

PUBLIC DISCLOSURE

October 25, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Traditions Bank
Certificate Number: 57377

235 St. Charles Way
York, Pennsylvania 17402

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Outstanding.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of home mortgage and small business loans are in the institution's assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

- The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

DESCRIPTION OF INSTITUTION

In April 2021, York Traditions Bank underwent a rebranding to change the name to Traditions Bank, in a marketing effort to more broadly represent their market. The bank also completed its reorganization into a holding company structure effective May 1, 2021 and is wholly owned by Traditions Bancorp, Inc. Traditions Bank and the holding company each maintain their headquarters in York, Pennsylvania (PA). The institution received an Outstanding rating at its previous FDIC Performance Evaluation, dated September 10, 2018, also based on Interagency Intermediate Small Institution Examination Procedures.

Operations

Traditions Bank operates seven full-service branches in two counties located in south central PA. The bank operates the main office and five branch offices in York County. In April 2021, the Oregon Pike branch office opened in an upper-income census tract in Lancaster County. No offices have closed or relocated since the previous CRA evaluation. The bank continues to operate a loan production office (LPO) in Cumberland County.

Traditions Bank offers a range of home mortgage and commercial lending products. The bank continues to offer government home loans through the Veteran's Administration, Federal Housing Administration, United States Department of Agriculture, and Pennsylvania Housing Finance Agency. During 2020 and 2021, Traditions Bank was an active participant in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) originating 754 PPP loans totaling \$74.0 million to businesses financially struggling because of the COVID-19 pandemic.

The institution provides a variety of deposit services including checking, savings, money market deposit accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include online and personal mobile banking, electronic bill pay, eStatements, and account-to-account transfers. Traditions Bank operates seven bank-owned automated teller machines (ATMs) and is part of the MoneyPass surcharge-free ATM network, which includes more than 37,000 ATMs nationwide.

Ability and Capacity

Assets totaled approximately \$705.7 million as of June 30, 2021, and included total loans of approximately \$518.8 million and securities totaling \$102.7 million. The bank reported total deposits of \$629.6 million with a net LTD ratio of 81.3 percent. The bank's overall loan portfolio remains similar in composition to the last exam. The following table illustrates the loan portfolio as of June 30, 2021.

Loan Portfolio Distribution as of 6/30/2021		
Loan Category	\$(000s)	%
Construction and Land Development	53,022	10.2
Secured by Farmland	678	0.1
1-4 Family Residential	177,997	34.3
Multi-family (5 or more) Residential	12,596	2.5
Commercial Real Estate	177,437	34.2
Total Real Estate Loans	421,730	81.3
Loans to Finance Agricultural Production	0	0.0
Commercial and Industrial	87,156	16.8
Consumer	117	0.0
Obligations	3,190	0.6
Other	6,570	1.3
Total Loans	518,763	100.0
<i>Source Reports of Condition and Income</i>		

Traditions Bank is primarily a real estate lender as loans secured by real estate represent 81.3 percent of the loan portfolio. Commercial loans, consisting of commercial real estate and commercial and industrial loans, comprise 51.0 percent of the portfolio, while loans secured by one-to-four family residential real estate comprise 34.3 percent of the portfolio. Since 2019, Traditions Bank sold 4,479 home mortgage loans totaling \$994.5 million in the secondary market that are not reflected in the loan portfolio totals.

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners evaluate its CRA performance. The FDIC evaluates the institution's CRA performance based on the defined assessment areas. Traditions Bank designates one individual assessment area encompassing the entire York-Hanover, PA Metropolitan Statistical Area (MSA). Due to branch expansion in April 2021, the bank added a new assessment area to include all census tracts within Lancaster County (Lancaster, PA MSA). However, due to the limited loan activity and time spent in the Lancaster, PA MSA, the current CRA evaluation includes an analysis of lending activity in the York-Hanover, PA MSA only. Examiners will perform a review of the bank's expanded assessment area within the Lancaster, PA MSA at a subsequent CRA evaluation.

During the evaluation period, the assessment area did not include any census tracts designated as distressed or underserved. However, an emergency declaration (EM-3441) and a major disaster declaration (DR-4506) both related to COVID-19 affected the assessment area as of March 2020 continuing through the current evaluation. In addition, the Federal Emergency Management Agency (FEMA) designated York County as a disaster area on September 10, 2021 due to Pennsylvania Remnants of Hurricane Ida (4618-DR-PA). Examiners may consider any activity that

revitalized or stabilized the designated disaster area through economic development and community services for 36 months following the disaster designation.

The bank’s assessment area conforms to the requirements of the CRA regulation and does not arbitrarily exclude any low- and moderate-income geographies. The following sections discuss economic and demographic information for the assessment area.

Economic and Demographic Data

The bank’s assessment area includes York County in its entirety. The assessment area includes 90 census tracts. The demographics of these census tracts include:

- 13 low-income tracts;
- 7 moderate-income tracts;
- 55 middle-income tracts; and
- 15 upper-income tracts.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	90	14.4	7.8	61.1	16.7	0.0
Population by Geography	439,660	7.9	6.5	68.0	17.6	0.0
Housing Units by Geography	180,237	8.3	7.0	68.5	16.2	0.0
Owner-Occupied Units by Geography	124,269	3.3	6.2	70.9	19.6	0.0
Occupied Rental Units by Geography	43,147	19.8	9.2	63.9	7.0	0.0
Vacant Units by Geography	12,821	17.9	7.4	60.6	14.1	0.0
Businesses by Geography	33,119	9.3	6.6	65.9	18.3	0.0
Farms by Geography	1,352	1.8	4.0	75.1	19.1	0.0
Family Distribution by Income Level	116,539	19.5	18.4	22.3	39.9	0.0
Household Distribution by Income Level	167,416	22.6	16.9	19.6	40.9	0.0
Median Family Income MSA - 49620 York-Hanover, PA MSA		\$69,846	Median Housing Value			\$165,790
			Median Gross Rent			\$845
			Families Below Poverty Level			7.8%
<i>Source 2015 American Community Survey (ACS) and 2020 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

There are 180,237 housing units in the assessment area. Of these, 69.0 percent are owner-occupied, 23.9 percent are occupied rental units, and 7.1 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Examiners used the 2019 and 2020 Federal Financial Institutions Examination Council’s (FFIEC) updated median family income (MFI) to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income ranges.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
York-Hanover, PA MSA Median Family Income (49620)				
2019 (\$76,600)	<\$38,300	\$38,300 to <\$61,280	\$61,280 to <\$91,920	≥\$91,920
2020 (\$82,200)	<\$41,100	\$41,100 to <\$65,760	\$65,760 to <\$98,640	≥\$98,640
<i>Source FFIEC</i>				

According to 2020 D&B data, there were 33,119 businesses. Gross annual revenues (GARs) for these businesses are below.

- 86.8 percent have GARs of \$1 million or less,
- 4.4 percent have GARS of more than \$1 million, and
- 8.8 percent have unreported GARs.

Service industries represent the largest portion of businesses at 37.7 percent; followed by non-classifiable establishments (18.3 percent); retail trade (12.0 percent); and finance, insurance, and real estate (8.4 percent). In addition, 64.3 percent of area businesses have four or fewer employees, and 90.9 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the August 2021 unemployment rate was 6.7 percent in PA. The August 2021 York County unemployment rate was lower at 5.9 percent. Unemployment rates increased during the review period, with the highest unemployment rates in April through July 2020 due to the COVID-19 pandemic.

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 14 financial institutions operating 114 branches within the assessment area. Of these institutions, Traditions Bank ranked 7th with a 6.0 percent deposit market share.

There is a moderately high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2020, 438 lenders reported 22,863 residential mortgage loans originated or purchased in this assessment area. Traditions Bank ranked first out of this group of lenders, with a market share of 6.8 percent.

Traditions Bank is not required to collect or report small business loan data and has not elected to do so. Therefore, analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans. Aggregate data for 2019 shows that 92 institutions reported 7,065 small business loans, indicating a moderate degree of competition for this product. The three most prominent small business lenders (American Express National Bank; JP Morgan Chase Bank, N.A.; and US Bank, N.A.) accounted for 37.4 percent of total market share.

Community Contact

As part of the evaluation process, examiners contact third parties within the assessment area to gain insight on local economic conditions, credit needs, area challenges and opportunities. This information can help determine if banks in the area are responsive to the needs of the community. It also shows what credit and community development opportunities are available.

Examiners conducted a community contact with a community services organization serving York County. The community contact noted the current employment environment is benefiting low- and moderate-income individuals and families through a labor shift happening for those leveraging their developed skills for better pay and vacating entry-level or mid-tier positions, thereby opening up opportunities for new entrants. There is a continued need to support organizations that have workforce development programs and partnerships to hire, place, and train at all skill-level positions, but primarily those targeting single-parent head-of-households in low- and moderate-income communities that also happen to be majority-minority neighborhoods. The contact further elaborated that there is an inherent need for affordable housing lending to low- and moderate-income individuals and families.

Credit and Community Development Needs and Opportunities

Considering the demographic data, the ongoing COVID-19 pandemic, and the demographic and economic data, examiners determined that affordable home mortgage loans represent the primary credit need within the bank's assessment area. There is a need for affordable housing for both owner-occupied and rental use. Additionally, small business loans are in high demand, as supported by the significant percentage of businesses with GARs of \$1.0 million or less.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 10, 2018, to the current evaluation dated October 25, 2021. Examiners used Interagency Intermediate Small Institution CRA Examination Procedures to evaluate CRA performance. Intermediate Small Institution CRA Examination Procedures include a Lending Test and a Community Development Test.

As noted previously, Traditions Bank designates one assessment area. Examiners performed a full-scope review of the bank's performance in the York-Hanover, PA MSA assessment area. Examiners will perform a review of the bank's Lancaster, PA MSA assessment area at a subsequent CRA evaluation.

Activities Reviewed

Examiners determined that home mortgage and small business loans constitute the bank's major product lines. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. However, in comparison to prior years, the bank's volume of small business loans increased in 2020, reflecting the bank's participation in the SBA's PPP.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger number of loans originated when compared to small business lending during the evaluation period. In addition, no other loan types, such as small farm loans or consumer loans represent a major product line. Therefore, examiners did not present other loan types, as they provided no material support for conclusions or ratings. Traditions Bank originated one small farm loans for \$220,000 in 2020.

Home mortgage loans include home purchase loans, home improvement loans, and refinance loans reported in accordance with the Home Mortgage Disclosure Act (HMDA). This evaluation considered all home mortgage loans reported on the bank's 2018, 2019, and 2020 HMDA Loan Application Registers (LARs). For 2018, the bank reported 895 loans totaling \$176.1 million; for 2019, the bank reported 1,088 loans totaling \$220.7 million; and for 2020, the bank reported 2,083 loans totaling \$467.5 million.

Small business loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or classified as commercial and industrial loans. Due to asset size, Traditions Bank is not required to collect or report small business or small farm loans. Examiners selected a sample of small business loans originated between January 1, 2020, and December 31, 2020, finding this representative of the bank's performance during the entire evaluation period. The bank originated 492 small business loans totaling approximately \$54.3 million in 2020, of which examiners sampled 60 loans totaling approximately \$6.5 million.

Although examiners analyzed and may comment on all three years of data provided, the variance of activity between 2018 and 2019 is not material to present for all portions of this evaluation; therefore, the primary presentation of activities are those from 2019 and 2020. Data from 2020, the most recent year for which aggregate data is available, contributed more weight to overall conclusions. For comparative purposes, the evaluation will present 2020 aggregate HMDA data, 2015 ACS data, and 2020 D&B data.

While the evaluation presents both number and dollar volume of loans within the Lending Test, examiners emphasized performance by number of loans under the geographic distribution and borrower profile criteria, because the number of loans is a better indicator of the number of businesses and individuals served.

Bank management provided information on community development loans, investments, and services since the prior CRA evaluation dated September 10, 2018.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Traditions Bank's overall Lending Test performance is rated "Outstanding." The bank's excellent performance under the Geographic Distribution and Borrower Profile criteria and more than reasonable LTD ratio primarily supports this rating.

Loan-to-Deposit Ratio

The net LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's average net LTD ratio, calculated from Call Report data, averaged 93.7 percent over the past twelve calendar quarters from September 30, 2018, to June 30, 2021. The ratio ranged from a high of 100.2 percent as of September 30, 2018, to a low of 81.3 percent as of June 30, 2021. The ratio slowly declined during the evaluation period.

As of June 30, 2021, Traditions Bank's net LTD of 81.3 percent exceeds its Uniform Bank Performance Report (UPPR) peer group's ratio of 70.9 percent. The bank's peer group is defined as insured commercial banks having assets between \$300 million and \$1 billion.

In both York and Lancaster Counties, there are no institutions with a similar asset size, branch network, and lending focus that provide an adequate comparison for the net LTD ratio. Examiners considered the dollar amount of loans sold to the secondary market to further support the more than reasonable assessment. As noted previously, since January 2019, Traditions Bank sold 4,479 home mortgage loans totaling \$994.5 million in the secondary market that are not included in the loan portfolio totals or in the net LTD ratio calculation.

Assessment Area Concentration

The bank made a majority of its home mortgage and small business loans, by number and dollar volume, within its assessment area. The slight decrease in home mortgage lending within the assessment area between years is due to increased lending in the bordering Harrisburg-Carlisle, PA MSA, where the bank's LPO is located, and in the Lancaster, PA MSA, where the bank opened an full-service branch office in April 2021. Please see the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	711	79.4	184	20.6	895	137,799	78.3	38,278	21.7	176,077
2019	851	78.2	237	21.8	1,088	166,047	75.2	54,688	24.8	220,735
2020	1,556	74.7	527	25.3	2,083	334,003	71.4	133,477	28.6	467,480
Subtotal	3,118	76.7	948	23.3	4,066	637,849	73.8	226,443	26.2	864,292
Small Business										
2020	54	90.0	6	10.0	60	6,355	98.0	133	2.0	6,488
Subtotal	54	90.0	6	10.0	60	6,355	98.0	133	2.0	6,488
Total	3,172	76.9	954	23.1	4,126	644,204	74.0	226,576	26.0	870,780
<i>Source Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects excellent penetration throughout the assessment area. The bank's excellent performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment area. Examiners compared the bank's home mortgage lending to demographic and aggregate lending data.

As shown in the following table, the geographic distribution of home mortgage loans by number of loans in both low- and moderate-income census tracts exceeded aggregate lending data in 2019 and 2020. In addition, the bank's performance exceeded demographic data in low- and moderate-income census tracts in 2019, and the bank's performance was comparable to demographic data in low- and moderate-income census tracts in 2020.

Market share data further supports the bank's excellent performance. In 2020, 93 lenders originated 516 home mortgage loans in low-income census tracts in the bank's assessment area. Traditions Bank ranked first in lending in low-income census tracts with a 9.1 percent market share. Similarly, in 2020, 127 lenders originated 1,092 home mortgage loans in moderate-income census tracts in the bank's assessment area. Traditions Bank ranked first in lending in moderate-income census tracts with an 8.5 percent market share. The bank's performance in both low- and moderate-income census tracts exceeded its overall market share of 6.8 percent.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	3.3	2.6	59	6.9	4,907	3.0
2020	3.3	2.3	47	3.0	10,216	3.1
Moderate						
2019	6.2	5.8	75	8.8	8,600	5.2
2020	6.2	4.8	93	6.0	11,393	3.4
Middle						
2019	70.9	70.4	560	65.8	111,373	67.1
2020	70.9	68.4	1,074	69.0	218,200	65.3
Upper						
2019	19.6	21.1	157	18.4	41,168	24.8
2020	19.6	24.5	342	22.0	94,194	28.2
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	851	100.0	166,047	100.0
2020	100.0	100.0	1,556	100.0	334,003	100.0
Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. Examiners compared the bank's small business lending to D&B demographic data.

As shown in the following table, the geographic distribution of sampled small business loans in low-income census tracts significantly exceeded demographic data. The bank originated 9 of the 54, or 16.7 percent of the small business loans sampled in low-income tracts within its assessment area, which exceeded the 9.3 percent of businesses that operate within those tracts. The bank originated 3 of the 54, or 5.6 percent of the small business loans sampled in moderate-income tracts within its assessment area, which is slightly less than the 6.6 percent of businesses that operate within those tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	9.3	9	16.7	1,180	18.6
Moderate					
2020	6.6	3	5.6	140	2.2
Middle					
2020	65.9	35	64.8	3,536	55.6
Upper					
2020	18.3	7	13.0	1,500	23.6
Not Available					
2020	0.0	0	0.0	0	0.0
Totals					
2020	100.0	54	100.0	6,356	100.0
<i>Source 2020 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank’s excellent performance of home mortgage lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is excellent. Examiners compared the bank’s home mortgage lending to demographic and aggregate lending data.

As shown in the following table, the distribution of home mortgage loans to low-income borrowers exceeded aggregate lending data in 2019 and 2020. In 2020, the bank’s level of lending to low-income borrowers increased, as did the bank’s overall volume of home mortgage lending. Although the level of lending to low-income borrowers is less than the percentage of low-income families residing in the assessment area, these families had incomes less than \$41,100, and would not likely qualify for a mortgage loan under conventional underwriting standards. This is particularly true considering the median housing value of \$165,790. In addition, examiners considered the economic impacts of the COVID-19 pandemic in 2020, especially to low-income borrowers.

In 2019, the distribution of home mortgage loans to moderate-income borrowers is slightly lower than aggregate lending percentages. The bank’s level of lending to moderate-income borrowers increased in 2020, as did the bank’s overall volume of home mortgage lending; however, it exceeded both demographic and aggregate percentages.

Market share data further supports the bank’s excellent performance. In 2020, 160 lenders originated 1,676 home mortgage loans to low-income borrowers within the assessment area. Traditions Bank ranked first in lending to low-income borrowers with a 7.3 percent market share. Similarly, in 2020, 232 lenders originated 4,189 home mortgage loans to moderate-income borrowers within the assessment area. Traditions Bank ranked first in lending to moderate-income borrowers with a 7.4 percent market share. The bank’s performance to both low- and moderate-income borrowers exceeded its overall market share of 6.8 percent.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	19.5	8.1	81	9.5	8,555	5.2
2020	19.5	7.3	122	7.8	13,074	3.9
Moderate						
2019	18.4	20.0	158	18.6	21,205	12.8
2020	18.4	18.3	308	19.8	44,998	13.5
Middle						
2019	22.3	22.7	201	23.6	33,836	20.4
2020	22.3	21.8	358	23.0	68,310	20.5
Upper						
2019	39.9	33.9	361	42.4	92,158	55.5
2020	39.9	33.0	730	46.9	196,662	58.9
Not Available						
2019	0.0	15.2	50	5.9	10,294	6.2
2020	0.0	19.5	38	2.4	10,959	3.3
Totals						
2019	100.0	100.0	851	100.0	166,047	100.0
2020	100.0	100.0	1,556	100.0	334,003	100.0
<i>Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs less than or equal to \$1 million. Examiners compared the bank’s small business lending to D&B demographic data.

As shown in the following table, the bank originated 28 of the 54 sampled small business loans, or 51.9 percent to businesses with GARs less than or equal to \$1 million. This percentage of lending was lower than the percentage of businesses that had the same GARs. Examiners noted that the seven loans with unavailable revenues were PPP loans. An analysis by loan size shows that 54 of 60 sampled loans (90.0 percent) are in amounts less than \$250,000, a further indication that the bank is serving the needs of small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	86.8	28	51.9	1,465	23.0
>\$1,000,000					
2020	4.4	19	35.2	4,609	72.5
Revenue Not Available					
2020	8.8	7	13.0	282	4.4
Totals					
2020	100.0	54	100.0	6,356	100.0
<i>Source 2020 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Traditions Bank’s Community Development Test performance is rated “Outstanding.” The bank’s community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

During the evaluation period, Traditions Bank originated 62 community development loans totaling \$25.8 million. This level of activity represents 4.5 percent of average total assets (\$574,031,000) and 5.6 percent of average total loans (\$457,838,000) since the prior CRA evaluation. The bank’s level of community development loans significantly increased since the prior evaluation, partially due to the bank’s participation in the SBA’s PPP. At the prior CRA evaluation, the bank originated nine community development loans totaling \$4.3 million, representing 1.3 percent of average total loans.

Since Traditions Bank was responsive to community development needs and opportunities within its assessment area, examiners considered one community development loan totaling \$1.2 million that benefitted the broader regional and statewide area, specifically Adams County, PA.

The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/10/2018-12/31/2018	0	0	0	0	1	1,200	0	0	1	1,200
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	11	6,423	0	0	0	0	11	6,423
1/1/2021-10/25/2021	0	0	2	399	4	12,080	44	5,691	50	18,170
Total	0	0	13	6,822	5	13,280	44	5,691	62	25,793

Source Bank Data

The following are notable examples of community development loans benefitting the bank’s assessment area.

- In 2021, the bank originated two loans totaling \$7.0 million to fund improvements and expansion of three library locations in York County. Two of the three locations were in low- or moderate-income census tracts. In conjunction with this financing, the borrower will receive grants from the Redevelopment Assistance Capital Program (RACP) that will be applied to the outstanding principal balance of each loan. RACP projects are primarily economic development projects, have a regional or multi-jurisdictional impact, and generate substantial increases or maintain current levels of employment, tax revenues, or other measures of economic activity. These loans promote economic development.

- In 2021, the bank originated one loan totaling approximately \$4.2 million in conjunction with the SBA 504 Loan Program. The program provides approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. Borrowers eligible for SBA 504 loans must meet at least one goal related to job creation, public policy, or community development through their expansion project. The loans are available through Certified Development Companies, SBA’s community-based partners for providing 504 Loans. These loans promote economic development by financing businesses that meet the size standards of the SBA’s Development Company programs.
- In 2020, the bank originated nine PPP loans totaling nearly \$6.3 million to York County community development organizations dedicated to the support of low- and moderate- income communities. These loans provide community development services targeted to low- and moderate-income individuals.
- In 2021, the bank originated 44 PPP loans totaling \$5.7 million to businesses located in low- or moderate-income census tracts. These loans revitalize or stabilize such tracts within the assessment area by supporting and maintaining businesses struggling during the COVID-19 pandemic.

Qualified Investments

During the evaluation period, Traditions Bank made 109 qualified investments totaling \$1.4 million. This volume includes one prior period-qualified investment with an outstanding balance of \$518,323, two new qualified investments totaling \$705,000, and 106 qualified grants and donations totaling \$223,945. Qualified investments represent 0.3 percent of average assets (\$574,031,000) and 1.9 percent of average securities (\$75,208,000) since the prior evaluation. The bank’s level of qualified investments is similar to the prior evaluation. At the prior evaluation, the bank had 38 qualified investments totaling \$1.3 million. This qualified investment activity equaled 0.3 percent of average assets and 2.2 percent of average securities during that prior evaluation. The following table illustrates the bank’s qualified investment activity by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	518	0	0	0	0	1	518
9/10/2018-12/31/2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	2	705	0	0	0	0	2	705
1/1/2021-10/25/2021	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	3	1,223	0	0	0	0	3	1,223
Qualified Grants & Donations	10	15	92	203	4	6	0	0	106	224
Total	10	15	95	1,426	4	6	0	0	109	1,447
<i>Source Bank Data</i>										

Below are notable examples of the bank's qualified investments and donations benefitting the assessment area. All examples provide community development services targeted to low- and moderate-income individuals.

Outstanding Investments

- In June 2018, the bank invested \$561,000 in a school district bond located within the assessment area where a majority of the students qualify for free- or reduced-price lunches. The current book value of the investment is \$518,323.

New Investments

- In July 2020, the bank invested \$705,000 in two school district bonds located in Allegheny County where a majority of the students qualify for free- or reduced-price lunches. Since Traditions Bank was responsive to community development needs and opportunities within its assessment area, examiners qualified the investments that benefitted the broader regional and statewide area.
- The bank made \$150,500 in qualifying contributions through the Pennsylvania Department of Community and Economic Development's Educational Improvement Tax Credit (EITC) Program. The contributions provide funds to scholarship organizations, educational improvement organizations, and pre-kindergarten scholarship organizations that benefit local schools and assist low- and moderate-income youth with the cost of attending school. Recent beneficiaries included the following: Crispus Attucks Association, Logos Academy, and The Salvation Army of York.
- The bank also purchased four tax credits totaling \$25,500 under the Neighborhood Assistance Program (NAP). The NAP, also administered by the Pennsylvania Department of Community and Economic Development, encourages businesses to invest in projects that improve distressed areas or support neighborhood conservation. Projects must fall under one of the following categories: affordable housing, community services, crime prevention, education, job training, or neighborhood assistance. There are five components to the NAP: the NAP tax credit, the Special Program Priorities, the Neighborhood Partnership Program, the Charitable Food Program, and the Enterprise Zone Program tax credit. Recent beneficiaries included the following: York County Food Bank, the YWCA, and the York County Literacy Council.
- In 2018-2021, during the month of October, the bank celebrated the number of years (i.e., 19 in 2021) in the community with "Days of Giving." A different theme each week honored nonprofits with a \$1,000 donation. For example, in 2021, the bank provided 19 donations; 5 donations totaling \$5,000 devoted to workforce development, 5 donations totaling \$5,000 devoted to early childhood development; 5 donations totaling \$4,000 devoted to financial literacy; and 4 donations totaling \$4,000 devoted to mentorship.

Community Development Services

During the evaluation period, Traditions Bank’s staff provided 124 instances of financial expertise or technical assistance to 16 different community development-related organizations in the assessment area. The bank’s level of community development services increased since the prior evaluation. During the prior evaluation period, the bank reported 42 instances of financial expertise or technical assistance. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
9/10/2018-12/31/2018	0	0	0	0	0
2019	3	3	4	0	10
2020	2	21	5	0	28
1/1/2021-10/25/2021	31	55	0	0	86
Total	36	79	9	0	124
<i>Source Bank Data</i>					

Below are notable examples of the bank’s qualified service activities in the assessment area.

- A bank employee serves as a Board member of the Community Progress Council, a York County organization that provides comprehensive, integrated services that offer resources and support for low- and moderate-income individuals and families to move toward self-sufficiency. This involvement provides community development services targeted to low- and moderate-income individuals.
- A bank employee serves as Treasurer of the Greater Hanover Housing Corporation, an organization that provides low-income housing for the elderly and handicapped in Hanover, PA. This involvement promotes affordable housing.
- A bank employee serves on the Finance Committee of Logos Academy, located in York County. This private faith-based school (K-12) reserves two-thirds of classroom seats for students who live below or near the federal poverty line. This involvement provides community development services targeted to low- and moderate-income individuals.

In addition to the community development service instances provided, the bank provides other services that benefit low- and moderate-income individuals and families throughout the assessment area. These special services include the following:

The bank offers the PowerUp checking account at all branches, a deposit product that can benefit low-and moderate-income individuals. This product has no monthly service fee, no minimum balance requirement, and has the ability to earn interest on any balance with depositors able to earn a higher annual percentage yield when meeting certain qualifications.

The bank also provides Interest on Lawyers Trust Accounts (IOLTA). The purpose of the IOLTA is to provide funding for civil legal services for people who cannot afford legal services, projects to improve the administration of justice, and education of laypersons in law-related areas. This program provides legal services, health care facilities, and youth centers targeted to low- and moderate-income individuals and families. The bank currently maintains 21 IOLTAs.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.