

YORK TRADITIONS BANK REPORTS SECOND QUARTER 2020 EARNINGS

July 2020 -- York Traditions Bank (OTC Pink: YRKB) reported net income of \$2,122,000, or 67 cents per share (diluted), for the second quarter ended June 30, 2020, compared to \$1,505,000, or 48 cents per share, for the second quarter ended June 30, 2019. The quarterly earnings growth represents a \$617,000, or 41%, increase over the second quarter of 2019. Net income for the six months ended June 30, 2020, was \$3,294,000, or \$1.05 per share, an increase of \$701,000, or 27%, over the first six months of last year. Book value per common share finished the second quarter at \$19.08, advancing \$1.93, or 11%, from a year ago.

“While navigating unprecedented COVID-19 challenges, we achieved record results for the second quarter and first six months of the year,” stated Eugene J. Draganosky, President and Chief Executive Officer. “Earnings were buoyed by exceptional mortgage production and significant loan growth. Loan volume was propelled, in part, by the generation of \$52 million of SBA Paycheck Protection Program (PPP) loans that will yield more than \$2 million in fee recognition over the life of the loans. The resulting improvements in profitability drove year-to-date ROA to 1.15% and ROAE to 11.45%. Gains on the sale of mortgages increased \$1,719,000 for the quarter and \$2,324,000 year to date on low interest rates and a re-emerging housing market. Net interest income grew \$609,000, or 14%, for the quarter and \$922,000, or 11%, for the first six months of the year. Despite the margin pressures due to the precipitous fall in interest rates since the start of the pandemic, our current quarter net interest margin of 3.43% has demonstrated resiliency. The margin has ranged from a high of 3.47% to a low of 3.41% over the past four calendar quarters. The start of SBA PPP loan fee revenue recognition during the second quarter created a minimal three-basis-point positive swing in the margin. Lastly, an emerging source of income is the generation of interest rate swaps on loans for business customers, accounting for \$245,000 in fees so far this year.

“For the first time in our history, we have surpassed \$600 million in assets during the quarter. Over the last twelve months, loans increased by \$78,415,000, or 20%, and deposits grew \$124,334,000, or 30%. While our capital levels would not sustain such growth for an extended period, the current level of Tier 1 capital to average assets remains satisfactory at 9.90% as of June 30.

“The severity of COVID-19-related credit quality concerns remains unknown for our country. Our commercial and commercial real estate obligors, significantly impacted by the pandemic, are primarily concentrated in the hospitality and retail trades, including businesses serving those industries. Aggregate loan exposure to these businesses is estimated to be \$31.0 million, or 6.6%, of our total loans. As of June 30, 2020, \$71.1 million, or approximately 15%, of our loan portfolio is currently modified for temporary payment relief. We will gain improved insight relative to loan performance as these temporary accommodations cease. Accordingly, we continue to increase our provision for loan losses due to the uncertainty of future loan write-downs. Net loan charge-offs were \$590,000 for the quarter and included the remaining balance of the \$1.2 million business loan previously disclosed and partially charged off in the first quarter. Quarterly 2020 credit quality metrics remain satisfactory with non-performing assets to total assets of 0.17% as of June 30.”

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FINANCIAL HIGHLIGHTS (unaudited):
(Dollars in thousands, except per share data)

Selected Financial Data	June 30,		Dec 31,		June 30,	
	2020		2019		2019	
Investment securities	\$	77,155	\$	78,817	\$	64,756
Loans, net of unearned income		472,359		409,431		393,944
Total assets		622,446		542,394		519,520
Deposits		543,388		459,343		419,054
Borrowings		10,208		15,828		36,110
Subordinated debt		-		5,000		5,000
Shareholders' equity		61,595		56,942		54,099
Book value per common share	\$	19.08	\$	18.00	\$	17.16
Allowance/loans		0.91%		0.95%		0.98%
Non-performing assets/total assets		0.17%		0.22%		0.24%
Tier 1 capital/average assets		9.90%		10.44%		10.71%

Selected Operations Data	Three months ended June 30,		Six months ended June 30,					
	2020		2019					
Interest income	\$	5,821	\$	5,673	\$	11,504	\$	11,144
Interest expense		(949)		(1,410)		(2,190)		(2,752)
Net interest income		4,872		4,263		9,314		8,392
Provision for loan losses		(1,245)		(112)		(1,638)		(187)
Investment securities gains(losses)		65		-		181		(5)
Gains on sale of mortgages		3,029		1,310		4,404		2,080
Other income		589		425		1,043		816
Other expense		(4,656)		(4,044)		(9,212)		(7,922)
Income before income taxes		2,654		1,842		4,092		3,174
Income taxes		(532)		(337)		(798)		(581)
Net income	\$	2,122	\$	1,505	\$	3,294	\$	2,593
Earnings per common share (basic)	\$	0.68	\$	0.48	\$	1.05	\$	0.83
Earnings per common share (diluted)	\$	0.67	\$	0.48	\$	1.05	\$	0.83
Return on average assets		1.41%		1.21%		1.15%		1.07%
Return on average equity		14.55%		11.49%		11.45%		10.06%
Net interest margin		3.43%		3.64%		3.42%		3.65%
Net charge-offs(recoveries)/average loans		0.52%		0.05%		0.56%		0.04%

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