

BROADER HORIZONS



THE VICTORY BANCORP
2024 ANNUAL REPORT



THE VICTORY BANK

Statement of Purpose

“We exist to help our clients fulfill their visions and dreams.”

We deeply value our culture and believe that being together in person creates the best opportunity to bring this Statement of Purpose to life. We act in good faith as we conduct ourselves in business, aligned with the following values:

Extraordinary Personal Service

- We deliver professional financial advice and good value in a convenient and highly responsive manner. Every contact is an opportunity to help our clients feel important and satisfied.

Respect for All, Teamwork and a Great Working Environment

- We believe that happiness and job satisfaction are integral parts of business success. We strive to make The Victory Bank *the* employer of choice for an exclusive team of professionals who joyfully seek purpose in their work and are fully engaged in the pursuit of excellence.
- We conduct ourselves with respect and tolerance for all, regardless of age, disability, gender, race, sexual preference, economic status, religion or political views.
- We recognize and celebrate the importance and power of teamwork, where individual recognition is secondary to working in a collaborative way in pursuit of common goals.
- We willingly accept the responsibilities of leadership. We consistently model and teach our core values and gauge our effectiveness through the positive changes that we create.

Candor, Credibility and Integrity

- We communicate openly, honestly and directly, regardless of title or position. We do not pollute our work environment with gossip and negativity.

- Our decisions and actions consider the long-term best interests of our clients, team members, communities and shareholders.
- We deliver what we promise.
- We do what is ethically right. Business relationships must provide good value to our clients and be fair and profitable to the Bank.
- Our values stand the challenges of business, and the tests of time. We do not compromise our values for personal or corporate gain.

Accountability and Efficiency

- We hold ourselves accountable to do our jobs well and are relentlessly committed to excellence.
- We plan our work, set clear goals, and think systematically about the long-term implications of our decisions.
- We operate efficiently and without waste.

Innovation, Adaptation and Learning

- We are stewards of our team's collective talents and capabilities, committed to helping all team members reach their ultimate potential.
- We must always be in a state of growth, adapting to an evolving world through the improvement of our knowledge, processes and systems. We recognize those individuals who innovate and challenge the status quo.
- Mistakes are viewed as opportunities to learn and improve, and when things go wrong, we focus on solutions rather than blame.

“Perfection is our inspiration”



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SCHUYLKILL

LEHIGH

BERKS

MONTGOMERY

LANCASTER

CHESTER

DELAWARE



FROM THE CHAIRMAN



INTRODUCTION

Thank you for taking the time to review this report which is based on an audited review of the company's performance in 2024. Despite challenging conditions, the company showed great progress in many areas and took steps to position itself for 2025 and beyond. The theme of this report is "Broader Horizons," reflecting the company's continued growth and the recent opening of a new retail branch in Horsham, Pennsylvania.

FINANCIAL HIGHLIGHTS:

- Assets grew by \$18.9mm to \$461.0mm
- Deposits grew by \$33.0mm to \$397.1mm
- Under pressure from sharply higher deposit costs, net earnings declined from \$2.1mm to \$1.7mm
- Total Stockholder's Equity increased by \$1.4mm to \$29.3mm
- Book Value per share grew to \$14.84/share including a modest negative mark on the bank's Available-For-Sale Securities portfolio
 - Adjusting for this negative mark would result in a book value per share, on a non-GAAP basis, of \$15.75
- Total non-interest expenses were well-controlled, increasing by approximately 6% to \$11.8mm

MARKET CONDITIONS AND THE ECONOMY

Due to a variety of factors, including the Federal Reserve Bank's response to inflationary pressures, deposit and short-term borrowing costs rose significantly throughout most of the past two years. As a result, the bank has experienced tighter margins and lower profits. Toward the end of 2024, interest rate trends began to reverse slightly as the Fed lowered rates. Consequently, from December 2021 to December 2024, the bank's average deposit costs rose from 0.37% to 3.20%. While yields on loans and investments also steadily increased, they did not keep pace with rising funding costs, leading to a sharp compression in the bank's net interest margin from 3.42% to 3.03% over the same period. Even with solid asset growth, a clean credit portfolio, and controlled expenses, overall company profitability was impacted, particularly in the first two quarters of 2024. Despite these challenges, bank credit quality remained strong, and a widely anticipated recession never materialized. Unemployment rates remained at historic lows, and consumers experienced real wage growth. Although higher mortgage rates made residential real estate lending more difficult, home prices and rents continued to rise due to housing shortages in certain markets, including Southeast Pennsylvania.

2024 FINANCIAL HIGHLIGHTS

Loans and Credit Quality

The bank experienced minimal loan charge-offs in 2024, totaling \$42 thousand and enjoyed another strong year in lending, closing \$121 million in loans, and growing the loan portfolio, net of loan loss reserves, from \$364 million to \$391 million. Overall yields on the loan portfolio reached 6.75% at year-end 2024, an increase of approximately 7% from 6.32% at the prior year-end. Because of loan growth, loan loss reserves were increased modestly, from \$3.444 million to \$3.611 million. Throughout the year the bank continued to build its lending operations by investments in technology and by hiring, training and retaining a skilled team of commercial bankers, portfolio managers, administrative assistants, and credit analysts.

Deposits and Bank Liquidity

Competition for conventional bank deposits was intense throughout the year, as many financial institutions sought additional liquidity. The failures of several large banks in 2023 unsettled consumers and led to heightened regulatory scrutiny, compelling all banks to ensure adequate funding and resilience against potential deposit run-offs. This competitive environment resulted in higher funding costs, particularly for small- to mid-sized financial institutions in the Northeastern U.S.

Despite these pressures, the bank achieved significant deposit growth, increasing deposits from \$364 million to \$397 million by year-end 2024. Although the 2024 budget anticipated that the Horsham branch would open in early fall, the opening was delayed until April 2025. Nevertheless, through focused efforts, the bank successfully grew deposits, particularly from existing clients and local municipalities. This strategic emphasis on deposit growth, combined with process improvements, created positive momentum for future expansion.

To supplement funding and support loan and balance sheet growth, the bank maintained total borrowing capacity of approximately \$220 million, primarily from the Federal Reserve Bank of Philadelphia and the Federal Home Loan Bank of Pittsburgh. As core deposits grew during the year, total borrowings declined from \$36.2 million at year-end 2023 to \$15.4 million at year-end 2024.

Expense Control

Despite stiff inflationary pressures from vendors and higher payroll costs, non-interest expenses increased modestly by approximately 6%. This result includes new expenses related to the upcoming Horsham branch, including hiring, training, rent and asset depreciation.

Income

As loan yields gradually increased and balance sheet loans increased by approximately 7%, interest income grew sharply from \$24.67 million at year-end 2023 to \$28.87 million at year-end 2024, an increase of 17%. However, because of much higher funding costs, net interest income after provision for loan losses decreased by \$292 thousand from \$13.26 million for 2023 to \$12.97 million for 2024. In addition, non-interest income increased by \$336 thousand, from \$610 thousand in 2023 to \$946 thousand in 2024.

Book value per share increased from \$14.18 per share at year-end 2023 to \$14.84 per share at year-end 2024.





CAPITAL RATIOS

The 2023 year-end capital ratios for The Victory Bank were:

- Total capital to risk-weighted assets – 12.16%
- Tier 1 capital to risk-weighted assets – 11.27%
- Tier 1 capital to average assets – 9.92%

The company successfully completed a small, subordinated debt offering in December, 2024 totaling \$4.65mm, priced at 8.5% fixed for two years, callable by Victory Bancorp after 2 years. A portion of the proceeds of this offering were “downstreamed” to The Victory Bank in order to bolster the bank’s capital ratios and provide room for continued growth, while the remaining amount was retained at the holding company to be used for general corporate purposes.

STRATEGY, ADAPTATION AND CULTURE

Deposit Gathering and a New Branch

The Victory Bank does most of its lending in Montgomery, Berks, Chester, Bucks and Philadelphia counties, and as a portfolio lender to local businesses, the Bank has long relied on traditional bank deposits to fund loan growth. We have enjoyed consistent success gathering deposits in our traditional market areas, serving the needs of local businesses, municipalities and families, with a high percentage of our clients supplementing in-person banking with various on-line tools. Remote deposit gathering (meaning that checks are scanned into an electronic system and are

not carried into a retail branch) represents about 70% of the dollars being deposited at the bank. Despite this trend, retail facilities remain an important part of a bank's delivery system, providing a distinctive market presence, a facility for clients to meet with a banker, a place to close loans, and peace of mind for clients who value a trusted relationship with a bank in their neighborhood.

In April of 2025, The Victory Bank opened a second, full-service retail branch in Horsham, Pennsylvania, near the Route 611 intersection with the Pennsylvania Turnpike, just a few hundred feet away from our existing Horsham Loan Production Office. Positioned near key transportation routes, we believe that the new branch will enhance our ability to offer personalized service while reaching a broader client base. By strengthening our presence in this dynamic market, we aim to attract new clients, deepen relationships with existing customers, and further establish The Victory Bank as a trusted financial institution in the region.

A Culture of Learning, Integrity and Client Service

The Victory Bank is a *values-managed* company, constantly seeking to align our team's day-to-day behavior with the values listed in our Statement of Purpose, which is printed on the inside cover of this report every year. If you are curious to understand what the company stands for and how it operates, a careful reading of the Statement is the best place to start. We believe that

maintaining a culture based on *integrity and client service* is truly the most important factor in building a growing and profitable company. In fact, we strongly believe that our culture is "the secret sauce" and that we must be constantly vigilant and intentional in how we build and preserve it. In short - by living and working in accord with the bank's value system, we believe we create an unmatched client experience that brings repeat business and referrals to the bank.

Another important value we share at the bank is a *commitment to constant learning* and growth for all members of our team. During 2024, the bank methodically built the overall talent and experience of the staff, by hiring experienced business developers, commercial bankers and supporting staff, and by sending many of our bankers through high-quality training programs and banking schools. We also conduct a substantial amount of internal training.

Thank You

To our shareholders, clients, business partners, and employees: thank you for your continued support and contributions to another successful year.

Best Regards,



Joseph W. Major
Bank Leader, CEO, President, Chairman

THE VICTORY BANK FOUNDATION

In May, The Victory Bank Foundation hosted its golf outing at Brookside Country Club in Pottstown, where participants enjoyed great golf, fellowship, and exceptional hospitality. The event successfully raised over \$15,000 to support The Victory Bank Foundation's community efforts. Later in the year, on September 28th, we held our Inaugural 5K Run, which raised funds to benefit CRUSH Childhood Cancer. The Foundation was proud to present a \$3,000 donation from the proceeds of the run to this important cause. Thanks to all who participated in both events, helping us make a positive impact in the community!

Here are some photos from each event.



INAUGURAL 5K TO BENEFIT CRUSH

(CRUSH CHILDHOOD CANCER)



EXPANDING OUR COMMITMENT:



NEW HORSHAM BRANCH NOW OPEN



As part of our ongoing growth strategy, The Victory Bank has expanded its presence with a new branch in Horsham, PA. This expansion reflects our commitment to providing exceptional service and personalized banking solutions to more individuals and businesses in the communities we serve.

Located at 100 Gibraltar Road, Horsham, PA 19044, the new branch offers a full range of financial services, including checking and savings accounts, home equity loans, and customized commercial lending solutions. With a focus on simplicity and personal service, we continue to prioritize direct, relationship-driven banking—ensuring that customers receive expert guidance from knowledgeable professionals rather than automated systems.

To celebrate this milestone, The Victory Bank will host a week-long grand opening celebration, June 2-6, featuring a variety of activities for the community. Events will include a Financial Literacy course, a business seminar, a special children's day, and more. Throughout the week, visitors can take advantage of exclusive promotions, giveaways, and the opportunity to meet our dedicated team—bankers who are committed to delivering a more personal, peace-of-mind banking experience.

This expansion demonstrates the strength of our financial position and our dedication to thoughtful, strategic growth. By bringing our high level of service to the Horsham community, we are furthering our mission to be the bank of choice for customers who value personalized, transparent, and responsive financial solutions. As we continue to grow, our commitment to delivering exceptional service and long-term value for our shareholders remains at the core of everything we do.

The Victory Bancorp, Inc.

Consolidated Financial Statements
December 31, 2024 and 2023



Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Victory Bancorp, Inc.
Limerick, Pennsylvania

Opinion

We have audited the consolidated financial statements of The Victory Bancorp, Inc., which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Victory Bancorp, Inc. as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Victory Bancorp, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of The Victory Bancorp, Inc. for the year ended December 31, 2023, were audited by other auditors, who expressed an unmodified opinion on those statements on April 22, 2024.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Victory Bancorp, Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Victory Bancorp, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Victory Bancorp, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "Crowe LLP". The script is cursive and fluid, with the letters "C", "r", "o", "w", "e", "L", "L", and "P" clearly visible.

Crowe LLP

Columbus, Ohio
April 23, 2025

Consolidated Financial Statements

The Victory Bancorp, Inc.

Consolidated Balance Sheets (in thousands, except share and per share data)

<i>December 31,</i>	2024	2023
Assets		
Cash and due from banks	\$ 10,678	\$ 12,438
Federal funds sold	-	2,100
Cash and cash equivalents	10,678	14,538
Securities available-for-sale, at fair value	32,905	35,890
Securities held-to-maturity (fair value \$11,557 at December 31, 2024 and \$11,686 at December 31, 2023)	11,737	12,041
Loans receivable, net of allowance for credit losses (\$3,611 at December 31, 2024 and \$3,444 at December 31, 2023)	390,954	364,383
Premises and equipment, net	3,248	3,017
Restricted investment in bank stocks	2,192	3,203
Accrued interest receivable	1,581	1,613
Bank owned life insurance	5,923	5,744
Other assets	1,806	1,734
Total Assets	\$ 461,024	\$ 442,163
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 56,358	\$ 55,022
Interest-bearing	340,722	309,010
Total Deposits	397,080	364,032
Borrowings	15,440	36,200
Subordinated debt	17,309	12,830
Accrued interest payable and other liabilities	1,858	1,153
Total Liabilities	431,687	414,215
Stockholders' Equity		
Common stock, \$1 par value; authorized 10,000,000 shares; issued and outstanding were 1,977,362 and 1,971,362 shares at December 31, 2024 and 2023	1,977	1,971
Surplus	14,654	14,561
Retained earnings	14,523	13,374
Accumulated other comprehensive loss	(1,817)	(1,958)
Total Stockholders' Equity	29,337	27,948
Total Liabilities and Stockholders' Equity	\$ 461,024	\$ 442,163

See accompanying notes to consolidated financial statements.

The Victory Bancorp, Inc.
Consolidated Statements of Income
(in thousands, except share and per share data)

<i>Years Ended December 31,</i>	2024	2023
Interest Income		
Interest and fees on loans	\$ 26,552	\$ 22,297
Interest on investment securities	2,101	2,109
Other interest income	214	260
Total Interest Income	28,867	24,666
Interest Expense		
Deposits	13,030	9,685
Borrowings	2,673	1,478
Total Interest Expense	15,703	11,163
Net interest income	13,164	13,503
Provision for Credit Losses	198	245
Net Interest Income After Provision for Credit Losses	12,966	13,258
Non-Interest Income		
Service charges and activity fees	503	223
Net gains on sales of loans	160	108
Other income	283	279
Total Non-Interest Income	946	610
Non-Interest Expenses		
Salaries and employee benefits	7,180	6,859
Occupancy and equipment	749	654
Legal and professional fees	600	479
Advertising and promotion	67	98
Loan expenses	122	195
Data processing costs	1,435	1,305
Supplies, printing and postage	115	100
Telephone	47	39
Entertainment	145	147
Mileage and tolls	44	48
Insurance	67	61
FDIC insurance premiums	349	250
Dues and subscription	85	92
Shares tax	406	370
Other	377	443
Total Non-Interest Expense	11,788	11,140
Income before income taxes	2,124	2,728
Income Taxes	462	587
Net Income Available to Common Stockholders	\$ 1,662	\$ 2,141
Basic earnings per common share	\$ 0.84	1.09
Diluted earnings per common share	\$ 0.82	1.06
Weighted Average Common Shares Outstanding:		
Basic	1,972,940	1,971,362
Diluted	2,021,715	2,028,543

See accompanying notes to consolidated financial statements.

The Victory Bancorp, Inc.

Consolidated Statements of Comprehensive Income (in thousands)

<i>Years Ended December 31,</i>	2024	2023
Net Income	\$ 1,662	\$ 2,141
Other Comprehensive Income		
Unrealized holding gain arising on securities available-for-sale	178	82
Tax Impact	(37)	(18)
Other comprehensive income	141	64
Total Comprehensive Income	\$ 1,803	\$ 2,205

See accompanying notes to consolidated financial statements.

The Victory Bancorp, Inc.

Consolidated Statements of Stockholders' Equity (in thousands, except per share data)

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2022	\$ 1,971	\$ 14,505	\$ 11,745	\$ (2,022)	\$ 26,199
Net income	-	-	2,141	-	2,141
Other comprehensive income	-	-	-	64	64
Share based compensation expense	-	56	-	-	56
Cash dividends paid on common stock of \$0.26 per share	-	-	(512)	-	(512)
Balance, December 31, 2023	\$ 1,971	\$ 14,561	\$ 13,374	\$ (1,958)	\$ 27,948
Net income	-	-	1,662	-	1,662
Other comprehensive income	-	-	-	141	141
Share based compensation expense	-	56	-	-	56
Exercise of stock options (6,000 shares)	6	37	-	-	43
Cash dividends paid on common stock of \$0.26 per share	-	-	(513)	-	(513)
Balance, December 31, 2024	\$ 1,977	\$ 14,654	\$ 14,523	\$ (1,817)	\$ 29,337

See accompanying notes to consolidated financial statements.

The Victory Bancorp, Inc.
Consolidated Statements of Cash Flows
(in thousands)

<i>Years Ended December 31,</i>	2024	2023
Cash Flows from Operating Activities		
Net income	\$ 1,662	\$ 2,141
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	198	245
Depreciation and amortization	261	301
Share-based compensation	56	56
Deferred income tax (benefit) expense, net of change in valuation allowance	(58)	69
Net accretion of investment securities	(70)	(58)
Earnings on bank owned life insurance	(179)	(153)
Net realized gains on sale of SBA loans held for sale	(160)	(108)
Origination of SBA loans held for sale	(2,090)	(1,091)
Proceeds from sale of SBA loans held for sale	2,273	1,199
Amortization of debt issuance costs	31	26
Change in:		
Investment broker receivable	-	20,113
Accrued interest receivable	32	(257)
Other assets	(50)	(42)
Accrued interest payable	124	212
Other liabilities	581	(417)
Net Cash Provided by Operating Activities	2,611	22,236
Cash Flows from Investing Activities		
Available-for-sale securities:		
Proceeds from sales, maturities, calls and principal pay downs	3,239	3,146
Held-to-maturity securities:		
Proceeds from maturities, calls, and principal pay downs	297	829
Net increase in loans	(26,792)	(37,184)
Purchase of restricted stock	-	(1,465)
Proceeds from sale of restricted stock	1,011	-
Purchases of premises and equipment	(492)	(123)
Proceeds from BOLI	-	19
Net Cash Used in Investing Activities	(22,737)	(34,778)
Cash Flows from Financing Activities		
Net increase (decrease) in deposits	33,048	(15,912)
Net proceeds from issuance of subordinated debt	4,448	-
Exercise of stock options	43	-
Cash dividends on common stock	(513)	(512)
Net increase (decrease) in short-term borrowing	(20,760)	32,450
Net Cash Provided by Financing Activities	16,266	16,026

See accompanying notes to consolidated financial statements.

The Victory Bancorp, Inc.
Consolidated Statements of Cash Flows
(in thousands)

<i>Years Ended December 31,</i>	2024	2023
Net increase (decrease) in cash and cash equivalents	(3,860)	3,484
Cash and Cash Equivalents, Beginning	14,538	11,054
Cash and Cash Equivalents, Ending	\$ 10,678	\$ 14,538
Supplementary Cash Flows Information		
Income taxes paid	\$ 626	\$ 558
Interest paid	15,579	10,951

See accompanying notes to consolidated financial statements.

The Victory Bancorp, Inc.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements of The Victory Bancorp, Inc. (the "Corporation") are prepared on the accrual basis and include the accounts of The Victory Bancorp, Inc. and its wholly-owned subsidiary, The Victory Bank (the "Bank"), together referred to as "the Bank". All significant intercompany accounts and transactions have been eliminated from the accompanying consolidated financial statements.

In preparing these consolidated financial statements, the Bank evaluated the events and transactions that occurred from December 31, 2024, through April 23, 2025 the date these consolidated financial statements were available for issuance.

Organization and Nature of Operations

The Victory Bancorp, Inc. is a registered bank holding company, which owns 100% of the outstanding capital stock of The Victory Bank. The Corporation was incorporated under the laws of the State of Pennsylvania in 2009 for the purpose of serving as The Victory Bank's holding company. The holding company structure provides flexibility for growth through expansion of core business activities and access to varied capital raising operations. The Corporation's primary business activity consists of ownership of all of the outstanding stock of The Victory Bank. As of December 31, 2024, the Corporation had 340 common stockholders of record.

The Bank is a Pennsylvania chartered commercial bank which was chartered in January 2008. The Bank operates a full-service commercial and consumer banking business in Montgomery County, Pennsylvania. The Bank's focus is on small- and middle-market commercial and retail customers. The Bank originates secured and unsecured commercial loans, commercial mortgage loans, consumer loans and construction loans and does not make subprime loans. The Bank also offers revolving credit loans, small business loans and automobile loans. The Bank offers a variety of deposit products, including demand and savings deposits, regular savings accounts, investment certificates and fixed-rate certificates of deposit. As a state-chartered bank, the Bank is subject to regulation of the Pennsylvania Department of Banking and Federal Deposit Insurance Corporation.

Recent Accounting Pronouncements

Accounting Standards Codification (ASC) Topic 326: *Financial Instrument - Credit Losses* (ASC 326). On January 1, 2023, the Bank adopted ASC 326 which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity debt securities. It also applies to off-balance sheet credit exposures such as loan commitments, standby letters of credit, financial guarantees and other similar instruments. In addition, ASC 326 makes changes to the accounting for credit-related impairment of available-for-sale debt securities by eliminating other-than-temporary impairment charges. Following the expected loss model, credited-related losses on available-for-sale debt securities will be reflected as a valuation allowance for credit losses on those securities.

Accrued interest for all financial instruments is included in a separate line on the face of the Consolidate Balance Sheets. The Bank elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Bank believes the collection of interest is doubtful. The Bank has concluded that this policy results in the timely reversal of uncollectible interest.

In adopting ASC 326, the Bank utilized the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. The resulting calculation resulted in an immaterial impact to the allowance for credit losses, and therefore no adjustment was recorded effective January 1, 2023. There are no credit losses in the available-for-sale security portfolio.

The Victory Bancorp, Inc.

Notes to Consolidated Financial Statements

ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The amendments contained in this Accounting Standards Update (ASU) eliminate the accounting guidance for troubled debt restructurings by creditors, while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. This ASU also requires entities to disclose current period gross write-offs by year of origination for financing receivables. The Bank adopted ASU 2022-02 effective January 1, 2023 using a modified retrospective transition approach for the amendments related to the recognition and measurement of troubled debt restructurings. The impact of the adoption resulted in no change to the allowance for credit losses as there were no troubled debt restructurings for 2022.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated balance sheet and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the fair value of financial instruments, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

Most of the Bank's activities are with customers located within Montgomery County, Pennsylvania. Note 4 discusses the types of lending that the Bank engages in. Although the Bank has a diversified loan portfolio, its borrowers' ability to honor their contracts is influenced by the economy of Montgomery County and the surrounding areas.

The Bank monitors potential concentrations of loans to particular borrowers or groups of borrowers, industries, and geographic regions. The Bank also monitors exposures to credit risk that could arise from potential concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g. principal deferral periods, loans with initial interest-only periods, etc.) and loans with high loan to value ratios. Additionally, there are industry practices that could subject the Bank to increased credit risk should economic conditions change over the course of a loan's life. For example, the Bank makes variable rate loans and fixed rate principal-amortizing loans with maturities prior to the loan being fully paid (i.e. balloon payment loans). These loans are underwritten and monitored to manage the associated risks. The Bank has determined that there is no concentration of credit risk associated with its lending policies or practices.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold, all of which mature within ninety days. Generally, federal funds are sold for one day periods.

Securities

Management determines the appropriate classification of debt investment securities at the time of purchase and re-evaluates such designation as of each consolidated balance sheet date. As of December 31, 2024 and 2023, the Bank's investment portfolio contained available-for-sale and held-to-maturity investment securities.

Investment securities that are classified as available-for-sale are stated at fair value. Unrealized gains and losses on investment securities classified as available-for-sale are excluded from results of operations and are reported as other comprehensive income or loss, a separate component of stockholders' equity, net of taxes. Investment securities classified as available-for-sale include investment securities that may be sold in response to changes in interest rates, changes in prepayment risks or for asset/liability management purposes.

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Investment securities which the Bank has the intent and ability to hold until maturity are classified as held-to-maturity and are recorded at cost, adjusted for amortization of premiums and accretion of discounts.

The cost of investment securities is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization or accretion recorded as adjustments to interest and dividends are included in interest income from investments using the interest method. Realized gains and losses are included in gains (losses) on sales of investment securities in the consolidated statements of income. Gains and losses on the sale of securities are recorded on the trade date and are determined based on the specific-identification method.

The investment portfolio is classified into the following major security types: Corporate bonds, Collateralized mortgage obligations, U.S. agency securities, and State and municipal securities.

All corporate bonds and state and municipal securities undergo an initial and ongoing credit analysis. The analysis includes the review of various financial and demographic information. All securities have a minimum evaluation rating of "A" or higher.

All collateralized mortgage obligations held by the Bank are guaranteed by Ginnie Mae, a U.S. government agency, or a government sponsored enterprise (GSEs) Fannie Mae or Freddie Mac. These securities along with U.S. agency securities are explicitly guaranteed by the U.S. government or guaranteed by the GSEs that have credit ratings and perceived credit risk comparable to the U.S. government, are highly rated by major rating agencies, and have a history of no credit losses.

For available-for-sale debt securities with an unrealized loss position, the Bank will determine whether it has the intent to sell the debt security or whether it is more likely than not it will be required to sell the debt security before the recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income with the establishment of an allowance under CECL. For available-for-sale debt securities that do not meet the criteria, the Bank evaluates whether any decline in fair value is due to credit loss factors. In making this assessment, management considers any changes to the rating of the security by a rating agency and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit loss is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts over the contractual life of the loan. Premiums and discounts on purchased loans are amortized as adjustments to interest income using the effective yield method.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90-days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date.

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When a loan is placed on nonaccrual status, unpaid interest is reversed against interest. The amount of accrued interest reversed against interest income totaled \$5,000 and \$37,000 for the year ended December 31, 2024 and 2023, respectively. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

The Bank's loan receivable portfolio is comprised of commercial and consumer loans. Presentation of loans was updated to reflect segmentation per the Allowance for Credit Losses in the current year. Under the 2024 presentation, Commercial loans consist of the following classes: agriculture, commercial, construction and commercial real estate. Consumer loans consist of the following classes: consumer and residential real estate. Under the 2023 presentation, Commercial loans consist of the following classes: commercial term, commercial mortgage, commercial lines of credit, and construction. Consumer loans consist of the following classes: home equity and other consumer.

A description of the risk characteristics for each class under the 2024 presentation is included below:

Agriculture loans include loans originated for various purposes secured by farmland, including farm residential and other improvements. Risks associated with these loans generally relate to the uncertainty associated with the borrower's ability to successfully raise and market the commodity. Adverse weather conditions and other natural perils can dramatically affect production and ability to service debt. Production problems may also cause unbudgeted expenses that reduce profitability or even result in losses. Unexpected expenses may occur because of increased production or harvesting costs caused by inclement weather, higher transportation or fertilization costs caused by market disruption, feed shortages, etc. Business cycles longer than one year (e.g., vineyards, orchards, and some livestock operations) may increase the risk of unexpected expenses. Volatile commodity prices present another risk as well as changes in government policies.

The Bank's credit policies determine advance rates against the different forms of collateral that can be pledged against commercial and commercial real estate loan. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, equipment, eligible accounts receivable and inventory. Individual loan advance rates may be higher or lower depending upon the financial strength of the borrower and/or term of the loan. The assets financed through commercial loans are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets. Commercial real estate loans include long-term loans financing commercial properties. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. Commercial real estate loans typically require a loan to value ratio of not greater than 80% and vary in terms.

Consumer loans include installment loans, car loans, and overdraft lines of credit. The majority of these loans are unsecured. Risks associated with other consumer loans tend to be greater due to unsecured position or the rapidly depreciating nature of the underlying assets.

Construction loans are generally considered to involve high risk due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions on developers and builders. Moreover, a construction loan can involve additional risks because of the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost (including interest) of the project. The nature of these loans is such that they are generally difficult to evaluate and monitor.

Residential real estate loans consist of single-family, equity line of credit, and other residential loans. Single-family mortgage loans include permanent conventional mortgage loans secured by single-family residences located within our primary market area. Credit approval for residential real estate loans requires demonstration of sufficient income to repay the principal and interest and the real estate taxes and insurance, stability of employment and an

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established credit record. Repayment of these loans is dependent on general economic conditions and unemployment levels in the Bank's market area.

A description of the risk characteristics for each class under the 2023 presentation is included below:

The Bank's credit policies determine advance rates against the different forms of collateral that can be pledged against commercial term, lines of credit and mortgage loans. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, equipment, eligible accounts receivable and inventory. Individual loan advance rates may be higher or lower depending upon the financial strength of the borrower and/or term of the loan. The assets financed through commercial loans are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets. Commercial mortgage loans include long-term loans financing commercial properties. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. Commercial mortgage loans typically require a loan to value ratio of not greater than 80% and vary in terms.

Construction lending is generally considered to involve high risk due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions on developers and builders. Moreover, a construction loan can involve additional risks because of the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost (including interest) of the project. The nature of these loans is such that they are generally difficult to evaluate and monitor.

Home equity loans are secured by the borrower's residential real estate in either a first or second lien position. Residential mortgages and home equity loans have varying loan rates depending on the financial condition of the borrower and the loan to value ratio. Risks associated with home equity loans in second lien positions are greater than those in first position due to the subordinate nature of the loans.

Other consumer loans include installment loans, car loans, and overdraft lines of credit. The majority of these loans are unsecured. Risks associated with other consumer loans tend to be greater due to unsecured position or the rapidly depreciating nature of the underlying assets.

Allowance for Credit Losses

The allowance for credit losses ("allowance") represents management's estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The allowance is increased by the provision for credit losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. The Bank has elected to not estimate an allowance for credit losses on accrued interest receivable, as it already has a policy in place to reverse or write-off accrued interest in a timely manner.

The Bank adopted ASC 326 January 1, 2023 which replaced the incurred loss methodology with the current expected credit loss (CECL) approach. CECL requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures) whereas the incurred loss approach delayed the recognition of a credit loss until it was probable a loss event was incurred.

The estimate of expected credit losses is based on relevant information about historical events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The Bank uses current loan data and loss history, calculates the weighted average remaining maturity in each loan category, and utilizes leading economic indicators to provide a forward-looking feature. The Bank then takes that information, adds custom qualitative factors and specific reserves tied to collateral dependent loans to calculate its allowance for credit losses.

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The historical loss rate for the loan portfolio is determined by pooling loans into groups sharing similar risk characteristics and tracking historical net charge offs to calculate the historical loss rate.

The Bank also incorporates a reasonable and supportable loss forecast period to account for the effect of forecasted economic conditions and other factors on the performance of the loan portfolio which could differ from historical loss experience. Forward looking adjustments considers macro-economic indicators. The Bank generally utilizes a forecast period ranging over 12 - 24 months. For the contractual term that extends beyond the forecast period, the Bank immediately reverts to historical loss rates.

The Bank uses several qualitative factors to supplement the other elements of its allowance for credit losses calculation under CECL. These qualitative factors are intended to estimate losses that differ from actual historical loss experience. Relevant factors included, but are not limited to, economic trends and conditions such as regional unemployment, experience and depth of lending staff, trends in delinquencies, trends in collateral values, and results of loan reviews and loan-related audits. Although the estimation of credit losses can be somewhat subjective, the application of such qualitative factors must be reasonable and supportable.

Collateral dependent loans are those loans that are non-accruing and on which the borrowers cannot demonstrate the ability to make and are not making regularly scheduled loan payments, thereby making repayment of the loan dependent upon the operation or sale of the collateral securing the loan. Collateral dependent loans are evaluated individually as they do not share similar risk characteristics with other loans and are removed from their respective homogeneous pools. Under CECL, for collateral dependent loans, the Bank has adopted the practical expedient to measure the allowance for credit losses based on the fair value of the collateral.

The Bank's policy is to obtain third-party appraisals on any significant pieces of collateral held on collateral dependent loans. For such loans secured by real estate, the Bank's policy is to estimate the allowance by discounting the appraised value by 20%, which considers estimated selling costs and additional discounts estimated to be incurred in a sale. For real estate collateral that is considered special- or limited-purpose or in industries that are undergoing heightened stress, the Bank may further discount the collateral values. For non-real estate collateral secured loans, the Bank generally discounts values by 0%-50% depending on the nature and marketability of the collateral. This provides for selling costs and liquidity discounts that are usually incurred when disposing of non-real estate collateral.

During the year ended December 31, 2023, the Bank adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminated the accounting guidance for troubled debt restructurings by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty.

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral.

The Bank maintains an allowance for credit losses for lending-related commitments such as unfunded loan commitments and letters of credit. The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Bank. The allowance for lending-related commitments on off-balance sheet credit exposures is adjusted as a provision for credit losses. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans and discussed previously in Note 1. The allowance for credit losses for unfunded loan commitments of \$67,000 and \$78,000 at December 31, 2024 and December 31, 2023, respectively, were separately classified on the Consolidated Balance Sheets within other liabilities.

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Transfers of Financial Assets

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity, and (4) transfers that do meet the criteria to be accounted for as sales are accounted for as secured borrowings.

Premises and Equipment

Premises (including leasehold improvements) and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives and amortization of leasehold improvements is computed over the shorter of the estimated useful life or lease term of the related assets.

Restricted Investment in Bank Stocks

Restricted investment in bank stocks, which represents required investments in the common stock of correspondent banks, is carried at cost, and consists of \$60,000 common stock of the Atlantic Community Bankers Bank ("ACBB") at December 31, 2024 and 2023, Federal Home Loan Bank of Pittsburgh ("FHLB") stock totaling \$1,544,000 and \$2,531,000 at December 31, 2024 and 2023, and Federal Reserve Bank ("FRB") stock of \$588,000 and \$612,000 at December 31, 2024 and 2023, respectively.

Management considers whether these long-term investments are impaired based on the ultimate recoverability of the cost basis rather than by recognizing temporary declines in value. Management believes no impairment has occurred related to these investments at December 31, 2024 and 2023.

Bank Owned Life Insurance

The Bank is the owner and beneficiary of life insurance policies on certain employees and directors. The life insurance investment is carried at the cash surrender value of the underlying owned policies. The increase in the cash surrender value is recognized as a component of non-interest income. The policies can be liquidated, if necessary, with tax costs associated. However, the Bank intends to hold these policies and, accordingly, the Bank has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

Income Taxes

Income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Corporation determines deferred income taxes using the asset and liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, net operating loss carryforwards, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense (benefit) results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

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The Corporation evaluates the carrying amount of its deferred tax assets on a quarterly basis or more frequently, if necessary, in applying the criteria set forth therein to determine whether it is more likely than not (i.e., a likelihood of more than 50%) that some portion, or all, of the deferred tax asset will not be realized within its life cycle, based on the weight of available evidence. If management makes a determination based on the available evidence that it is more likely than not that some portion or all of the deferred tax assets will not be realized in future periods, a valuation allowance is calculated and recorded. These determinations are inherently subjective and dependent upon estimates and judgments concerning management's evaluation of both positive and negative evidence.

In conducting the deferred tax asset analysis, the Corporation believes it is important to consider the unique characteristics of an industry or business. In particular, characteristics such as business model, level of capital and reserves held by financial institutions and their ability to absorb potential losses are important distinctions to be considered for bank holding companies like the Corporation. Most importantly, it is also important to consider that net operating losses for federal income tax purposes can generally be carried forward for a period of twenty years. In order to realize deferred tax assets, the Corporation must generate sufficient taxable income in such future years.

In assessing the need for a valuation allowance, the Corporation carefully weighed both positive and negative evidence currently available. Judgment is required when considering the relative impact of such evidence. The weight given to the potential effect of positive and negative evidence must be commensurate with the extent to which it can be objectively verified. A cumulative loss in recent years is a significant piece of negative evidence that is difficult to overcome. As a result of limited sources of state income that can be used to realize state net operating losses generated by the holding company, the Corporation has concluded that a full valuation allowance is required related to state net operating loss carryforwards at December 31, 2024 and 2023.

The Corporation accounts for uncertain tax positions if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. At December 31, 2024 and 2023, the Corporation did not have any uncertain tax positions.

The Corporation recognizes interest and penalties on income taxes, if any, as a component of the provision for income taxes. There were no interest and penalties recognized during the years ended December 31, 2024 or 2023. With limited exception, tax years prior to 2021 are no longer subject to examination by tax authorities.

Comprehensive Income

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of stockholders' equity section of the Consolidated Balance Sheets, such items along with net income are components of comprehensive income.

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Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 13. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the Consolidated Balance Sheets when they are funded.

Derivatives

At the inception of a derivative contract, the Bank designates the derivative as a fair value hedge, a cash flow hedge or an instrument with no hedging designation. This designation is based on the Bank's intentions and belief as to likely effectiveness as a hedge. The Bank formally documents the relationship between derivatives and hedge items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Bank also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are designated are highly effective in offsetting changes in fair values or cash flows of hedged items. The Bank uses interest rate swap agreements as part of its asset liability management strategy to manage its interest rate risk position. The notional amounts of interest rate swaps as of December 31, 2024 and 2023 were \$30,000,000 and \$0 and designated as portfolio layer hedges of certain fixed rate loans. The hedge was deemed to be effective during all periods presented.

Employee Benefit Plan

The Bank has established a 401(k) plan ("the Plan"). Under the Plan, all employees are eligible to contribute the maximum allowed by the Internal Revenue Code of 1986, as amended. The Bank may make discretionary matching contributions. For the years ended December 31, 2024 and 2023, expense recorded in salaries and employee benefits attributable to the Plan amounted to \$203,000 and \$199,000, respectively.

Share-Based Compensation

The Bank recognizes the cost of employee and organizer services received in share-based payment transactions and measure the cost based on the grant-date fair value of the award. The cost will be recognized over the period during which the employee or organizer is required to provide service in exchange for the award.

Compensation cost for all stock awards is calculated and recognized over the employee's service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options, while the fair value of the Corporation's common stock at the date of grant is used for restricted stock awards. Because of the insignificant amount of forfeitures the Corporation has experienced, forfeitures are recognized as they occur.

Earnings per Share

Basic earnings per share ("EPS") represents net income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS includes all potentially dilutive common shares outstanding during the period. Potential common shares that may be issued related to outstanding stock options are determined using the treasury stock method.

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The following table sets forth the composition of basic and diluted earnings per share.

<i>Years Ended December 31,</i>	2024		2023	
	<i>(In thousands, except for share and per share data)</i>			
Net income available to common stockholders	\$	1,662	\$	2,141
Basic weighted average shares outstanding		1,972,940		1,971,362
Plus: effect of dilutive options		48,775		57,181
Diluted weighted average common shares		2,021,715		2,028,543
Earnings per share:				
Basic	\$	0.84	\$	1.09
Diluted	\$	0.82	\$	1.06

Operating Segments

The Bank's reportable segment, banking, is determined by the Chief Financial Officer, which is the designated chief operating decision maker, based upon information provided about the Bank's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business, which are aggregated because services and customers are similar. The chief operating decision maker evaluates financial performance of the Bank's business components by evaluating revenue streams, significant expenses and budget to actual results in assessment the segment and in the determination of allocating resources. The chief operating decision maker uses consolidated net income to evaluate Bank performance. The significant products, revenue and expense are reported on the consolidated balance sheets and statements of income

Reclassifications

Some items in the prior year financial statements and footnotes were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

2. Restrictions on Cash and Due from Banks

In return for services obtained through correspondent banks, the Bank is required to maintain non-interest-bearing cash balances in those correspondent banks. Compensating balances totaled \$1,000,000 at December 31, 2024 and 2023, included in cash and due from banks.

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3. Securities

The amortized cost and fair value of securities as of December 31, 2024 and 2023 is summarized as follows (in thousands):

<i>December 31, 2024</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Corporate bonds	\$ 8,470	\$ -	\$ (635)	\$ 7,835
Residential mortgage-backed securities - government sponsored enterprises ("GSE")	12,930	-	(662)	12,268
U.S. government agency	9,558	-	(890)	8,668
State and Political Subdivisions	4,247	-	(113)	4,134
	\$ 35,205	\$ -	\$ (2,300)	\$ 32,905

<i>December 31, 2024</i>	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held-to-Maturity:				
Corporate bonds	\$ 500	\$ -	\$ (15)	\$ 485
Residential mortgage-backed securities - government sponsored enterprises ("GSE")	6,571	-	(83)	6,488
U.S. government agency	1,967	-	(93)	1,874
State and Political Subdivisions	2,699	25	(14)	2,710
	\$ 11,737	\$ 25	\$ (205)	\$ 11,557

<i>December 31, 2023</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Corporate bonds	\$ 8,470	\$ -	\$ (991)	\$ 7,479
Residential mortgage-backed securities - government sponsored enterprises ("GSE")	14,693	9	(523)	14,179
U.S. government agency	10,653	-	(849)	9,804
State and Political Subdivisions	4,552	-	(124)	4,428
	\$ 38,368	\$ 9	\$ (2,487)	\$ 35,890

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<i>December 31, 2023</i>	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held-to-Maturity:				
Corporate bonds	\$ 500	\$ -	\$ (82)	\$ 418
Residential mortgage-backed securities - government sponsored enterprises ("GSE")	6,561	-	(263)	6,298
U.S. government agency	2,268	-	(107)	2,161
State and Political Subdivisions	2,712	111	(14)	2,809
	\$ 12,041	\$ 111	\$ (466)	\$ 11,686

The unrealized losses and related fair value of investment securities available for sale with unrealized losses less than 12 months and those with unrealized losses 12 months or longer as of December 31, 2024 and 2023, for which an allowance for credit losses has not been recorded, are as follows (in thousands):

<i>December 31, 2024</i>	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Corporate Bonds	\$ -	\$ -	\$ 7,335	\$ (635)	\$ 7,335	\$ (635)
Residential mortgage-backed securities - government sponsored enterprises ("GSE")	5,542	(212)	6,717	(450)	12,259	(662)
U.S. government agency	-	-	8,668	(890)	8,668	(890)
State and Political Subdivisions	-	-	4,134	(113)	4,134	(113)
Total	\$ 5,542	\$ (212)	\$ 26,854	\$ (2,088)	\$ 32,396	\$ (2,300)

<i>December 31, 2024</i>	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized d Losses
Held-to-maturity:						
Corporate Bonds	\$ -	\$ -	\$ 485	\$ (15)	\$ 485	\$ (15)
Residential mortgage-backed securities - government sponsored enterprises ("GSE")	-	-	6,488	(83)	6,488	(83)
U.S government agency	-	-	1,874	(93)	1,874	(93)
State and Political Subdivisions	610	(14)	-	-	610	(14)
Total	\$ 610	\$ (14)	\$ 8,847	\$ (191)	\$ 9,457	\$ (205)

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<i>December 31, 2023</i>	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Corporate Bonds	\$ -	\$ -	\$ 6,979	\$ (991)	\$ 6,979	\$ (991)
Residential mortgage-backed securities - government sponsored enterprises ("GSE")	4,058	(15)	7,888	(508)	11,946	(523)
U.S. government agency	-	-	9,804	(849)	9,804	(849)
State and Political Subdivisions	-	-	4,428	(124)	4,428	(124)
Total	\$ 4,058	\$ (15)	\$ 29,099	\$ (2,472)	\$ 33,157	\$ (2,487)

<i>December 31, 2023</i>	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Held-to-maturity:						
Corporate Bonds	\$ -	\$ -	\$ 418	\$ (82)	\$ 418	\$ (82)
Residential mortgage-backed securities - government sponsored enterprises ("GSE")	-	-	6,298	(263)	6,298	(263)
U.S government agency	-	-	2,161	(107)	2,161	(107)
State and Political Subdivisions	-	-	611	(14)	611	(14)
Total	\$ -	\$ -	\$ 9,488	\$ (466)	\$ 9,488	\$ (466)

All of the securities that were in an unrealized loss position at December 31, 2024 and 2023, are bonds the Bank has determined are in a loss position due primarily to interest rate factors and not credit quality concerns. In management's opinion, based on third party credit ratings and the amount of the impairment, credit risk for these securities is minimal. Management has the intent and ability to hold debt securities until recovery and does not believe it will have to sell the securities prior to recovery.

At December 31, 2024, the Bank had 50 securities in an unrealized loss position for 12 months or more and 3 securities in an unrealized loss position less than 12 months, none of which exceeded 22.3% of the security's carrying amount. At December 31, 2023, the Bank had 51 securities in an unrealized loss position for 12 months or more and 1 security in an unrealized loss position less than 12 months, none of which exceeded 21.4% of the security's carrying amount.

At December 31, 2024 and 2023, there was no allowance for credit losses related to the available-for-sale portfolio. Accrued interest receivable on available-for-sale debt securities totaled \$151,000 and \$207,000 at December 31, 2024 and 2023, respectfully, and was excluded from the estimate of credit losses. At December 31, 2024 and 2023, the Bank evaluated its held-to-maturity debt securities under the CECL standards and based on the credit reviews of the issuers of the corporate debt securities determined no allowance for credit losses was required.

The Victory Bancorp, Inc.

Notes to Consolidated Financial Statements

The amortized cost and fair value of securities as of December 31, 2024 and 2023, by contractual maturity, are shown below. Expected maturities of mortgage-backed securities may differ from contractual maturities because the securities may be called without any penalties (in thousands):

	2024		2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale:				
Less than a year	\$ 1,406	\$ 1,395	\$ -	\$ -
Due after one year through five years	4,731	4,551	3,989	3,881
Due after five years through ten years	16,138	14,691	19,686	17,830
Due after 10 years	-	-	-	-
Mortgage-backed investment securities	12,930	12,268	14,693	14,179
Total	\$ 35,205	\$ 32,905	\$ 38,368	\$ 35,890

	2024		2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Held-to-maturity:				
Due after one year through five years	\$ 2,591	\$ 2,485	\$ 2,893	\$ 2,773
Due after five years through ten years	2,575	2,584	2,587	2,615
Due after 10 years	-	-	-	-
Mortgage-backed investment securities	6,571	6,488	6,561	6,298
Total	\$ 11,737	\$ 11,557	\$ 12,041	\$ 11,686

There were no securities pledged as collateral at December 31, 2024 and 2023 to secure public deposits.

There were no gross gains or losses on the sale or call of securities in 2024 and 2023.

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4. Loans Receivable

The composition of loans receivable at December 31, 2024 and 2023 is as follows (in thousands):

	2024
Agricultural	\$ 2,018
Commercial	40,100
Consumer	2,920
Construction	21,690
Commercial Real Estate	233,179
Residential Real Estate	95,625
Total loans	\$ 395,532
Deferred Fees, net	(967)
Allowance for credit losses	(3,611)
Net Loans	\$ 390,954
	2023
Commercial Term	\$ 38,682
Commercial Mortgage	224,500
Commercial Line	20,665
Construction	61,250
Home Equity	2,740
Consumer	20,937
Total loans	\$ 368,774
Deferred Fees, net	(947)
Allowance for credit losses	(3,444)
Net Loans	\$ 364,383

The Bank elected to exclude accrued interest receivable from the amortized cost basis of loans disclosed throughout this footnote. As of December 31, 2024 and 2023, accrued interest receivable for loans totaled \$1,363,000 and \$1,339,000, respectively, and is included in the accrued interest receivable line item on the Bank's Consolidated Balance Sheets.

Presentation of loans was updated to reflect segmentation per the Allowance for Credit Losses in the current year. The following tables presents the activity in the allowance for credit losses by loan portfolio segment for the years ended December 31, 2024 and 2023 under the CECL methodology (in thousands):

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Notes to Consolidated Financial Statements

<i>December 31, 2024</i>	Beginning Balance Prior to Change in Loans Pools	Allocation of Beginning Balance to New Pools	Loans Charged-off	Recoveries Collected	Provision	Total
Agricultural	\$ -	\$ 15	\$ -	\$ -	\$ -	\$ 15
Commercial	-	576	(33)	-	(162)	381
Commercial Term	363	(363)	-	-	-	-
--0Commercial Mortgage	1,962	(1,962)	-	-	-	-
Commercial Line	359	(359)	-	-	-	-
Commercial Real Estate	-	1,950	-	-	274	2,224
Construction	436	(317)	-	-	(28)	91
Consumer	280	(84)	-	-	(26)	170
Home Equity	44	(44)	-	-	-	0
Residential Real Estate	-	588	(9)	-	151	730
Ending balance	\$ 3,444	\$ -	\$ (42)	\$ -	\$ 209	\$ 3,611

<i>December 31, 2023</i>	Commercial Term	Commercial Mortgage	Commercial Line	Construction	Home Equity	Consumer	Total
Allowance for credit losses:							
Beginning balance	\$ 333	\$ 1,839	\$ 186	\$ 453	\$ 149	\$ 315	\$ 3,275
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	2	-	-	-	-	2
Provision for credit losses on loans	30	121	173	(17)	(105)	(35)	167
Ending balance	\$ 363	\$ 1,962	\$ 359	\$ 436	\$ 44	\$ 280	\$ 3,444

As discussed in Note 1, the Bank identifies loans in which the borrower cannot demonstrate the ability to make regularly scheduled payments and the repayment of the loan is dependent upon the operation or sale of the collateral of the loan. These collateral dependent loans are evaluated individually for allowance for credit losses based on the fair value of the collateral. The Bank believes that there is no significant over-coverage of collateral for any of the loans noted below.

The following tables present an analysis of collateral-dependent loans of the Bank by class of loans as of December 31, 2024 and 2023 (in thousands):

<i>December 31, 2024</i>	Residential Property	Business Assets	Commercial Property	Total Collateral- Dependent Loans
Agricultural	\$ -	\$ -	\$ -	-
Commercial	117	64	-	181
Consumer	-	-	-	-
Construction	-	-	-	-
Commercial Real Estate	-	-	-	-
Residential Real Estate	206	-	-	206
Total	\$ 323	\$ 64	\$ -	\$ 387

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<i>December 31, 2023</i>	Residential Property	Business Assets	Commercial Property	Total Collateral- Dependent Loans
Commercial Term	\$ -	\$ 3	\$ 428	\$ 431
Commercial Mortgage	-	77	2,592	2,669
Commercial Line	-	-	2,518	2,518
Construction	-	-	138	138
Home Equity	57	-	-	57
Consumer	-	-	-	-
Total	\$ 57	\$ 80	\$ 5,676	\$ 5,813

The Bank monitors ongoing risk for loans with a commercial purpose using a nine-point internal grading system. The first five rating categories, representing the lowest risk to the Bank, are combined and given a Pass rating. The Special Mention category includes loans that have potential weaknesses that may, if not monitored or corrected, weaken the asset or inadequately protect the Bank's position at some future date. These assets pose elevated risk, but their weakness does not justify a more severe, or criticized rating.

Management generally follows regulatory definitions in assigning criticized ratings to loans, including substandard, doubtful, or loss. Substandard loans are classified as they have a well-defined weakness or weaknesses that jeopardize liquidation of the debt. These loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Substandard loans include loans that management has determined are not adequately protected by current cash flows or net worth of the borrower. A doubtful loan has the same weaknesses as a substandard loan, however, collection or liquidation of principal in full is questionable and improbable. For doubtful loans, loss is present, but may not be determined until specific factors occur. Loss assets are considered uncollectible, as the underlying borrowers are often in bankruptcy, have suspended debt repayments, or ceased business operations. Once a loan is classified as Loss, there is little prospect of collecting the loan's principal or interest and it is generally written off.

Loans with a consumer purpose, which also includes certain commercial loans, construction and land development loans, and residential loans, are not-rated and are monitored based on the length of time a loan is past due. Not-rated loans are categorized as either Performing or Non-performing. Non-performing loans would be those in non-accrual status, which generally occurs when a loan is maintained on a cash basis due to deterioration in the financial condition of the borrower, full payment of principal or interest is not expected, or principal or interest has been in default for a period of 90 days or more.

The Bank's Board of Directors reviews on a quarterly basis the ratings of all criticized loans. In addition, an independent third-party performs an annual loan review. The review focuses on a sample of business and consumer purpose loans, and all previously criticized loans over a certain dollar threshold.

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Notes to Consolidated Financial Statements

The following tables present the Bank's loan portfolio based on its internal risk rating system by origination year as of December 31, 2024 and 2023 (in thousands):

	2024	2023	2022	2021	2020	Prior	Revolving	Total
Agriculture								
Pass	\$ -	\$ 139	\$ 53	\$ 753	\$ 1	\$ 1,060	\$ 12	\$ 2,018
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Not-rated	-	-	-	-	-	-	-	-
Total	-	139	53	753	1	1,060	12	2,018
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not-rated loans:								
Performing	-	-	-	-	-	-	-	-
Not-performing	-	-	-	-	-	-	-	-
Total not-rated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial								
Pass	\$ 3,048	\$ 4,636	\$ 6,074	\$ 1,305	\$ 1,172	\$ 3,487	\$ 14,566	\$ 34,288
Special mention	-	-	-	-	-	928	89	1,017
Substandard	-	780	-	-	-	3	4,012	4,795
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Not-rated	-	-	-	-	-	-	-	-
Total	3,048	5,416	6,074	1,305	1,172	4,418	18,667	40,100
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ -	\$ 33
Not-rated loans:								
Performing	-	-	-	-	-	-	-	-
Not-performing	-	-	-	-	-	-	-	-
Total not-rated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer								
Pass	\$ -	\$ -	\$ 332	\$ -	\$ -	\$ -	\$ 82	\$ 414
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Not-rated	46	97	12	11	-	1,110	1,230	2,506
Total	46	97	344	11	-	1,110	1,312	2,920
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not-rated loans:								
Performing	46	97	12	11	-	1,102	1,230	2,498
Not-performing	-	-	-	-	-	8	-	8
Total not-rated	\$ 46	\$ 97	\$ 12	\$ 11	\$ -	\$ 1,110	\$ 1,230	\$ 2,506
Construction								
Pass	\$ 9,279	\$ 9,128	\$ 1,295	\$ 1,063	\$ 45	\$ 880	\$ -	\$ 21,690
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-
Total	9,279	9,128	1,295	1,063	45	880	-	21,690
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not-rated loans:								
Performing	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total not-rated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Notes to Consolidated Financial Statements

	2024	2023	2022	2021	2020	Prior	Revolving	Total
Commercial Real Estate								
Pass	\$ 31,723	\$ 43,888	\$ 48,869	\$ 35,519	\$ 18,554	\$ 47,853	\$ 2,344	\$ 228,750
Special mention	-	-	-	-	-	-	-	-
Substandard	2,608	608	-	-	348	815	-	4,379
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Not-rated	-	-	-	-	-	-	50	50
Total	34,331	44,496	48,869	35,519	18,902	48,668	2,394	233,179
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not-rated loans:								
Performing	-	-	-	-	-	-	50	50
Non-performing	-	-	-	-	-	-	-	-
Total not-rated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 50
Residential Real Estate								
Pass	\$ 17,588	\$ 15,333	\$ 16,551	\$ 10,151	\$ 3,733	\$ 8,195	\$ 1,562	\$ 73,113
Special mention	-	-	-	-	-	-	-	-
Substandard	99	-	-	-	-	-	206	305
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Not-rated	-	-	-	-	-	897	21,310	22,207
Total	17,687	15,333	16,551	10,151	3,733	9,092	23,078	95,625
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ 9
Not-rated loans:								
Performing	-	-	-	-	-	897	21,310	22,207
Non-performing	-	-	-	-	-	-	-	-
Total not-rated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 897	\$ 21,310	\$ 22,207
	2023	2022	2021	2020	2019	Prior	Revolving	Total
Commercial Term								
Pass	\$ 11,552	\$ 5,273	\$ 8,928	\$ 5,023	\$ 2,798	\$ 4,677	\$ -	\$ 38,251
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	104	-	327	-	431
Doubtful	-	-	-	-	-	-	-	-
Not-rated	-	-	-	-	-	-	-	-
Total	11,552	5,273	8,928	5,127	2,798	5,004	-	38,682
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not-rated loans:								
Performing	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total not-rated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Mortgage								
Pass	\$ 40,848	\$ 58,988	\$ 41,081	\$ 19,915	\$ 16,609	\$ 43,581	\$ 809	\$ 221,831
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	2,596	73	2,669
Doubtful	-	-	-	-	-	-	-	-
Not-rated	-	-	-	-	-	-	-	-
Total	40,848	58,988	41,081	19,915	16,609	46,177	882	224,500
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not-rated loans:								
Performing	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total not-rated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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	2023	2022	2021	2020	2019	Prior	Revolving	Total
Commercial Line								
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,147	\$ 18,147
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	2,518	2,518
Doubtful	-	-	-	-	-	-	-	-
Not-rated	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	20,665	20,665
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not-rated loans:								
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-performing	-	-	-	-	-	-	-	-
Total not-rated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction								
Pass	\$ 24,439	\$ 18,692	\$ 5,622	\$ 1,457	\$ 914	\$ 9,988	\$ -	\$ 61,112
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	138	-	138
Doubtful	-	-	-	-	-	-	-	-
Not-rated	-	-	-	-	-	-	-	-
Total	24,439	18,692	5,622	1,457	914	10,126	-	61,250
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not-rated loans:								
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-performing	-	-	-	-	-	-	-	-
Total not-rated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Home Equity								
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Not-rated	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not-rated loans:								
Performing	\$ -	\$ -	\$ -	\$ 457	\$ 1,070	\$ 837	\$ 319	\$ 2,683
Non-performing	-	-	-	-	-	-	57	57
Total not-rated	\$ -	\$ -	\$ -	\$ 457	\$ 1,070	\$ 837	\$ 376	\$ 2,740
Consumer								
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Not-rated	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not-rated loans:								
Performing	\$ 107	\$ 16	\$ 16	\$ 80	\$ 56	\$ 1,276	\$ 18,749	\$ 20,300
Non-performing	-	-	-	-	-	23	614	637
Total not-rated	\$ 107	\$ 16	\$ 16	\$ 80	\$ 56	\$ 1,299	\$ 19,363	\$ 20,937

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Management monitors the performance and credit quality of the loan portfolio by analyzing the length of time a recorded payment is past due, by aggregating loans based on their delinquencies. The following tables present an aging of the payment status of the Bank's loans as of December 31, 2024 and 2023 (in thousands):

<i>December 31, 2024</i>	30-59 Days Past Due	60-90 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivables	Loans Receivable >90 Days and Accruing
Agricultural	\$ -	\$ -	\$ -	\$ -	\$ 2,018	\$ 2,018	\$ -
Commercial	-	-	-	-	40,100	40,100	-
Consumer	-	1	8	9	2,911	2,920	8
Construction	-	-	-	-	21,690	21,690	-
Commercial Real Estate	-	-	-	-	233,179	233,179	-
Residential Real Estate	51	-	206	257	95,368	95,625	-
Total	\$ 51	\$ 1	\$ 214	\$ 266	\$ 395,266	\$ 395,532	\$ 8

<i>December 31, 2023</i>	30-59 Days Past Due	60-90 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivables	Loans Receivable >90 Days and Accruing
Commercial term	\$ -	\$ -	\$ -	\$ -	\$ 38,682	\$ 38,682	\$ -
Commercial mortgage	-	833	-	833	223,667	224,500	-
Commercial line	-	-	694	694	19,971	20,665	-
Construction	-	-	-	-	61,250	61,250	-
Home equity	25	-	57	82	2,658	2,740	-
Consumer	212	42	637	891	20,046	20,937	-
Total	\$ 237	\$ 875	\$ 1,388	\$ 2,500	\$ 366,274	\$ 368,774	\$ -

Loans pledged at December 31, 2024 and 2023 had a carrying amount of \$305 million and \$257 million and were pledged to secure FHLB advances.

The following tables is a summary of the Bank's nonaccrual loans by major categories for the years ended December 31, 2024 and 2023 (in thousands):

	CECL December 31, 2024		
	Non-accrual Loans with No Allowance	Non-accrual Loans with an Allowance	Total Non-accrual Loans
Agricultural	\$ -	\$ -	\$ -
Commercial	-	-	-
Consumer	-	-	-
Construction	-	-	-
Commercial Real Estate	-	-	-
Residential Real Estate	-	206	206
Total	\$ -	206	206

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		CECL December 31, 2023	
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial Term	\$ -	\$ -	\$ -
Commercial Mortgage	-	786	786
Commercial Line	-	694	694
Construction	-	-	-
Home Equity	57	-	57
Consumer	613	23	636
Total	\$ 670	\$ 1,503	\$ 2,173

Interest income recognized on loans on non-accrual status during the year ended December 31, 2024 and 2023 was \$11,000 and 113,000. Additional interest income that would have been recognized on non-accrual loans, had the loans been performing in accordance with the original terms of their contracts totaled \$5,000 and \$37,000 for the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, there are no foreclosed assets. As of December 31, 2024 and 2023, the Bank has not initiated formal foreclosure proceedings on any consumer residential mortgages.

The Bank closely monitors the performance of all loans that are modified to borrowers experiencing financial difficulty to better understand the effectiveness of its modification efforts. These modifications may or may not extend the term of the loan, provide for an adjustment to the interest rate, lower the payment amount, or otherwise delay payments during a defined period for the purpose of providing borrowers additional time to return to compliance with the original loan terms.

There were no loans experiencing financial difficulty that were modified during the years ended December 31, 2024 and 2023. Prior to the adoption of ASU 2022-02, the restructuring of a loan was considered a troubled debt restructuring if both (1) the borrower was experiencing financial difficulties and (2) the creditor had granted a concession. The adoption of ASU 2022-02 on January 1, 2023 replaced the accounting for troubled debt restructurings with modified loans with financial difficulties.

The following tables summarize the activity in the allowance for credit losses for unfunded loan commitments for the year ended December 31, 2024 and 2023 (in thousands):

	Total Allowance for Credit Losses - Unfunded Loan Commitments
Beginning balance at December 31, 2023	\$ 78
Charge-offs	-
Recoveries	-
Provision for credit losses	(11)
Ending balance at December 31, 2024	\$ 67

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		Total Allowance for Credit Losses - Unfunded Loan Commitments
Beginning balance at December 31, 2022	\$	-
Adjustment due to the adoption of CECL		-
Charge-offs		-
Recoveries		-
Provision for credit losses		78
Ending balance at December 31, 2023	\$	78

Loan Sales

The Bank originates and sells loans secured by the SBA. The Bank retains the unguaranteed portion of the loan and the servicing on the loans sold and receives a fee based upon the principal balance outstanding. During the years ended December 31, 2024 and 2023, the Bank sold SBA loans held for sale for total proceeds of \$2,237,000 and \$1,199,000, respectively. The SBA loan sales resulted in realized gains of \$160,000 and \$108,000 for the years ended December 31, 2024 and 2023, respectively. There were no SBA loans held for sale at December 31, 2024 and 2023.

Loans serviced for others are not included in the accompanying Consolidated Balance Sheets. The risks inherent in the servicing assets included in the other assets on the balance sheet relate primarily to changes in prepayments that result from shifts in interest rates. The unpaid principal balances of loans serviced for others were \$4,844,000 and \$3,835,000 at December 31, 2024 and 2023, respectively.

5. Bank Premises and Equipment

The components of premises and equipment at December 31, 2024 and 2023 are as follows (in thousands):

	Estimated Useful Lives	2024	2023
Land		\$ 1,200	\$ 1,200
Leasehold improvements	10 - 20 years	1,384	1,089
Building	40 years	1,687	1,687
Computer equipment and software	3 - 5 years	1,523	1,435
Automobiles	3 years	268	268
Bank unique equipment	5 years	352	279
Furniture, fixtures and equipment	3 - 10 years	463	427
		6,877	6,385
Accumulated depreciation		(3,629)	(3,368)
		\$ 3,248	\$ 3,017

Depreciation and amortization expense charged to operations amounted to \$261,000 and \$301,000 for the years ended December 31, 2024 and 2023, respectively and is included within occupancy and equipment on the Statements of Income.

The Victory Bancorp, Inc.

Notes to Consolidated Financial Statements

6. Deposits

The components of deposits at December 31, 2024 and 2023 are as follows (in thousands):

	2024	2023
Demand, non-interest bearing	\$ 56,358	\$ 55,022
Demand interest bearing	63,687	63,387
Money market accounts	109,994	118,384
Savings accounts	52,034	58,728
Time, \$250 and over	30,411	19,337
Time, other	84,596	49,174
	\$ 397,080	\$ 364,032

At December 31, 2024, the scheduled maturities of time deposits are as follows (in thousands):

Years ending December 31,

2025	\$ 100,645
2026	8,252
2027	6,061
2028	31
2029	18
Thereafter	-
	\$ 115,007

The Bank had brokered deposits of \$20,477,000 and \$15,065,000 included in time deposits at December 31, 2024 and 2023, respectively.

At December 31, 2024 and 2023, the Bank reclassified overdrafts from deposits of approximately \$17,000 and \$14,000, respectively.

7. Borrowings

The Holding Company has a \$2,500,000 unsecured line of credit with a correspondent bank with an interest rate of Prime plus 0.25%. There was no outstanding balance as of December 31, 2024 and 2023, respectively.

The Bank has a \$5,000,000 unsecured federal funds overnight line of credit with a correspondent bank with an interest rate of 5.5% at December 31, 2024. There was no outstanding balance as of December 31, 2024 and 2023, respectively.

The Bank maintains access to the Federal Reserve Bank's discount window borrowing facility. Advances under this facility are secured by collateral pledged by the Bank and accepted by the Federal Reserve Bank. The Bank has pledged securities with a fair value of \$36,422,495 at December 31, 2024 at the Federal Reserve Bank to secure potential borrowings through the discount window. The Bank had no outstanding borrowings under the discount window facility at December 31, 2024. At December 31, 2023, the Bank had no collateral pledged and no outstanding borrowings under the discount window facility.

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Notes to Consolidated Financial Statements

The Bank has an agreement with the Federal Home Loan Bank of Pittsburgh ("FHLB") which allows for borrowings up to a percentage of qualifying assets. All FHLB advances are collateralized by a security agreement covering qualifying loans. As of December 31, 2024, qualifying loans totaled \$305,400,000. In addition, all FHLB advances are secured by the FHLB capital stock owned by the Bank having a par value of \$1,544,000 and \$2,531,000 at December 31, 2024 and 2023, respectively. The Bank can borrow a maximum of \$212,473,845 from the FHLB. There were short-term borrowings outstanding of \$11,690,000 and \$32,450,000 at December 31, 2024 and 2023, respectively.

Long-term borrowings at December 31, 2024 and 2023 consisted of FHLB borrowings with the following maturity dates and interest rates (in thousands):

	2024	2023
Fixed note at 1.13%, maturing on March 4, 2025	\$ 3,750	\$ 3,750

Subordinated Debt

On March 14, 2019, the Corporation closed a pooled private offering of \$3 million of subordinated debt, net of offering costs of \$25,000. Offering costs are amortized using the effective interest method and included within interest expense on the Consolidated Statements of Income. Unamortized offering costs were \$10,242 and \$12,700 at December 31, 2024 and 2023, respectively. The Bank may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of \$100,000, on or after March 14, 2024, at 100% of the principal amount, plus accrued and unpaid interest. The subordinated debentures mature on March 14, 2029. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the Subordinated Loan Agreement.

The subordinated debt may be included in Tier 2 capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The subordinated debentures had a fixed rate of interest of 6.5% through March 14, 2024, at which time the interest rate will float quarterly at the 3-month Secured Overnight Financing rate ("SOFR") plus 390 basis points until the debt is paid off or matures. The debt is subordinated to the claims of general creditors, is unsecured, and is ineligible as collateral for a loan by the Bank.

On June 23, 2020, the Corporation closed a pooled private offering of \$10 million of subordinated debt, net of offering costs of \$241,000. Unamortized offering costs were \$132,616 and \$156,728 at December 31, 2024 and 2023, respectively. Offering costs are amortized using the effective interest method and included within interest expense on the Consolidated Statements of Income. The Bank may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of \$100,000, on or after June 30, 2025, at 100% of the principal amount, plus accrued and unpaid interest. The subordinated debentures mature on June 30, 2030. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the Subordinated Loan Agreement.

The subordinated debt may be included in Tier 2 capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The subordinated debentures had a fixed rate of interest of 6.25% through June 30, 2025, at which time the interest rate will bear interest at a rate equal to the 3-month Secured Overnight Financing rate ("SOFR") plus 613 basis points until the debt is paid off or matures. The debt is subordinated to the claims of general creditors, is unsecured, and is ineligible as collateral for a loan by the Bank.

The Victory Bancorp, Inc.

Notes to Consolidated Financial Statements

On December 5, 2024, the Corporation closed a pooled private offering of \$4.65 million of subordinated debt and offering costs of \$202,000. Unamortized offering costs were \$199,000 at December 31, 2024. Offering costs are amortized using the effective interest method and included within interest expense on the Consolidated Statements of Income. The Bank may redeem the subordinated debentures, in whole or in part, on or after December 31, 2027, at 100% of the principal amount, plus accrued and unpaid interest. The subordinated debentures mature on December 31, 2029. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the Subordinated Loan Agreement.

The subordinated debt may be included in Tier 2 capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The subordinated debentures had a fixed rate of interest of 8.5% through December 31, 2026, at which time the interest rate will bear interest at a rate equal to the 3-month Term Secured Overnight Financing rate ("SOFR") plus 442 basis points until the debt is paid off or matures. The debt is subordinated to the claims of general creditors, is unsecured, and is ineligible as collateral for a loan by the Bank.

Subordinated debt of \$3 million is scheduled to mature in 2029, \$4.65 million is scheduled to mature in 2029, and \$10 million is scheduled to mature in 2030.

8. Federal Income Taxes

The components of income tax expense for the years ended December 31, 2024 and 2023 are as follows (in thousands):

	2024	2023
Current	\$ 520	\$ 518
Deferred	(58)	69
	\$ 462	\$ 587

A reconciliation of the statutory federal income tax at a rate of 21% to federal income tax expense included in the statements of income for the years ended December 31, 2024 and 2023 are as follows (in thousands):

	2024	2023
Federal income tax at statutory rate	\$ 446	\$ 573
Bank owned life insurance income	(38)	(38)
Non-deductible dues	13	2
Non-deductible meals and entertainment	29	29
Other	12	21
	\$ 462	\$ 587

The Victory Bancorp, Inc.

Notes to Consolidated Financial Statements

The components of the net deferred tax asset at December 31, 2024 and 2023 are as follows (in thousands):

	2024	2023
Deferred tax assets:		
Allowance for credit losses	\$ 714	670
Nonqualified stock options	-	43
Net operating losses	258	434
Other	14	3
Unrealized loss on available-for-sale securities	483	520
Total deferred tax assets	1,469	1,670
Valuation Allowance	(258)	(434)
Net deferred tax assets	1,211	1,236
Deferred tax liabilities:		
Depreciation	(74)	(119)
Deferred loan costs	(100)	(105)
Servicing asset	(11)	(11)
Other	(3)	-
Total deferred tax liabilities	(188)	(235)
Net Deferred Tax Asset, Included in Other Assets	\$ 1,023	\$ 1,001

The realization of deferred tax assets is largely dependent upon future taxable income, future reversals of existing taxable temporary differences and the ability to carryback losses to available tax years. In assessing the need for a valuation allowance, we consider positive and negative evidence, including taxable income in carry-back years, scheduled reversals of deferred tax liabilities, expected future taxable income and tax planning strategies. It was determined that a full valuation allowance was needed for state net operating loss carryforwards at December 31, 2024 and 2023.

9. Transactions with Executive Officers, Directors and Principal Stockholders

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, their immediate families and affiliated companies (commonly referred to as related parties). There were loans receivable from related parties totaling \$3,347,000 and \$3,546,000 at December 31, 2024 and 2023, respectively. Balance of net advances in 2024 for related parties totaled \$251,000 and \$422,000 and payments received were \$450,000 and \$432,000 for the years ended December 31, 2024 and 2023, respectively. Deposits of related parties totaled \$4,348,391 and \$3,568,000 as of December 31, 2024 and 2023, respectively.

10. Share-Based Compensation

In 2013, the Board of Directors adopted the 2013 Equity Incentive Plan ("2013 Plan"). Under the 2013 Plan 228,000 shares were available to be issued in the form of performance awards that can be settled in stock or cash, restricted stock and restricted stock units, incentive stock options, non-qualified stock options, and stock appreciation rights. The awards under the plan vest over a period up to 7 years.

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Notes to Consolidated Financial Statements

In 2021 the Victory Bancorp Board of Directors adopted, and the shareholders approved the 2021 Omnibus Incentive Plan ("2021 Plan"). The purpose of the plan was to help the Company attract, retain and motivate directors, officers and employees. The 2021 Plan replaced the Company's 2013 Equity Incentive Plan. The 2021 Plan provides that the aggregate number of shares of the company's common stock available for delivery pursuant to award granted under the 2021 Plan was 200,000, plus 39,000 shares available for grant under the 2013 Plan.

In 2024, the Victory Bancorp Board of Directors adopted, and the shareholders approved an amendment to the 2021 Omnibus Incentive Plan ("2021 Plan") that would increase the shares reserved for issuance by 80,000 shares. All other terms and conditions of the 2021 Plan remained unchanged.

The following table summarizes stock option activity for the year ended December 31, 2024:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term
Outstanding, January 1, 2024	160,000	\$ 7.25	5
Granted	-	-	-
Exercised	(6,000)	7.25	-
Forfeited	(1,000)	7.25	-
Outstanding, December 31, 2024	153,000	7.30	4
Exercisable, December 31, 2024	108,716	\$ 7.31	4

At December 31, 2024 and 2023, the intrinsic value of the 153,000 and 160,000 options outstanding was \$522,000 and \$649,000, respectively.

Information regarding share-based compensation for the year ended December 31, 2024, is set forth below:

	2024
Stock based compensation expense recognized	\$ 56,000
Number of unvested stock options	62,000
Amount remaining to be recognized as expense	\$ 62,000

The stock-based compensation recognized in earnings in 2024 and 2023 was \$56,000 and \$56,000, respectively. The remaining amount of \$62,000 will be recognized ratably as expense through 2027.

Victory Bank entered into a Supplemental Executive Retirement Plan (SERP) with the CEO that provides annual retirement benefits starting December 31, 2018 and continuing until the earlier of a Separation of Service or January 1, 2028. The SERP requires the Bank to provide an Annual Contribution and Interest Credit on each December 31. The Bank accrued \$450,000 and \$373,000 SERP liability as of December 31, 2024 and December 31, 2023, respectively which is included in Accrued interest payable and other liabilities. The related expense is recorded in Salaries and employee benefits.

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Notes to Consolidated Financial Statements

11. Commitments and Contingencies

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The following off-balance sheet financial instruments whose contract amounts represent credit risk at December 31, 2024 and 2023 (in thousands):

	2024	2023
Unfunded commitments under lines of credit	\$ 75,874	\$ 82,482
Unfunded commitments under letters of credit	2,903	2,281

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Outstanding letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank requires collateral supporting these letters of credit as deemed necessary. Management believes that the proceeds through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The amount of the liability as of December 31, 2024 and 2023 for guarantees under standby letters of credit is not material.

The Corporation, in the normal course of business, may be subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. The Corporation is not involved in any legal proceedings which, in management's opinion, could have a material effect on the consolidated financial position of the Corporation.

The Bank maintains an allowance for credit loss for unfunded loan commitments which is included in the balance of other liabilities in the Consolidated Balance Sheets. The allowance for credit loss for unfunded loan commitments is determined as part of the monthly allowance for credit loss analysis. See Note 1 and Note 4 for further detail.

The Victory Bancorp, Inc.

Notes to Consolidated Financial Statements

12. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

The U.S. Basel III Capital Rules requires the Bank to:

- Meet a minimum Common Equity Tier 1 capital ratio of 4.50% of risk-weighted assets and a Tier 1 capital ratio of 6.00% of risk-weighted assets;
- Meet a minimum total capital ratio of 8.00% of risk-weighted assets and a minimum Tier 1 leverage capital ratio of 4.00% of average assets;
- Maintain a capital conservation buffer of 2.50% above the minimum risk-based capital requirement to avoid restrictions on capital distributions and certain discretionary bonus payments; and
- Comply with a revised definition of capital to improve the ability of regulatory capital instruments to absorb losses. Certain non-qualifying capital instruments, including cumulative preferred stock and trust preferred securities, are excluded as a component of Tier 1 capital for institutions of the Corporation's size.

The U.S. Basel III Capital Rules use a standardized approach for risk weightings that expands the risk-weightings for assets and off-balance sheet exposures from the previous 0%, 20%, 50% and 100% categories to a much larger and more risk-sensitive number of categories, depending on the nature of the assets and off-balance sheet exposures and resulting in higher risk weights for a variety of asset categories.

As of December 31, 2024 and 2023, the Bank met the applicable minimum requirements of the U.S. Basel III Capital Rules, and each of the Bank's capital ratios exceeded the amounts required to be considered "well capitalized" as defined in the regulations. As of December 31, 2024 and 2023, the Bank's capital levels met the fully-phased in minimum capital requirements, including the capital conservation buffers.

A comparison of the Bank's actual capital amounts to the regulatory requirements as of December 31, 2024 and 2023 are presented below (in thousands):

December 31, 2024	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)	49,798	12.16%	≥32,773	≥8.00%	≥43,015	≥10.50%	≥40,967	≥10.00%
Tier 1 capital (to risk weighted assets)	46,187	11.27%	≥24,580	≥6.00%	≥34,822	≥8.50%	≥32,773	≥8.00%
Common equity Tier 1 capital (to risk-weighted assets)	46,187	11.27%	≥18,435	≥4.50%	≥28,677	≥7.00%	≥26,628	≥6.50%
Tier 1 capital (to average assets)	46,187	9.92%	≥18,632	≥4.00%	≥18,632	≥4.00%	≥23,291	≥5.00%

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Notes to Consolidated Financial Statements

December 31, 2023	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)	44,966	11.51%	≥31,253	≥8.00%	≥41,020	≥10.50%	≥39,067	≥10.00%
Tier 1 capital (to risk weighted assets)	41,444	10.61%	≥23,440	≥6.00%	≥33,207	≥8.50%	≥31,253	≥8.00%
Common equity Tier 1 capital (to risk-weighted assets)	41,444	10.61%	≥17,580	≥4.50%	≥27,347	≥7.00%	≥25,393	≥6.50%
Tier 1 capital (to average assets)	41,444	9.61%	≥17,250	≥4.00%	≥17,250	≥4.00%	≥21,562	≥5.00%

The Bank is subject to certain restrictions on the amount of dividends that it may declare due to regulatory considerations. The Pennsylvania Banking Code provides that cash dividends may be declared and paid only out of accumulated net earnings.

13. Fair Value Measurements

Management uses its best judgment in estimating the fair value of the Bank's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Bank could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year end.

Determination of Fair Value

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Accounting guidance defines the fair value of a financial instrument as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments.

The definition of fair value focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability. The classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

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Notes to Consolidated Financial Statements

Fair Value Hierarchy

The Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows (in thousands):

December 31, 2024	Total	(Level 1)	(Level 2)	(Level 3)
Available-for-sale:				
Corporate Bonds	\$ 7,835	\$ -	\$ 7,835	\$ -
Residential mortgage-backed securities - GSE	12,268	-	12,268	-
U.S. government agency	8,668	-	8,668	-
State and Political Subdivisions	4,134	-	4,134	-
Total	\$ 32,905	\$ -	\$ 32,905	\$ -

December 31, 2023	Total	(Level 1)	(Level 2)	(Level 3)
Available-for-sale:				
Corporate Bonds	\$ 7,479	\$ -	\$ 7,479	\$ -
Residential mortgage-backed securities - GSE	14,179	-	14,179	-
U.S. government agency	9,804	-	9,804	-
State and Political Subdivisions	4,428	-	4,428	-
Total	\$ 35,890	\$ -	\$ 35,890	\$ -

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Notes to Consolidated Financial Statements

The Bank's available-for-sale investment securities, which includes debt securities and mortgage-backed securities, are reported at fair value. These securities are valued by an independent third party. The valuations are based on market data. They utilize evaluated pricing models that vary by asset and incorporate available trade, bid and other market information. For securities that do not trade on a daily basis, their evaluated pricing applications apply available information such as benchmarking and matrix pricing. The market inputs normally sought in the evaluation of securities include benchmark yields, reported trades, broker/dealer quotes (only obtained from market makers or broker/dealers recognized as market participants), issuer spreads, two-sided markets, benchmark securities, bid, offers and reference data. For certain securities additional inputs may be used or some market inputs may not be applicable. Inputs are prioritized differently on any given day based on market conditions.

There were no transfers between Levels 1, 2, and 3 during the years ended December 31, 2024 and 2023.

There were no financial assets measured at fair value on a nonrecurring basis at December 31, 2024.

For financial assets measured at fair value on a nonrecurring basis at December 31, 2023, the fair value measurements by level within the fair value hierarchy used are as follows (in thousands):

<i>December 31, 2023</i>	Level 1		Level 2		Level 3		Total
Individually evaluated loans	\$	-	\$	-	\$	544	\$ 544

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Bank has utilized Level 3 inputs to determine fair value at December 31, 2023 (dollars in thousands):

<i>December 31, 2023</i>	Fair Value Estimate	Valuation Technique	Unobservable Input	Range (Weighted Average)
Individually evaluated loans - valued at collateral value	\$ 544	Appraisal of collateral	Liquidation expenses and valuation of property	10%

The following information should not be interpreted as an estimate of the fair value of the entire Bank since a fair value calculation is only provided for a limited portion of the Bank's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Bank's disclosures and those of other companies may not be meaningful.

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The fair values, and related carrying amounts, of the Bank's financial instruments were as follows at December 31, 2024 and 2023 (in thousands):

		2024		2023	
	Level in Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets					
Cash and cash equivalents	Level 1	\$ 10,678	\$ 10,678	\$ 14,538	\$ 14,538
Securities available-for-sale	Level 2	32,905	32,905	35,890	35,890
Securities held-to-maturity	Level 2	11,737	11,557	12,041	11,686
Restricted investments in bank stocks	N/A	2,192	N/A	3,203	N/A
Loans receivable, net	Level 3	390,954	390,239	364,383	361,731
Accrued interest receivable	Level 2 & 3	1,581	1,581	1,613	1,613
Investment broker receivable	Level 2	-	-	-	-
Liabilities					
Deposits	Level 2	397,080	373,711	364,032	334,974
Debt	Level 2	15,440	15,446	36,200	36,118
Subordinated debt	Level 2	17,309	17,592	12,830	13,169
Accrued interest payable	Level 2	354	354	230	230

14. Revenue Recognition

All of the Bank's revenues that are in the scope of the "Revenue from Contracts with Customers" accounting standard (ASC 606) are recognized within noninterest income. ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as gains or losses on sale of loans and securities are not in scope of the guidance. ASC 606 applicable noninterest revenue streams such as deposit related fees and interchange fees are recognized when the Bank's performance obligations have been satisfied, either on an individual transaction basis or ratably over a period of time. Substantially all of the Bank's revenue is generated from contracts with customers. Noninterest revenue streams in-scope of ASC 606 are discussed below.

Service Charges and Activity Fees on Deposits

Service charges on deposit accounts consist of monthly ATM Income, Wire Transfer Fees, Non-Sufficient Funds Charges, and other Deposit related fees. The Bank's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Revenue is primarily transactional and recognized when earned, which is at the time the respective initiating transaction occurs and the related service charge is subsequently processed. Check orders and other deposit account related fees are largely transactional based, and therefore, the Bank's performance obligation is satisfied, and related revenue recognized, when the service is provided. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts. The Bank's performance obligation for wire transfers and returned deposit fees, are largely satisfied, and related revenue recognized, when the services are rendered. Payment is typically received immediately or in the following month.

Other

Other fees are primarily comprised of Remote/Mobile Deposit Fees and other service charges. Other noninterest income consists primarily of other non-recurring revenue which is not recorded in the categories listed above. This revenue is miscellaneous in nature and is recognized as income upon receipt.

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The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2024 and 2023.

	2024	2023
Non-Interest Income		
In-scope of Topic 606		
Service Charges and Activity Fees	\$ 503	\$ 223
Other	35	46
Non-Interest Income (in-scope of Topic 606)	538	269
Non-Interest Income (out-of-scope of Topic 606)	408	341
Total Non-Interest (Loss) Income	\$ 946	\$ 610

Contract Balances

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Bank's noninterest revenue streams are largely based on transactional activity. Consideration is often received immediately or shortly after the Bank satisfies its performance obligation and revenue is recognized. The Bank does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2024 and December 31, 2023, the Bank did not have any contract balances.

Contract Acquisition Costs

The Bank expenses contract acquisition costs immediately because the contract life is one year or less.

BOARD OF DIRECTORS



Matthew "Bo" Bates
Chief Executive Officer
Evans Network & Companies



Michael A. Eddinger
Principal and Co-Owner
Suburban Water Technology



Steven D. Gilmore, P.E.
Chairman of the Board
Gilmore and Associates, Inc.



Kevin L. Johnson
President
Traffic Planning and Design, Inc.



Kenneth Lawrence
Senior Vice President
Corporate Affairs, Highmark Health



Joseph W. Major
President, Chairman of the Board, and Bank Leader
The Victory Bank



Laurie E. Tolle, CPA
Managing Partner
Maillie LLP



Mary Beth Touey
Retired Controller
Women's Health Care Group of PA



Dennis R. Urffer, CPA
Retired Senior Director
HBK CPAs & Consultants

SENIOR LEADERSHIP TEAM



Alexander S. Kroll
Chief Lending Officer



Benjamin M. Major
*Chief Information Officer
and Director of Marketing*



Robert H. Schultz
Chief Financial Officer



Shelly Stockmal
*Victory Bank Community
Leader*



Jon G. Swearer
Chief Credit Officer



THE VICTORY BANK TEAM

COMMERCIAL TEAM

Alexander S. Kroll, Chief Lending Officer and Director of Commercial Relationships, SVP
Tony D'Antonio, Market President, Western Region, SVP
H. Steen Woodland II, Market Senior Executive Lender for the Eastern Region, SVP
Michael Johnson, Market President, Eastern Region, SVP
Amanda Agudio, Relationship Assistant II
Sarah Elaine Benson, Commercial Loan Portfolio Manager, AVP
Amanda Boulden, Relationship Assistant II
Raynaldo Crespo, Commercial Relationship Manager, VP
John H. Dean, Commercial Relationship Manager, VP
Kathleen A. Kutufaris, Relationship Assistant
Michael Larimer, Commercial Relationship Manager, VP
John A. Pergolin Jr., Senior Commercial Relationship Manager, SVP
Michael Senico, Market President, Central Region, SVP
Sharon Stofflet, Commercial Loan Portfolio Manager, Bank Officer
Germaine Walsh, Executive Commercial Lending Assistant
J. Jennifer Yoo, Commercial Relationship Manager, VP

OPERATIONS TEAM

Robert H. Schultz, CFO, COO, and Compliance Officer
Chelsea Haas, Loan Operations Specialist
Pamela S. Havrilla, Loan Administration Manager, VP
Mary Locricchio, Deposit Operations Manager, AVP
Danielle L. Millar, Assistant Manager Loan Administration, Bank Officer
Paula Myers, Loan Documentation Specialist
Dana M. Perrott, Loan Documentation Specialist II, Bank Officer
Diana E. Scott, BSA Officer, VP
Erin Smith, Post-Closing Specialist
Ana Valderrabano, Staff Accountant
Tyler Walsh, BSA Analyst and Deposit Operations Specialist

RETAIL TEAM

Shelly Stockmal, Chief of Human Resources & Director of Retail, SVP
Elizabeth A. Knott, Retail Branch and Customer Care Center Manager, VP
Stephanie Frederick, Retail Assistant Branch Manager, Bank Officer
Cindy Rex, Retail Assistant Branch Manager
Matthew C. Hicks, Personal Banker II
Madison Keenan, Personal Banker
Christine Popilock, Personal Banker II
Patrick Ryan, Courier
Matthew Seguin, Personal Banker
Peggy Sue Underwood, Customer Care Center Representative
Jaime Young-Spencer, Personal Banker

BUSINESS DEVELOPMENT TEAM

William J. Vitiello, Jr., Director of Strategic Relationships, VP
Joseph A. Giunta, Business Development
Rosalia Hoffman, Business Development, Bank Officer
Vincent B. Raffeo, Business Development
Mary Ann Riggins, Business Development

CREDIT TEAM

Jon G. Swearer, Chief Credit Officer, SVP
Kyle B. Carr, Junior Credit Analyst
Allison M. Davis, Credit Analyst
Debra J. Frederick, Senior Credit Analyst
Kimberly M. Grohosky, Credit Department Manager, VP
Aimee R. Kibbler, Credit Analyst
Brian W. Meyer, Senior Credit Analyst, VP

ADMINISTRATIVE TEAM

Joseph W. Major, Bank Leader, President, CEO & Chairman
Owen Magers, Administrative Assistant to the CEO

INFORMATION TECHNOLOGY/ MARKETING

Benjamin M. Major, Chief Information Officer and Director of Marketing, VP
Nicole H. Crocker, Marketing Manager, Bank Officer
Makenna Walsh, System Administrator and GRC Associate





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MARKET MAKERS

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