



Milestones

August 2010

Greetings to our shareholders, friends, neighbors and stakeholders.

This is my first opportunity to address you using this forum. I would like to personally thank you for your interest in our project. Our past newsletters have dealt with issues concerning the economy, the current banking environment, technology and our performance and growth.

In keeping with past issues, I wanted to spend some time updating you about the success of The Victory Bank. We continue to experience rapid growth, and our pipeline of new loan opportunities remains quite strong.

- Total assets ending June 30, 2010 have grown to \$77 million.
- Loans, which are the mainstay of this growth have increased to \$61 million
- Our asset quality remains very strong as our customers continue to successfully navigate through these tumultuous economic times.
- Deposits have maintained their consistent growth and were \$63 million at the end of June.

Much of the intrigue for me in starting a bank from “scratch” was the opportunity to take a “blank piece of paper” and develop a strategy and

road map for a financial institution **custom built to be different** – helping to create a bank that is genuinely focused on its customers. We wanted to design our products



and service standards as our customer would want them. Our plan was to be different (and better) in the way we interact with our customers and solve their problems, with the overriding goal of “optimizing the financial lives of our clients.”

Please consider that investing, depositing and borrowing from a truly local bank benefits our community, bolsters our business economy, and helps retain and create local jobs and business opportunities. The theory is simple. As you invest or deposit money into The Victory Bank, we use these funds to make affordable loans to local businesses which in turn employ our family, friends and neighbors allowing them to spend locally. The positive results of this cycle are measured by watching our local area grow and prosper. This success becomes self-evident as we work, shop and participate in all our community has to offer.

Through the end of June, The Victory Bank has provided local businesses and individuals over \$60,000,000 in loans and we look forward to continuing this practice in the future.

This is where you can help. Please consider investing and depositing into our bank in order to help us continue this worthwhile mission.

Referrals are always welcome, and are the lifeblood of our growth and success.

Deposit rates are attractive and available now. Investment opportunities will be available in the future as we intend to raise additional capital later on this year in order to fund additional growth. Please “stay tuned” for more information about this.

I am truly proud of our accomplishments to date but would be remiss if I didn't take some time to speak of the impact our Board of Directors and team members have made to our success. In the almost 30 years that I have been in this industry, I can truly say that the team here at The Victory Bank is the best I have ever worked with. They are all engaged, enthusiastic and driven to make our bank a success. The words “not my job” are simply not in their collective vocabularies and they prove it every day with their actions. I am proud to be associated with this amazing group of individuals and I thank all of them from the bottom of my heart for their help in fulfilling my dream.

I want to thank all of you who have become customers or have invested in our bank. Our success is a direct result of your faith in us. If you have not had the opportunity to experience our difference, I welcome you to put us to the test.

Sincerely,

Richard L. Graver
President and Chief Lending Officer

In Racing, the Victory is Everything

Like all family businesses, S&W Race Cars values continuity from generation to generation.

That continuity was threatened recently when the poor economy made it difficult for S&W in Spring City, Chester County, to refinance its mortgage.

Luckily (but not by accident), The Victory Bank found a way to help. S&W is back on solid footing and assured that the business will keep going.

It all started for S&W in 1959 when Walt Weney (pronounced WHEN-e) branched out from his dad's sheet metal shop and started building race cars.

The business grew and grew and went through multiple expansions over the years. It added parts, components and accessories, did racer modifications, built drag racing frames, and fabricated roll bars and cages, to name just a few of its offerings. Eventually it also moved into a new line of business involving general fabricating, cutting, and welding, often doing high-end store interiors and architectural work, and even stadium railings.

Today the business occupies a two-story, 27,000-square-foot building that houses not only the racing end of the business, but also a machining and fabricating shop, a full catalog and advertising operation, and a packing and shipping department. The business has more than 25 employees. The roster includes Walt's son, Scott, who's now the CEO (Walt remains as chairman), along with fellow partners, Walt's son and daughter, Michael and Terri. Additional family members who also work in the family business are Walt's son, Gary; Scott's wife, Candi, and their son, Rory; and Michael's wife, Marlene.

The downturn in the economy hit S&W especially hard, because, as Walt puts it, "Not everybody needs a race car." Race cars and racing accessories definitely fall under the heading of discretionary spending for most people. "The loan we had was coming due and we had to refinance," Scott explains, "but the bank we were with at the time wasn't willing to give us an extension." Walt and Scott knew the business was solid and would bounce back, if given the chance. That's when The Victory Bank stepped up.

President and Chief Lending Officer Richard L. Graver was acquainted with the Weney family—they were original investors in The Victory Bank—and suggested that a federal Small Business Administration (SBA) loan would be a good solution. The paperwork requires a little more patience, but the federal guarantee helps make it more feasible than a conventional loan.

"It was very good for all the parties," explains Joseph Bergquist, the bank's vice president and commercial relationship manager. "We were able to help out when a lot of other banks weren't willing to. We try to see past simple numbers and see what's really going on in a company, especially in these tough times. We were willing to investigate, to take the time and energy to make it work." Bergquist points out that The Victory Bank, using the SBA route, is able to bring between 10 and 20 loans per year to fruition that otherwise wouldn't be possible.

Scott Weney says, "The Victory Bank is very accessible and easy to work

with. They understand what we're trying to accomplish. And every step we take we find we're saving money with them."

Walt Weney likes to look ahead and see what the future might

hold for the business he started. "It's time for the next generation to show me what they can do," he says. "They can't do it without having a good banking relationship. That's what we have now with The Victory Bank."



The S&W staff and building, located in Spring City.

CERTIFICATES OF DEPOSIT



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VICTORY IN THE NEWS:

Town Hall Meeting

The recession may be over, but it sure doesn't feel like it.

By Michelle Karas, Pottstown Mercury

Joel L. Naroff, a nationally recognized economic forecasting expert, expounded on that theme at a town meeting organized by Victory Bank of Limerick. Held Thursday night at the Spring-Ford Country Club, the free event was open to customers of the bank as well as the public.

Joseph W. Major, Victory Bank's chairman and CEO, said the bank chose to do a town meeting format because "We view it as an opportunity for people to really ask the questions that are important to them, as compared to what somebody else is telling them is important."

Naroff began his interactive discussion by asking the roughly 120 members of the audience "How many of you think the recession is over?" Not a hand went up in the room.

Naroff explained that while economists may be saying the recession has ended, "to a lot of you, you just don't feel it at this point. In the economic world, there's a level of discomfort about where the economy is today."

But the fact is, he said, the economic conditions are changing. Just one year ago, everyone was assuming what Naroff called "the turtle position" — head ducked, limbs tucked in — basically no one was putting themselves out there. A year later, the atmosphere has changed quite a bit.

"Now, we look at the economy, and it's growing again ... but, conditions are not strong," Naroff said. "We really are going to have to adjust to what a lot of us are calling the new economic reality."

To do that, we're going to have to learn from the tough lessons of our not-too-distant past. Such as the issuing of unsecured loans over that past decade that led to the collapse of the housing market.

"We did a lot of damage" between 2000 and 2010, Naroff said. "In the fall of 2008, we were close to going over the edge into another Depression. You're not going to recover from that right away."

One of the repercussions is a lot of financial institutions "don't have the wherewithal to do anything other than stay alive," Naroff said, stressing that Victory Bank was not among that lot.

To get back to what Naroff called "more normal" economic conditions, extreme measures were necessary — such as bailing out the financial sector.



"I think the recession ended last fall, by the way. We've had at least six to nine months of growth beyond the recession itself — three consecutive quarters of conservative to moderate growth," Naroff explained.

So, why doesn't it feel like it?

The housing market is holding us back, Naroff said.

"When you come out of a recession, typically the housing market heats up ... but that's not going to happen for three or four years," he said. "Their abilities of getting mortgages is not here."

However, there are positive economic indicators: Businesses are investing again, and consumers are spending more, Naroff said. "They're not shopping til they drop, but they're beginning to shop until they're tired,"



Joel Naroff (center) addresses the crowd after his presentation.

he said with a chuckle. “People are beginning to do the things that make them happy.”

But they’re not getting carried away. “Consumer households have learned a lesson: There’s not an infinite amount of money out there to spend,” Naroff said.

A similar realization is necessary at the national level.

“Going forward, the deficits we have right now are unsustainable. The question is, at what point do you withdraw that (economic) stimulus?” Naroff said.

Cutting the deficit will slow the economy, he said, and “If we don’t start the process of getting things started, we will have minimum growth — a lost decade, like Japan. We need to make a dent in the deficit.”

There is hope at the level of individual businesspeople, with the small businesses and how they decide to move forward, Naroff said.

“Despite all the issues we face, this is a huge economy and we can grow it,” he said.

But there are a lot of unknowns, still.

“I do wonder what the strength of that recovery will be...my point is that it’s not going to be that great,” Naroff said.

Naroff, a resident of Holland, Pa., is president and founder of Naroff Economic Advisors, a strategic economic consulting firm. He holds bachelor’s degrees in economics and chemistry from Stony Brook University, and a doctoral degree in economics from Brown University. He is a member of the board of the Economy League of Greater Philadelphia, and teaches at the Central Atlantic Advanced School of Banking.

To view a video of the Town Meeting, visit our Web site at www.thevictorybank.com.

The Victory Bank Statement of Purpose

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.

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.

We value:

- **Extraordinary Personal Service** – Every client contact is an opportunity to better our clients’ lives, leaving them feeling valued, important and satisfied. Perfection of The Victory Bank Client Experience is our inspiration.
- **Ethical Behavior** – We always strive to do what is right and best for the long-term interests of our clients, team members and shareholders.
- **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 the 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, our local communities and our 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 and 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.

Ultimately, we measure our success through the outlook of our clients, whose total satisfaction assures corporate growth and financial success. Perfection is our inspiration.

PROFILE: Mary Locricchio

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

Comfortable in Her New "Home"

Mary Locricchio says her new co-workers were friendly and welcoming when she reported for work as a Banking Center Representative at The Victory Bank this past spring. She was pleased to find that The Victory Bank was a "different world" compared to the big banks where she worked before. Even more important, she says, she saw a huge difference in the way customers were treated.

"I worked for big corporate banks for a long time and it's a different mentality," she explains. "The big corporate mentality is all about them, the bank—that's what they're centered on, that's what they care about. They don't care about getting into the community and really listening and caring about the people they serve. Here they do."

In a career spanning roughly 18 years, Mary spent two years in

loan operations and 15 years as a loan processor at two different large banks. In those jobs, she says, she was expected to "push out" mortgages to meet high-volume quotas. She decided to join The Victory Bank because she wanted a "fresh approach" to banking. She says she was attracted to The Victory Bank "because of its values" and community orientation.

In her job now, Mary handles all kinds of retail transactions, from helping customers open personal and business accounts to processing wire transfers. Though she's still learning, she's starting to develop and build relationships and enjoys the face-to-face contact with her customers. She says her customers have been particularly enthusiastic about the Fortress Savings Account because of the favorable rate ("People are just loving that!")




she declares) and the Pick-a-Term Bump-Up CD option, which allows a one-time rate bump up for CDs of 24 months or longer.

When she's not at the bank serving customers, Mary is helping to serve a different kind of clientele—those hungry for hot and tasty pizza.

She helps her husband,

Vince, run Sal's Pizza Box, located in Phoenixville. That business is now 10 years old. Among other things, she helps with the books, while her husband makes pizza and minds the shop. The couple live in Pottstown and have two grown daughters, Vanessa, 27, and Amanda, 24.

Mary knows what it takes to make the customer happy and is eager to help—whether it involves choosing the right financial product or their favorite pizza toppings.

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