J. Draganosky as President and Chief Executive Officer on December 30, 2016. The Employment Agreement governs the terms and conditions of Mr. Draganosky's service, including compensation, bonuses, benefits and change in control compensation provisions. Under the Employment Agreement, Mr. Draganosky will receive certain compensation in the event of termination without cause or termination after a change of control of the Bank, as defined in the Employment Agreement. The Agreement contains rolling-term options to renew for additional one-year periods. The Agreement was amended January 1, 2018 to include an automobile allowance.

*Change in Control Agreements.* The Bank has entered into a Change in Control Agreement with each of John D. Blecher, Dr. Teresa L Gregory, Michael E. Huson, J. Mark Poliski and Bradley A. Willow. Upon a termination of employment following a change in control of the Bank, as defined in the Agreements, the foregoing individuals would be entitled to receive monetary compensation in the amount set forth in the Change in Control Agreements.

*Salary Continuation Plan.* In March 2012, the Bank entered into a Salary Continuation Agreement with Messrs. Kochenour and Blecher. This is an unfunded plan that provides for retirement benefits beginning at age 65 and continuing for fifteen years. The annual benefit is \$30,000 and \$20,000 for Messrs. Kochenour and Blecher, respectively. The Agreements also provide for benefits in the event of early retirement, disability, death during active service or a change in control of the Bank.

*Consulting Agreement.* In connection with his retirement as Chief Executive Officer of the Bank and in order to ensure a smooth transition of executive leadership of the Bank to Mr. Draganosky, the Bank entered into a one-year Consulting and Non-Competition Agreement with Michael E. Kochenour on December 27, 2016. Pursuant to the Consulting Agreement, the Bank agreed to nominate Mr. Kochenour for election as a Director at the 2017 Annual Meeting of Shareholders and, if elected, to appoint Mr. Kochenour as Chairman of the Board. Mr. Kochenour has agreed, among other things, to provide advisory and consulting services to the Chief Executive Officer and Chief Operating Officer of the Bank and otherwise act as an ambassador of the Bank in the local business community. On January 1, 2018, the Agreement was extended one year until December 31, 2018. Beginning January 1, 2019, Mr. Kochenour received an annual retainer of \$55,000 as the Board Chair of the Bank.

#### *Equity Incentive Plans*

The Bank has four Equity Incentive Plans, which provide for the grant of options and other equity-based incentives to Directors, officers and key employees. The following table summarizes the activity for the Plans, as of February 28, 2019:

<u>Plan</u>	<u>Shares Reserved</u>	<u>Shares Available for Future Issuance</u>	<u>Shares Underlying Outstanding Options</u>	<u>Average Option Exercise Price</u>	<u>Shares Underlying Exercisable Options</u>	<u>Shares Underlying Outstanding Stock/Units Awards That Have Not Vested</u>
2002 Directors' Compensation Plan	35,841	-	7,500	\$11.30	7,500	-
2002 Equity Incentive Stock Option Plan	83,629	-	1,500	\$11.33	1,500	-
2006 Stock Incentive Plan	100,000	-	22,785	\$11.16	19,785	3,650
2012 Directors' Plan	50,000	23,448	4,000	\$15.13	2,000	-
2016 Stock Incentive Plan	125,000	112,082	-	-	-	12,918

*2002 Directors' Compensation Plan.* For a discussion of the 2002 Directors' Compensation Plan, see "*Compensation of the Board of Directors*" above.

*2002 Equity Incentive Stock Option Plan.* The 2002 Equity Incentive Stock Option Plan expired in 2012, and no additional awards may be granted under the Plan. The Plan authorized the issuance of options to officers and key employees who were determined to be in positions in which their decisions, actions and counsel significantly impacted upon the long-term profitability of the Bank. Options issued under the Plan vest over a minimum three-year period.

*2006 Stock Incentive Plan.* The 2006 Stock Incentive Plan expired in 2016, and no additional awards may be granted under the Plan. The Plan authorized the issuance of stock-based incentives, such as options and restricted stock, to officers and key employees.

*2012 Non-Employee Directors' Stock Incentive Plan.* For a discussion of the 2012 Non-Employee Directors' Stock Incentive Plan, see "*Compensation of the Board of Directors*" above.

*2016 Stock Incentive Plan.* On April 19, 2016, the Shareholders approved the 2016 Stock Incentive Plan. The Board of Directors administers the 2016 Stock Incentive Plan, which authorizes the issuance of stock-based incentives to officers and key employees. Stock-based incentives may take the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock and deferred stock awards. Re-pricing of awards under the Plan is not permitted. The 2016 Stock Incentive Plan was amended in 2017 to permit the issuance of restricted stock units.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### *Lease for Bank Premises*

The Bank leases its Saint Charles Way office from Kinsley/Graham Limited Partnership ("Kinsley/Graham"). Timothy J. Kinsley, a Director of the Bank, is affiliated with Kinsley/Graham. The Bank had an independent evaluation of the original leased premises conducted and negotiated the terms of the lease with Kinsley/Graham on an arms-length basis. During 2018, \$184,000 was paid to Kinsley/Graham for rent, taxes and maintenance charges.

### *Branch Office Renovations*

York Traditions Bank paid Kinsley Construction, Inc. \$506,000 during 2018 for certain leasehold improvements at the Downtown branch office. Timothy J. Kinsley, a Director of York Traditions Bank, is affiliated with Kinsley Construction. Five local construction companies bid on the project. Kinsley Construction was the lowest bidder.

### *Indebtedness of Board of Directors*

The Bank has engaged in and intends to continue to engage in banking and financial transactions in the ordinary course of business with its Directors and their associates on comparable terms with similar interest rates as those prevailing from time to time for other customers of the Bank.

## BENEFICIAL OWNERSHIP BY PRINCIPAL SHAREHOLDERS

As of February 28, 2019, the Board of Directors knows of no Shareholder who owns more than 5% of the Bank's outstanding common stock except as shown in the following table:

<b><u>Name and Address of Beneficial Owner</u></b>	<b><u>Shares Beneficially Owned</u></b>	<b><u>Percent of Class</u></b>
Strategic Value Investors, L.P. 2000 Auburn Drive Suite 300 Beachwood, OH 44122	270,593	9.48%
Banc Funds Company, L.L.C. 20 North Wacker Drive Suite 3300 Chicago, IL 60606	204,391	7.16%
John D. Brown 1565 Detwiler Drive York, PA 17404	185,361 <sup>(1)</sup>	6.49%
SIENA Capital Partners, GP, LLC 100 North Riverside Plaza Suite 1630 Chicago, IL 60606	180,845	6.33%

## PROPOSAL 1 - ELECTION OF DIRECTORS

Article II, Section 1 of the Bank's Bylaws authorizes the number of Directors to be not less than five nor more than twenty-five. Within these limits, the Board of Directors may from time to time fix the number of Directors, except that the Board of Directors may not increase the number of Directors by more than two in any one calendar year. As of February 28, 2019, the Board of Directors consisted of twelve Directors.

The Bylaws further provide for three classes of Directors with staggered three-year terms of office. The terms of the classes expire at successive Annual Meetings of Shareholders. In accordance with the Bank's Bylaws, the current term of office of Directors of Class II will expire at the Annual Meeting of Shareholders to be held in 2019 and when their respective successors are duly elected and qualified. At each Annual Meeting of Shareholders, the successors to the class of Directors whose terms will then expire will be elected to hold office for a term expiring at the third succeeding Annual Meeting of Shareholders and when their successors are duly elected and qualified.

The Board of Directors is proposing the following three nominees for election as Class II Directors at the Annual Meeting of Shareholders, to serve until the 2022 Annual Meeting of Shareholders and until their successors are elected and qualified. The three nominees listed below are current Class II Directors, and they have consented to serve the three-year term as a Director, if re-elected.

David L. Bode  
R. Eric Menzer  
Kevin J. Schreiber

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<sup>1</sup> Shares beneficially owned include stock options that are exercisable within sixty days of February 28, 2019.

Each of the nominees meets the qualifications for a Director.

Although the Bank does not anticipate that any of the nominees above will be unwilling or unable to stand for election, in the event of such an occurrence, Proxies may be voted for a substitute designated by the Board of Directors. Further, if a Director should be unavailable to serve for any reason, a majority of the Board of Directors then in office may select someone to fill the vacancy until the expiration of the term of the class of Directors to which he or she was appointed.

The Proxy holders intend to vote their Proxies **FOR** the election of the nominees named above, unless you indicate on the Proxy that your vote should be withheld from any or all of them.

The Board of Directors recommends that Shareholders vote **FOR** the election of the above-named nominees for Class II Directors.

## **PROPOSAL 2 - RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

The Board of Directors has selected BDO USA, LLP to act as the Bank's independent auditors for the year ending December 31, 2019. The Board of Directors proposes that the Shareholders ratify this selection.

The Board of Directors recommends that Shareholders vote **FOR** the ratification of the selection of BDO USA, LLP as the Bank's independent auditors for the year ending December 31, 2019.

### **Fees of Independent Auditors**

Aggregate fees billed to the Bank by BDO for services rendered for 2018 and 2017 are presented below:

	Year Ended December 31,	
	2018	2017
Audit	\$ 61,499	\$ 59,754
Tax	11,090	10,162
Total	<u>\$ 72,589</u>	<u>\$ 69,916</u>

Audit fees include professional services rendered for the audit of the Bank's annual financial statements and services normally provided in connection with statutory and regulatory filings, including out-of-pocket expenses. Tax fees include the following: preparation of state and federal returns, tax planning matters and assistance with tax questions and research.

The Audit Committee has considered BDO's provision of non-audit services and determined that such services are compatible with maintaining BDO's independence.

## **LEGAL PROCEEDINGS**

In the opinion of the management of the Bank, there are no proceedings pending to which the Bank is a party or to which its property is subject, which, if determined adversely to the Bank, would be material in relation to the Bank's undivided profits or financial condition. In addition, to management's knowledge, no governmental authorities have initiated or are contemplating the initiation of any proceedings against the Bank that would be material to its financial condition.

## **SHAREHOLDER PROPOSALS FOR 2020 ANNUAL MEETING OF SHAREHOLDERS**

Any Shareholder who wishes to submit a proposal for inclusion in York Traditions Bank's Proxy Statement for its 2020 Annual Meeting of Shareholders must deliver the proposal in writing to the Secretary of York Traditions Bank at its principal executive offices no later than February 15, 2020. Proposals should be addressed to the Secretary.

## **OTHER BUSINESS**

The Board of Directors knows of no matters other than those described in the Notice of Annual Meeting of Shareholders and this Proxy Statement that may properly come before the Annual Meeting of Shareholders. However, if any other matter should be properly presented for consideration and voted at the Annual Meeting of Shareholders or any adjournments of the Annual Meeting of Shareholders, the persons named as Proxy holders will vote the Proxies according to the directions of the Bank's management.