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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

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



Shareholder Report

2nd Quarter

June 30, 2012

August 10, 2012

Dear Shareholder:

We are pleased to report another strong quarter of financial performance. Through the first six months of 2012, net income was \$1,260,000, an increase of \$583,000, or 86%, over the same period last year. Total assets increased \$27,562,000 or 11%, including loans, which increased \$13,605,000. The Bank continues to benefit from its participation in the Small Business Lending Fund, showing an increase in small business related loans of 17.43% over the original baseline established one year ago. We funded the asset growth with new deposits, which increased \$32,162,000. Primary deposit growth occurred across our core deposit products.

Net interest income grew \$425,000, or 11%, driven largely by the growth in earning assets and a higher net interest margin, which increased 5% to 3.70%. Fueled by low interest rates, increased home sales, and a higher market share, gains on the sale of mortgages increased \$590,000, or 107%.

Other income grew \$135,000, or 51%. Other income earned on Bank owned life insurance increased \$79,000, while income earned on electronic banking services increased \$36,000. Other expense increased \$262,000, or 7%. Salaries and benefits increased \$265,000. Expenses related to other real estate and FDIC insurance assessments declined a combined \$140,000.

We remain well capitalized with our Tier 1 capital to average asset ratio, increasing to 10.43%. Non-performing assets stand at 0.67% at June 30, 2012. Total charge offs were \$363,000, or 0.36% of average loans. While elevated from the extraordinary lows reported in 2011, overall credit quality remains satisfactory.

During the 2nd quarter we successfully launched Mobile Banking and acquired a 27,000 square foot building at 226 Pauline Drive, York, which will house our administrative offices beginning in 2013. Our “Because We Live Here Too” campaign continues to evolve, has distinguished us in the local marketplace, and serves as a strong catalyst to expand our brand and grow the Bank.

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	June 30,		
	2012	2011	Change
Investment securities	\$ 34,401	\$ 37,591	-8%
Loans, net of unearned income	208,347	194,742	7%
Total assets	272,145	244,583	11%
Deposits	237,746	205,584	16%
Borrowings	5,750	12,977	-56%
Shareholders' equity	27,610	25,323	9%

Income Summary	Six months ended June 30,		
	2012	2011	Change
Interest income	\$ 5,814	\$ 5,761	1%
Interest expense	(1,349)	(1,721)	-22%
Net interest income	4,465	4,040	11%
Provision for loan losses	(255)	(192)	33%
Investment securities gains	-	8	-100%
Gains on sale of mortgages	1,142	552	107%
Other income	402	267	51%
Other expense	(3,941)	(3,679)	7%
Income before income taxes	1,813	996	82%
Income taxes	(553)	(319)	73%
Net income	1,260	677	86%
Preferred stock dividends & discount accretion	(128)	(199)	-36%
Net income available to common shareholders	\$ 1,132	\$ 478	137%

Selected Financial Ratios	June 30,		
	2012	2011	Change
Net interest margin	3.70%	3.51%	5%
Tier 1 capital/average assets	10.43%	10.06%	4%
Total capital/risk-weighted assets	13.02%	13.29%	-2%
Allowance/loans	1.04%	1.10%	-5%
Net charge-offs/average loans	0.36%	-0.01%	NM
Non-performing assets/total assets	0.67%	0.32%	113%
Earnings per common share (basic)	\$ 0.55	\$ 0.23	135%