

## **Board of Directors**

John D. Brown

*CEO, Blockhouse, Inc.*

Wanda D. Filer, M.D.

*Founder, Strategic Health Institute*

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

*Owner, Polli Investments LLC*

William J. Shorb

*President, R.E.H. Holdings*

## **Senior Management**

Michael E. Kochenour

*Chairman, President and CEO*

John D. Blecher

*Managing Director, CFO*

Eugene J. Draganosky

*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

1st Quarter

March 31, 2012

May 14, 2012

Dear Shareholder:

We are pleased to report our 1<sup>st</sup> quarter earnings were \$550,000, an increase of \$271,000, or 97%, over the same period last year. Total assets grew \$18,815,000, including loan growth of \$11,345,000. We funded the asset growth with deposits, which grew \$18,615,000 or 9%.

Net interest income grew \$223,000, or 12%, driven largely by the growth in earning assets and a higher net interest margin, which increased 6% to 3.61%. Gains on the sale of mortgages increased \$234,000, or 91%. We originated \$21,948,000 mortgages for sale during the 1<sup>st</sup> quarter compared to \$13,122,000 last year. Lower mortgage interest rates and a modest increase in home sales drove the increase in mortgage sale gains.

Other income grew \$89,000 or 73%. We acquired \$4,000,000 in bank owned life insurance (BOLI) in late 2012. Other income earned on BOLI increased \$42,000 over the same period last year. Income earned on various electronic banking services increased \$22,000. Other expense increased \$167,000 or 9%. Salaries and benefits increased \$161,000. Expenses related to other real estate and FDIC insurance assessments declined a combined \$48,000.

The Bank remained well capitalized with little change in tier 1 capital and risk-based capital ratios. Credit quality remained satisfactory. Non-performing assets increased slightly to 0.59%. 1<sup>st</sup> quarter charge-offs were \$283,000. The Bank's Texas Ratio (that measures non-current loans and other real estate divided by Tier 1 capital and allowance for loans) stood at a stellar 5.40% at March 31, 2012.

We are pleased to continue on the path of increased earnings, and we look forward to further expanding the Bank's brand and market share across York County in this, our 10<sup>th</sup> year of operations.

We are also excited to share our plans to launch our YTB Mobile Banking Solution during the 2<sup>nd</sup> quarter of this year.

As always, thank you for the privilege to serve you and 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)

<b>Balance Sheet Data</b>	<b>March 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
Investment securities	\$ 34,574	\$ 38,316	-10%
Loans, net of unearned income	198,768	187,423	6%
Total assets	257,933	239,118	8%
Deposits	220,779	202,614	9%
Borrowings	9,500	11,000	-14%
Shareholders' equity	26,815	24,794	8%

  

<b>Income Summary</b>	<b>Three months ended March 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
Interest income	\$ 2,862	\$ 2,824	1%
Interest expense	(700)	(885)	-21%
Net interest income	2,162	1,939	12%
Provision for loan losses	(120)	(121)	-1%
Gains on sale of mortgages	492	258	91%
Other income	211	122	73%
Other expense	(1,954)	(1,787)	9%
Income before income taxes	791	411	92%
Income taxes	(241)	(132)	83%
Net income	550	279	97%
Preferred stock dividends & discount accretion	(64)	(78)	-18%
Net income available to common shareholders	\$ 486	\$ 201	142%

<b>Selected Financial Ratios</b>	<b>March 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
Net interest margin	3.61%	3.42%	6%
Tier 1 capital/average assets	10.29%	10.16%	1%
Total capital/risk-weighted assets	13.31%	13.51%	-1%
Allowance/loans	1.06%	1.10%	-3%
Net charge-offs/average loans	0.58%	-0.02%	N/M
Non-performing assets/total assets	0.59%	0.56%	5%
Earnings per common share (basic)	\$ 0.23	\$ 0.10	135%