



YORK TRADITIONS BANK REPORTS FIRST QUARTER 2020 EARNINGS

April 2020 -- York Traditions Bank (OTC Pink: YRKB) reported net income of \$1,172,000, or 37 cents per share, for the first quarter ended March 31, 2020, compared to \$1,088,000, or 35 cents per share, for the first quarter ended March 31, 2019, representing an \$84,000 increase, or 8%, over the first quarter of 2019. Book value per common share stood at \$18.38 on March 31, 2020.

“Despite the extraordinary historical events surrounding the COVID-19 virus, the impact of which is currently uncertain relative to our national and local economies, we continued to increase earnings and drive asset growth through the first quarter,” stated Eugene J. Draganosky, President and Chief Executive Officer. “We started the year with a robust national economy evidenced by all-time stock market highs and low unemployment. We ended the first quarter with unprecedentedly low interest rates, record unemployment claims, and a rapidly shrinking GDP. While aggressive steps were taken by the Federal Reserve and Congress to support financial markets and stimulate the economy, these actions may only modestly help small businesses and consumers in our service area. The long-term impact on Central Pennsylvania is currently unclear. We have taken numerous steps to support our clients, associates, and communities, while our strategies to undertake proactive risk mitigation, enhance fee income, and create client acquisition opportunities will position our organization for a return to normalcy following this pandemic.”

Net interest income for the quarter grew \$313,000, or 8%, on higher loan and investment balances and reduced funding costs. Our net interest margin of 3.41% remained stable in comparison to the fourth quarter of 2019, but due to lower interest rates fell 26 bps from the previous year’s first quarter. Low mortgage rates fueled vigorous refinancing and early season purchase activities, causing gains on the sale of mortgages to surge \$605,000, or 79%. By monitoring market volatility and inefficiency, we also netted \$116,000 in first-quarter investment securities gains.

Our provision for loan losses increased \$318,000 over the first quarter of 2019 in response to net loan charge-offs of \$612,000. The increase included a single charge-off of \$550,000 on an approximate \$1.2 million business loan. The charge-off resulted from alleged fraudulent representations of the borrower who is now deceased. A third party is administering the creditors’ collection efforts from the borrower’s estate, and the future outcome of the proceedings is uncertain at this time. Due to the unusual nature of these circumstances, we believe this incident is an isolated occurrence and not indicative of the quality of our loan portfolio. Capital levels and credit quality metrics otherwise remain satisfactory with a 0.28% non-performing assets ratio and 10.38% tier 1 capital ratio.

In March 2020, five years from issuance, we retired our \$5.0 million subordinated debenture that carried a fixed rate of 6.25%. The debt qualified as tier 2 risk-based capital, and we remain well-capitalized for regulatory purposes.

In April 2020, we participated in the SBA Paycheck Protection Program designed to help small businesses continue to fund payroll and other expenses during COVID-19. The loans are repayable over a maximum of two years, 100% guaranteed by the Small Business Administration, and include possible principal forgiveness if the borrower meets specific criteria. During the first two weeks of the Program, we approved nearly \$52 million of loans for 310 customers, earning approximately \$1.9 million in fees. It has not yet been determined whether to account for the fees immediately or recognize them over the two-year life of the loans.

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

Selected Financial Data	Mar 31,	Dec 31,	Mar 31,
	2020	2019	2019
Investment securities	\$ 84,293	\$ 78,817	\$ 61,991
Loans, net of unearned income	412,266	409,431	375,594
Total assets	557,969	542,394	488,753
Deposits	477,105	459,343	405,694
Borrowings	14,208	15,828	20,958
Subordinated debt	-	5,000	5,000
Shareholders' equity	59,218	56,942	51,874
Book value per common share	\$ 18.38	\$ 18.00	\$ 16.65
Allowance/loans	0.89%	0.95%	1.01%
Non-performing assets/total assets	0.28%	0.22%	0.24%
Tier 1 capital/average assets	10.38%	10.44%	10.72%
	Three months ended Mar 31,		
Selected Operations Data	2020	2019	
Interest income	\$ 5,683	\$ 5,471	
Interest expense	(1,241)	(1,342)	
Net interest income	4,442	4,129	
Provision for loan losses	(393)	(75)	
Investment securities gains (losses)	116	(5)	
Gains on sale of mortgages	1,375	770	
Other income	454	391	
Other expense	(4,556)	(3,878)	
Income before income taxes	1,438	1,332	
Income taxes	(266)	(244)	
Net income	\$ 1,172	\$ 1,088	
Earnings per common share (basic)	\$ 0.37	\$ 0.35	
Earnings per common share (diluted)	\$ 0.37	\$ 0.35	
Return on average assets	0.85%	0.92%	
Return on average equity	8.27%	8.58%	
Net interest margin	3.41%	3.67%	
Net charge-offs(recoveries)/average loans	0.60%	0.02%	

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