

## **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

*President, JMP Consulting*

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**

[www.yorktraditionsbank.com](http://www.yorktraditionsbank.com)

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



# Shareholder Report

1st Quarter

March 31, 2013

May 30, 2013

Dear Shareholder:

I am pleased to report that we had another solid performance in the 1<sup>st</sup> quarter of 2013. We earned \$512,000 in net income, down slightly from the 1<sup>st</sup> quarter of 2012 but positive to budget. The banking industry as a whole continues to experience downward pressure on the net interest margin due to continued low interest rates and a stagnant economy. We were no exception. Our net interest margin fell from 3.61% in the 1<sup>st</sup> quarter 2012 to 3.56% so far in 2013. Net interest income grew only 4% despite loan balances growing 7%. Our solid small business loan growth has allowed us to pay the minimum 1% annualized dividend the past two quarters for the preferred stock borrowed under the federal government's Small Business Lending Fund. This contributed to the increase of net income available to common shareholders of 3% and has effectively supported the overall growth of the Bank.

We continue to experience strong gains from the sale of mortgages. Gains in the 1<sup>st</sup> quarter increased \$30,000, or 6% over the same period last year. Capital ratios have increased, and non-performing assets have remained at satisfactory levels. The Bank remains well capitalized with a Tier 1 capital ratio of 10.76%, which is over double the current regulatory minimum standard for well capitalized. Our allowance for loan loss reserve has increased, while no charge-offs were experienced in the 1<sup>st</sup> quarter.

Total assets were \$279,679,000 at March 31, 2013, up \$21,746,000, or 8% from a year ago. Deposits grew \$8,037,000, or 4%. Loans totaled \$212,585,000, increasing \$13,817,000. We remain vigilant in our commitment to grow our loan portfolios in a prudent, profitable manner despite the ongoing negative impact from the lagging economy. Our Value Proposition as an independent, local community bank distinguishes us from other banks and continues to yield new relationships and expanded existing relationships.

As we look ahead, our comprehensive and dynamic Strategic Plan continues to provide the road map for success, and the fully invested engagement of our talented team of Associates ensures execution in both the near and long term.

The economic, social, political, and regulatory environments will pose many ongoing challenges; however, we remain steadfast on our path to build value for you.

The new Traditions Center, which will serve as our Corporate Headquarters and Administrative Center, is on target for completion by mid Summer and will be fully operational by early Fall.

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)

<b>Balance Sheet Data</b>	<b>March 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>Change</b>
Investment securities	\$ 42,687	\$ 34,574	23%
Loans, net of unearned income	212,585	198,768	7%
Total assets	279,679	257,933	8%
Deposits	228,816	220,779	4%
Borrowings	20,298	9,500	114%
Shareholders' equity	29,654	26,815	11%

<b>Income Summary</b>	<b>Three months ended March 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>Change</b>
Interest income	\$ 2,788	\$ 2,862	(3%)
Interest expense	(538)	(700)	(23%)
Net interest income	2,250	2,162	4%
Provision for loan losses	(165)	(120)	38%
Investment securities gains	60	-	NM
Gains on sale of mortgages	522	492	6%
Other income	222	211	5%
Other expense	(2,154)	(1,954)	10%
Income before income taxes	735	791	(7%)
Income taxes	(223)	(241)	(7%)
Net income	512	550	(7%)
Preferred stock dividends	(13)	(64)	(80%)
Net income available to common shareholders	\$ 499	\$ 486	3%

<b>Selected Financial Ratios</b>	<b>March 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>Change</b>
Earnings per common share (basic)	\$ 0.23	\$ 0.23	0%
Return on average assets	0.77%	0.87%	(12%)
Return on average equity	7.31%	8.65%	(16%)
Net interest margin	3.56%	3.61%	(1%)
Allowance/loans	1.13%	1.06%	6%
Net charge-offs/average loans	0.00%	0.58%	(100%)
Non-performing assets/total assets	0.58%	0.59%	(2%)
Tier 1 capital/average assets	10.76%	10.29%	5%
Total capital/risk-weighted assets	14.02%	13.31%	5%

NM = not meaningful