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Managing Director, Chief Lending Officer

Teresa L. Gregory

Managing Director, Mortgage Services

Carolyn Schaefer

Managing Director, Personal Banking

Office Locations

St. Charles Way (Main) Office

717-741-1770

Eastern Boulevard Office

717-747-2620

Susquehanna Trail Office

717-747-2640

White Street Office

717-747-2660

Member FDIC

www.yorktraditionsbank.com

York Traditions Bank
235 St. Charles Way
York, PA 17402



Shareholder Report

3rd Quarter

September 30, 2012

November 26, 2012

Dear Shareholder:

We are pleased to report continued outstanding earnings for 2012. For the nine months ending September 30, 2012, we earned \$2,072,000 up \$836,000, or 64%, over the same period last year. Our nine months of net income now exceed our total in 2011 of \$1,608,000, which was a record year of earnings.

Our Mortgage Division continues to benefit from low mortgage rates, which has spurred mortgage refinancing to record levels. Strong referral activity has also contributed to gains on sale of mortgage loans of \$2,038,000 year-to-date, an increase of \$1,103,000, or 118% over the same period last year.

We continue to see retail and business customers reduce debt and increase savings because of the ongoing weak economy. Loan growth year-over-year increased only \$567,000, while deposits grew \$32,790,000, or 11%. The loan pipeline is stronger heading into the 4th quarter, and our small business loan portfolio actually shows favorable growth over the baseline we established mid last year as part of our participation in the Small Business Lending Fund. Despite the weak loan growth, net interest income increased \$501,000, or 8%. Our net interest margin has also increased from 3.57% in 2011 to 3.59% so far in 2012.

Higher earnings have further boosted capital, and we remain well capitalized. While higher than the extraordinary lows reported in 2011, net charge-offs to average loans and non-performing assets to total assets have improved since the 2nd quarter and credit quality remains satisfactory.

Our “Best of Class” team of 75 Associates is proud to serve you and to celebrate this, our 10th anniversary year, with progressively strong financial results and by being recognized as a Best Places to Work for the 6th consecutive year. Looking ahead to 2013, the Traditions Center, our new administrative office at 226 Pauline Drive, York, is targeted for completion in the 2nd quarter.

We have had some interest expressed by shareholders and others to purchase shares of York Traditions Bank common stock. Recent sales have been at \$11.00 per share. Please contact John Blecher, our CFO, at 717-747-2601, if you want to acquire additional shares.

As always, thank you for your ongoing support and investment in York Traditions Bank.



Michael E. Kochenour
Chairman, President & CEO

Financial Highlights (unaudited)
(Dollars in thousands, except per share data)

Balance Sheet Data	September 30,		
	2012	2011	Change
Investment securities	\$ 33,425	\$ 35,844	-7%
Loans, net of unearned income	196,852	196,285	0%
Total assets	274,440	246,446	11%
Deposits	238,958	206,168	16%
Borrowings	5,750	13,444	-57%
Shareholders' equity	28,668	26,015	10%

Income Summary	Nine months ended September 30,		
	2012	2011	Change
Interest income	\$ 8,724	\$ 8,772	-1%
Interest expense	(1,974)	(2,523)	-22%
Net interest income	6,750	6,249	8%
Provision for loan losses	(390)	(263)	48%
Investment securities gains	-	8	-100%
Gains on sale of mortgages	2,038	935	118%
Other income	599	428	40%
Other expense	(6,015)	(5,539)	9%
Income before income taxes	2,982	1,818	64%
Income taxes	(910)	(582)	56%
Net income	2,072	1,236	68%
Preferred stock dividends & discount accretion	(192)	(408)	-53%
Net income available to common shareholders	\$ 1,880	\$ 828	127%

Selected Financial Ratios	September 30,		
	2012	2011	Change
Net interest margin	3.59%	3.57%	1%
Tier 1 capital/average assets	9.87%	10.27%	-4%
Total capital/risk-weighted assets	14.02%	13.57%	3%
Allowance/loans	1.09%	1.12%	-3%
Net charge-offs/average loans	0.35%	-0.01%	NM
Non-performing assets/total assets	0.56%	0.33%	73%
Earnings per common share (basic)	\$ 0.90	\$ 0.40	125%