



YORK TRADITIONS[®]
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SHAREHOLDER *Report*

2nd Quarter / June 30, 2015

MESSAGE FROM THE CHAIRMAN & CEO



August 15, 2015

DEAR SHAREHOLDER:

York Traditions Bank reported net income available to common shareholders of \$497,000, or 23 cents per share, for the second quarter ended June 30, 2015, compared to \$535,000, or 25 cents per share, for the second quarter ended June 30, 2014. This represents a \$38,000, or 7%, decrease. Net income available to common shareholders for the six months ended June 30, 2015 was \$1,018,000, or 47 cents per share, compared to \$911,000, or 42 cents per share, for the same period last year. This represents a \$107,000, or 12%, increase. Book value per common share stood at \$13.08 at June 30, 2015.

We remain encouraged by the strengthening residential real estate market and the related low interest rates. Gains from the sale of residential mortgages total \$1,659,000 so far in 2015, an increase of \$781,000 compared to the first six months in 2014. We continue to experience satisfactory growth in loans and deposits, which have increased 6% and 13%, respectively, in the last twelve months. This resulted in a \$217,000, or 4%, year-to-date increase in net interest income. These increases helped offset higher other expenses related to our new branch office in Hanover, Pennsylvania and several technology initiatives, including the transition of our debit card processing and internet banking to a new provider in April and expanded security and intrusion monitoring systems.

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. 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). The SBLF preferred stock was considered Tier 1 capital and the subordinated notes are Tier 2. As a result, the Tier 1 capital/average assets ratio fell from 10.80% at December 31, 2014 to 8.49% at June 30, 2015. The Bank remains well capitalized as defined by banking regulators. Following the issuance of the more permanent subordinated notes, the Bank executed a \$32 million leverage strategy acquiring high quality investment securities funded by Federal Home Loan Bank borrowings. As a result, investment securities increased \$30,070,000 since December 31, 2014 and the net interest margin fell to 3.27% for the second quarter compared to 3.61% for the same period last year.

Loan quality remains strong. Non-performing assets to total assets improved from 0.74% at December 31, 2014 to 0.58% at June 30, 2015.

The Bank continues to expand its base of relationships, in particular its strategic target markets of Small Business, Her Traditions, Young Professionals, and Non-Profits. All areas are showing double digit growth year to date. Our presence in Hanover continues to evolve, and we are pleased with the inroads we are making in cultivating new relationships in this market.

The landscape of banking is constantly changing, and we believe that the combination of our reputation, people, and Value Proposition and our multi-faceted delivery channels will enable us to capture increased market share in the time ahead.

Thank you for your ongoing support and investment in York Traditions Bank,

A handwritten signature in red ink that reads "Mike Kochenour". The signature is fluid and cursive, with a prominent loop at the end.

Michael E. Kochenour

Founder, Chairman & CEO

FINANCIAL HIGHLIGHTS *(unaudited)*:

(Dollars in thousands, except per share data)

SELECTED FINANCIAL DATA	JUNE 30,2015	DEC 31,2014	JUNE 30,2014
Investment securities	\$ 65,285	\$ 35,215	\$ 39,905
Loans, net of unearned income	245,310	237,798	231,145
Total assets	348,421	300,231	297,393
Deposits	267,848	247,860	237,963
Borrowings	46,422	18,390	26,936
Subordinated debt	5,000	-	-
Shareholders' equity	28,165	32,815	31,643
Book value per common share	\$ 13.08	\$ 12.62	\$ 12.17
Allowance/loans	0.94%	1.08%	1.06%
Non-performing assets/total assets	0.58%	0.74%	0.63%
Tier 1 capital/average assets	8.49%	10.80%	10.82%

SELECTED OPERATIONS DATA	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2015	2014	2015	2014
Interest income	\$ 3,222	\$ 2,942	\$ 6,296	\$ 5,817
Interest expense	(670)	(473)	(1,198)	(936)
Net interest income	2,552	2,469	5,098	4,881
Provision for loan losses	(45)	(40)	(135)	(136)
Investment securities gains	-	-	-	6
Gains on sale of mortgages	847	546	1,659	878
Other income	258	237	504	462
Other expense	(2,925)	(2,424)	(5,674)	(4,744)
Income before income taxes	687	788	1,452	1,347
Income taxes	(190)	(240)	(421)	(410)
Net income	497	548	1,031	937
Preferred stock dividends	-	(13)	(13)	(26)
Net income available to common shareholders	\$ 497	\$ 535	\$ 1,018	\$ 911
Earnings per common share (basic and diluted)	\$ 0.23	\$ 0.25	\$ 0.47	\$ 0.42
Return on average assets	0.60%	0.76%	0.65%	0.66%
Return on average equity	7.26%	7.14%	6.97%	6.18%
Net interest margin	3.27%	3.61%	3.45%	3.63%
Net charge-offs(recoveries)/average loans	0.68%	-0.01%	0.33%	-0.01%



Board of Directors

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ROCK Commercial Real Estate, LLC*

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*Board Director, Blockhouse, Inc.
Managing Director, Blockhouse Properties*

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*Retired Banking Executive
Community Leader*

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Bank President

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*Founder, Strategic Health Institute
Family Medicine Physician*

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Vice President, Kinsley Properties/Construction

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Chairman of the Board

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President, R.E.H. Holdings, Inc.

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President

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Chief Financial Officer*

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Managing Director, Mortgage Services

MICHAEL E. HUSON

Managing Director, Business Services

CAROLYN SCHAEFER

*Managing Director,
Wealth Management and Specialized Banking*

Branch Locations

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

TRADITIONS CENTER

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717-741-1770



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Traded online at OTCmarkets.com
under the symbol YRKB