

1st Quarter | March 31, 2016



YORK TRADITIONS

B • A • N • K

SHAREHOLDER
Report

MESSAGE FROM THE CHAIRMAN & CEO



May 9, 2016

DEAR SHAREHOLDER:

York Traditions Bank (OTC Pink: YRKB) reported net income available to common shareholders of \$675,000, or 31 cents per share, for the first quarter ended March 31, 2016, compared to \$521,000, or 24 cents per share, for the first quarter ended March 31, 2015. This represents a 30% increase over the first quarter of 2015. Book value per common share stood at \$13.85 at March 31, 2016.

“We are pleased to report another solid increase in earnings,” stated Michael E. Kochenour, Founder, Chairman and Chief Executive Officer. “The loan growth achieved in the fourth quarter of 2015 kick started the new year allowing us to increase net interest income by \$257,000, or 10%. Our Mortgage Division had another outstanding quarter posting \$887,000 in gains on the sale of mortgages an increase of \$75,000, or 9%. Other income increased \$101,000 over the first quarter of 2015 and included a \$67,000 gain on the sale of other real estate. Loans grew \$6.8 million or 3% during the quarter and \$20.7 million in the past year. Deposits fell \$2.7 million during the quarter but grew \$36.6 million or 14% in the past twelve months. We remain well capitalized with excellent loan quality and look forward to the remainder of 2016.”

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. 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.

Needless to say, we are well pleased with the Bank’s strong performance in the first quarter. The merger and acquisition activity across the market remains rampant, affecting numerous bank ownership and name changes, closing of branches, and placing talented employees at risk. Our Value Proposition for new individual and business clients and the attraction of our fundamental Core Values for new, potential Best of Class Associates have never resonated so strongly.

All business divisions are contributing favorably to our growth and increased revenues. With our recent launch of Signature Banking and the plans to introduce Business Mobile Deposit and other fraud protection services for businesses, we are poised for profitable growth.

Since increasing numbers of shareholders are converting their paper-based certificates of stock shares to digitized form and into street name with large investment firms, fewer and fewer shareholders are actually receiving our Quarterly Shareholder Reports. In concert with this change in dynamics and to minimize costs, we have decided to discontinue sending hard copy Quarterly Shareholder Reports. Instead, we would like to re-direct you to the Investor Relations section of our website at ir.yorktraditionsbank.com where you can access future quarterly earnings releases as well as current market prices and trend lines for valuing York Traditions Bank stock. The Bank’s financial performance will also be highlighted in our twice a year newsletter, Traditionally Speaking.

Thank you for your ongoing investment and support.

Michael E. Kochenour

Founder, Chairman & CEO

FINANCIAL HIGHLIGHTS *(unaudited)*:

(Dollars in thousands, except per share data)

SELECTED FINANCIAL DATA	MAR 31, 2016	DEC 31, 2015	MAR 31, 2015
Investment securities	\$66,370	\$66,856	\$37,481
Loans, net of unearned income	265,649	258,857	244,945
Total assets	368,477	359,642	311,255
Deposits	291,791	294,492	255,155
Borrowings	39,596	29,750	21,529
Subordinated Debt	5,000	5,000	5,000
Shareholders' equity	30,528	29,506	28,311
Book value per common share	\$13.85	\$13.53	\$12.87
Allowance/loans	0.95%	0.92%	1.09%
Non-performing assets/total assets	0.72%	0.90%	0.73%
Tier 1 capital/average assets	8.41%	8.55%	9.28%

SELECTED OPERATIONS DATA	THREE MONTHS ENDED MAR 31,	
	2016	2015
Interest income	\$3,462	\$3,074
Interest expense	(659)	(528)
Net interest income	2,803	2,546
Provision for loan losses	(135)	(90)
Investment securities gains	41	-
Gains on sale of mortgages	887	812
Other income	347	246
Other expense	(2,994)	(2,749)
Income before income taxes	949	765
Income taxes	(274)	(231)
Net income	675	534
Preferred stock dividends	-	(13)
Net income available to common shareholders	\$675	\$521
Earnings per common share (basic and diluted)	\$0.31	\$0.24
Return on average assets	0.76%	0.72%
Return on average equity	9.38%	6.73%
Net interest margin	3.34%	3.66%
Net charge-offs(recoveries)/average loans	0.00%	-0.02%



Board of Directors

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*Managing Partner,
ROCK Commercial Real Estate, LLC*

JOHN D. BROWN

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

ELIZABETH F. CARSON

*Retired Banking Executive
Community Leader*

EUGENE J. DRAGANOSKY

Bank President

WANDA D. FILER, M.D.

*Founder, Strategic Health Institute
Family Medicine Physician*

WILLIAM R. HARTMAN

*Retired Banking Executive
Community Leader*

PAUL V. KILKER

President, Kilker Holdings, Inc.

TIMOTHY J. KINSLEY

Vice President, Kinsley Properties/Construction

MICHAEL E. KOCHENOUR

Chairman of the Board

JOHN M. POLLI

President, Reliance Student Transportation, LLC

WILLIAM J. SHORB

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

Senior Management

MICHAEL E. KOCHENOUR, FOUNDER

Chairman and CEO

EUGENE J. DRAGANOSKY

President

JOHN D. BLECHER, FOUNDER

*Managing Director, Chief Operating Officer/
Chief Financial Officer*

TERESA L. GREGORY

Managing Director, Mortgage Services

MICHAEL E. HUSON

Managing Director, Business Services

CAROLYN SCHAEFER

Managing Director, 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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York, PA 17402-0136
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YORK TRADITIONS®

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Traded online at OTCmarkets.com
under the symbol YRKB

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