



Milestones

December 2009

Despite a challenging operating environment that combines very low lending rates with a badly distressed economy, The Victory Bank continues to grow its loans and deposits each month, and is blessed with a strong “pipeline” of new relationships under consideration. From January 1, 2009 through the end of November, overall assets have grown from just over \$20 million to nearly \$60 million, loans (less reserves) have grown from under \$20 million to \$50 million, and deposits have grown from approximately \$20 million to \$53 million. Growth of core deposit relationships (checking, savings and money market accounts) has been especially encouraging, and asset quality remains pristine, as we have no loans that are past due, nor does the bank hold any troubled investments. In general, we are extremely pleased at the warm reception we have received to date from businesses, professional practices and local citizens.

As projected, the bank continues to operate at a loss, but as the company grows we expect the losses to steadily decline throughout 2010. We are often asked about our projected breakeven point. This is a difficult question to answer with precision because our success is in part dependent upon some really big factors we cannot control, including interest rates, competitive pressures, governmental and regulatory policy, credit quality and availability of capital. Still, as the bank grows past approximately \$90 million in total assets we believe we should reach profitability. Despite operating out of one location, we believe that we have only “scratched the surface” in terms of market penetration. Our



Joseph W. Major, Chairman & CEO

bankers are constantly out “on the street,” building new relationships and helping people make good decisions about loans, deposit relationships and cash management. Collectively, remote check capture technology, courier service and internet access has proven to be popular with our clients and prospects, and allows the bank to reach a vast marketplace of good clients from one location.

We believe that our success so far has been driven primarily by consistently delivering a superior client experience, dedicated to optimizing the financial lives of each and every client. Around us every day is powerful evidence of significant disruption in banking and in financial services of all kinds. Local banks are being sold, high-quality bankers are losing their jobs, and many companies in our industry are now controlled from afar, even owned by foreign governments. Bankers have been spending most of their time working out problem

loans and trying to remove higher risk credits (and therefore clients) from the bank, instead of building new relationships or approving new credits. As a result of these conditions and harsh economic realities, it is fair to conclude that workplace morale is probably at a low point in the banking industry, and we hear anecdotal evidence that the client experience being delivered is in a serious decline.

By contrast, we are extremely optimistic about the future of The Victory Bank, and we expect to quickly build upon the very solid performance we have generated so far. While we attribute much of this success to the support of our shareholders and to our board of directors, I also wish to acknowledge the dedication and wonderfully positive attitudes of our entire team. When it comes to persistence, hard work and positive energy, there are no exceptions on this team – everybody is on board, working hard, and “making it happen!” Our all-consuming goal is to “do it better,” to deliver an exceptional client experience based upon honesty, high-integrity, respect and unparalleled personal service.

The concluding sentence of our Statement of Purpose puts it simply: “Perfection is our inspiration.” Thanks to all of you for your wonderful support thus far. Please continue to bring your own business and your referrals to The Victory Bank.

Sincerely Yours,

Joseph W. Major
Chairman and CEO
The Victory Bank

ANOTHER HAPPY VICTORY BANK CLIENT TELLS THEIR STORY

As an independent pharmacy owner, I have a unique set of challenges in managing my business details. Health care reform, decreasing profit margins, plus strong competition from mail order programs, Big Box stores, and other pharmacies in the area keep me on my toes!

In the summer of 2008, I approached my previous bank for funding to install a drive thru window at Bause's Super Drug Store. We have been in downtown Boyertown since 1935 and another big challenge - there is no place for us to expand. The perception of limited parking in the downtown area, also negatively impacts our business at times. Installing a drive thru window will give me the added boost my business needs in this economy and for the decades to come. It was a very obvious, strategic business decision. My previous bank, suggested I find financing elsewhere for the drive thru project. And I did.

From the get go, The Victory Bank understood what I needed to stay competitive. In an economy where many banks are shying away from even the most conservative loans, Victory's role



in helping me succeed in both my long term and short term goals was extremely vital.

The Victory Bank "got it. After numerous meetings with Joe Major, Rich Graver and Joe Bergquist, we came up with the perfect SBA business loan to suit my business needs. I moved all my financial dealings to The Victory Bank. I refinanced the loan with my previous bank, added in the funding for the drive thru window and we are moving forward!

Given the nature of my business and my own personal values of customer service, thinking outside the box, dedication, loyalty and personal attention, I know that I am at the right bank. They know me. They understand me. And equally important, I understand them. We have a symbiotic business relationship that will only serve us both in helping move our businesses forward!

**Jane B. Mellott, Owner
Bause's Super Drug Store**

Client Rewards Survey

We exist to optimize the financial lives of our clients. Therefore, we value your feedback as we develop programs to reward your relationship and loyalty to The Victory Bank. We would like to hear what you would like to see in a client rewards program.

Is a rewards program important to you?

Yes No

How would you like to be rewarded?

Cash
 Points toward Merchandise
 Interest Rate Adjustments
 Other: _____

How would you like the rewards program to be measured?

Account/Card Usage
 Total Balance of Relationship
 Other: _____

Please return to the Victory Bank office or mail to 548 Lewis Road, Pottstown, PA 19468 by January 25, 2010. **Thank you for your feedback!**



Happy Holidays from The Victory Bank!

One of the real joys of the Holiday Season is the opportunity to say Thank You and wish you a New Year filled with health, happiness and prosperity. In honor of our clients and to serve the greater community, we are making a donation to **The Salvation Army**, Pottstown, in lieu of holiday cards.



The Business of Banking...Done Right.

MEMBER FDIC

548 North Lewis Road, Limerick PA 19468 | 610.948.9000 | www.thevictorybank.com

A Win-Win Situation

The Victory Bank's Statement of Purpose states that "we exist to optimize the financial lives of our clients." We understand that there is no "one-size-fits all" approach to banking and meeting your individual needs. With this in mind, we are asking your help as we develop a custom-driven rewards program called WIN².

WIN² is the philosophy of how we approach building long term relationships with our clients. The Victory Bank and all its employees truly believe in conducting business that is mutually beneficial for all involved. The WIN² program is being designed to reward our clients who grow their relationship with The Victory Bank. We believe that will be a win-win situation for both the client and bank.

We value your input on what is important to you in a client rewards program. Please complete the "Client Rewards Survey" and return to the bank by January 25, 2010. In the meantime, please consider taking advantage of the following WIN² offer:

Now, earn bonus interest on your Victory Bank CD.

Simply open a new checking account at The Victory Bank, present this coupon, and earn an additional .25% interest* on a new or renewing certificate of deposit. It's all part of our WIN² program that rewards you for growing your relationship with The Victory Bank. You get bonus CD interest, plus you get the convenience of a Victory Bank checking account. And that's a real win-win situation!

*.25% bonus interest is above the current advertised Annual Percentage Yield through maturity of a new or renewing CD. Early withdrawal penalties may apply. Offer may be withdrawn without notice. WIN² is a trademark of The Victory Bank. Member FDIC.

PROFILE: Jim Phillips

Meet the Victory stakeholders. With each quarterly newsletter, we'll introduce you to the people that make the difference at The Victory Bank.

Bankers are in the "people business"

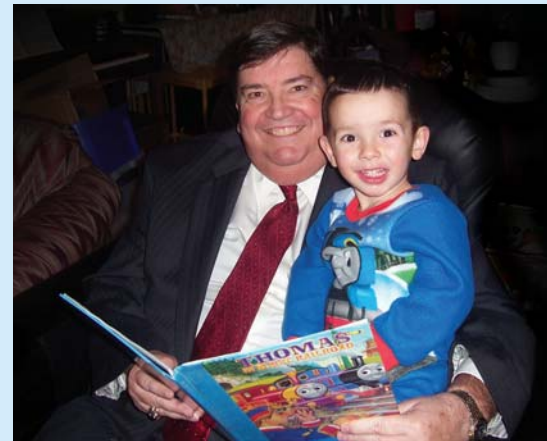
He was a bank customer before he was a bank officer, so he knows how to put himself in the other person's shoes.

James C. Phillips became a business development officer for The Victory Bank in June 2009. But it was as a customer that Jim learned—in his words—to "absolutely love the culture and the people at The Victory Bank." He explains it this way: "People want to be treated fairly and with integrity and be respected, and that's what this bank stands for."

For 37 years, Jim was in the new car business, 21 of them as owner of a new car dealership. Unfortunately, the recession put what he called a "huge wallop" on the car business, so he decided to put his business acumen to work for a new set of customers.

The transition didn't seem difficult at all, Jim said. He's a real people person after all, as evidenced by his years in business, his service as a Lower Pottsgrove Township commissioner and chairman of its Zoning Hearing Board, and his involvement as a member of the Tri-County Chamber of Commerce and the Montgomery County Economic Development Task Force, among other things.

His mission now is developing loan business for the bank. His specialty is commercial loans. "The business part of it is similar," Jim explained. "I always said I wasn't in the car business, I was in the people business and cars were my medium. It's the exact



same thing in banking. We're in the people business and making loans is our medium.

I've probably dealt with 20 different kinds of businesses as a banker. All businesses are really the people business."

Jim is a 1972 graduate of Gettysburg College, where he played football and baseball and studied history and political science. He and his wife, Gail, an administrator at a law office, have been married 37 years and have two children, a son, Tim, and a daughter, Beth. When he's not working, Jim dotes on his two grandsons, Tyler, 4, and Joey, 3, roots for the Phillies and Eagles, and serves as an elder at St. Peter's United Church of Christ in Pikeland.

It was through his church that he got involved in the "Room to Read" program, which collects and sells books to raise money for schools and libraries in countries in Africa and elsewhere. "Literacy, reading, education have always been important in our family," he said. "We have always felt that reading should be a priority to our kids." It is such a priority that in June, Jim was asked to join the Board of Directors for the Pottstown Regional Public Library.

Because every dollar counts, you can't afford to be nickel and dimed.



It's a tough economy out there. And yet some banks still think it's perfectly acceptable to charge their business customers fees for anything they can think of. That's not how we do things at The Victory Bank. Take our business checking accounts, for example – no monthly service fees, no minimum balance fees, no per item fees, no check writing fees. And no fees up our sleeves, either. Plus, we offer all this without ever compromising the extraordinary service you'd expect from experienced bankers like us. So if you're tired of being squeezed for every last penny, maybe it's time you switched to The Victory Bank. Where banking is done right.



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Member FDIC

The Victory Bank Mission And Values

Our Mission:

We exist to optimize the financial lives of our clients. The Victory Bank Client Experience is defined by fairness and good advice, by convenience, speed and responsiveness, and by integrity and respect.

Our Values:

The Victory Bank Team achieves success through high personal and corporate character, by sharing valuable experience and knowledge, and by exhibiting consistent, daily behavior that benefits our clients.

Our Commitment to You:

Perfection of The Victory Bank Client Experience is our inspiration, so you can be assured of:

- **Extraordinary Personal Service** – Every interaction with The Victory Bank will be an opportunity for us to improve your life, making you feel valued, important and satisfied.
- **Ethical Behavior** – We always strive to do what is right and best for your long-term interests whether you are a client, team member or shareholder.
- **Personal and Corporate Integrity** – Our values stand the challenges of business, and the tests of time. We do not compromise our values for personal or corporate gain.
- **Candor** – Open, honest and direct communication is expected throughout our organization regardless of title or position. Pollution of our work environment with gossip and negativity is not acceptable.
- **Respect For All** – We conduct business so that all constituencies are served, regardless of age, gender, race, sexual preference, disability, religious or political views, and in a way that benefits our team members, clients, local communities, and shareholders
- **Credibility** – We do what we promise.
- **Consistency and Excellence** – We love doing things right the first time and are relentlessly committed to excellence.
- **Planning, Efficiency and Systematic Thinking** – We establish clear plans and goals, designed to ensure the success of the bank. We carefully consider the long-term implications of our decisions, and operate efficiently without waste.
- **A Learning Organization** – We are committed to the never-ending improvement of our systems and technology, and to constantly bettering our individual knowledge and skills.
- **Creativity and Innovation** – We recognize and reward those team members who find better ways to do things. Change and experimentation are encouraged, and mistakes are viewed as opportunities to learn and improve. When things go wrong, we focus on solutions and learning rather than blame.
- **A Great Working Environment** – The safety and satisfaction of our team members is fundamental to meeting our goals. Our long-term goal is to make The Victory Bank the employer of choice.
- **Teamwork** – We recognize and celebrate the importance and power of teamwork, of working in a collaborative way where individual recognition is secondary to accomplishing the common good.

Santa's Brigade

For the past two years, the staff at The Victory Bank has been a proud participant of Santa's Brigade. Founded in 1996 by Louisa McDonald, Santa's Brigade is a group of companies and organizations that join together during the holidays to provide gifts for underprivileged children and adults. Based on specific needs, gifts are donated, wrapped and delivered to designated families in Delaware, Chester and Montgomery counties who require assistance during the holiday season.

Noreen Cobourn, Loan Operations Manager at The Victory Bank, has been involved with Santa's Brigade for the past eight years and is the Santa's Brigade coordinator at The Victory Bank. According to Cobourn, "Santa's Brigade makes it easy to give because they provide the bank a list of suggested gifts to meet the needs of individuals and families in our area. Everyone in the bank is involved by either giving a monetary donation or gift. We feel good knowing that we are bringing a little cheer to children and adults whose difficult circumstances do not allow for holiday gifts."

This year Santa's Brigade will provide over 1,200 gifts to benefit 11 regional charitable organizations. For more information or to learn how you can participate in the Santa's Brigade, contact Louisa McDonald at lbgmcdonald1@verizon.net.





**If you haven't stopped by The Victory Bank
Headquarters...come visit us soon!**

548 North Lewis Road, Limerick, PA 19468

Hours: Mon–Thurs 8:00 am – 4:00 pm

Friday 8:00 am – 6:00 pm



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