



Milestones

December 2010

Greetings to our shareholders, friends, neighbors and stakeholders.

As The Victory Bank fast approaches its third anniversary of operations, I thought it might be appropriate to offer a brief history of the company.

Probably most of our current shareholders, employees, and even our very best customers may not realize that the underlying conceptual thinking for The Victory Bank began well over 10 years ago, when I was the CEO of Patriot Bank Corp., located in Pottstown, Pennsylvania. Patriot operated for many years as First Federal Savings and Loan of Pottstown, a company that was “de-mutualized” in 1995 via an IPO, becoming a publicly-traded banking company. I was fortunate enough to lead that bank as it converted its strategy and direction from a traditional “building and loan” to that of a publicly-traded commercial banking company.

Accomplishing meaningful change in that company proved to be an interesting but very challenging process, and I learned a lot from the experience. Getting a large number of people to see their jobs and themselves differently was remarkably difficult at times, even if the proposed changes were probably going to be beneficial to the company and to the individuals involved. I think because I often found the task of leading change



Joseph W. Major, Chairman & CEO

so daunting that even in those days I sometimes talked about starting a bank “from scratch,” meaning starting with a clean sheet of paper, a clearly defined strategy, a corporate “constitution” of core values, and a team of people recruited at every level who would be willing to support the mission and vision 100%. So rather than trying to change another company, I became intrigued with the idea of a start-up bank.

In 2001, I spent much of a vacation writing the original draft of a business plan on a yellow legal pad, and about five years ago, that draft was pulled “out of mothballs” to become the basis of what we now know to be The Victory Bank. The organizational phase of starting the bank took about 18 months of work, first on my own, and then joined by experienced bankers like Rich Graver and Bob

Schultz. It included raising \$1 million of “seed money,” hiring lawyers and various financial consultants, completing an application process to the State Department of Banking and to the FDIC that included a detailed business plan and hundreds of pages of policies and documentation, recruiting a Board of Directors, and recruiting early members of the team. Finally, in July of 2007, the Pennsylvania State Department of Banking and the FDIC gave us the go-ahead for raising the rest of the investment capital. I have heard people say that “timing is everything,” and in nearly perfect synchronization with the unprecedented melt-down and collapse of the nation’s banking sector, our team was somehow able to raise a total of over \$10 million in investment capital primarily from local shareholders. I can laugh about it now (well, sort of), but after all that we were finally able to begin operations in January, 2008.

Many of you remember our humble beginnings in a double-wide trailer that sat on what is now our parking lot. While we did our best to “gussy things up,” with paint and a few plants, I confess that I am still amazed that anybody was willing to do their banking with us under those circumstances. Much to my surprise and pleasure, we grew to over \$18 million in assets by the end of 2008, and then we moved into our new, state-of-the-art facility. Here’s a summary of accomplishments through October 2010:

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Personal Service is the Key

The right approach. The right services. The Victory Bank offers the winning combination as far as Lee Levengood is concerned.

Levengood is the owner of Everything Postal & Printing in Bechtelsville and Pack-N-Ship in Pottstown.

The tight economy that has been squeezing everyone was putting the clamps on Levengood's effort to refinance his equipment and inventory loans last summer. "We have an extremely viable and profitable business," Levengood said. Yet his old bank—a former small bank that merged itself large and lost its service edge—held him at arm's length.

Luckily, Levengood was acquainted with Rich Graver, president and chief lending officer of The Victory Bank.

"I knew him from local business associations and Chamber of Commerce circles and community activities," Levengood said. So he turned to The Victory Bank for help.

The result was much more than satisfactory. "We refinanced our equipment and inventory loans into a single SBA

loan," Levengood explained. "We were able to drastically reduce interest rates and monthly payments. It was win-win-win." Even better, he added, "it made for a simpler banking situation that was built on relationships rather than just on financial paperwork."

The good news didn't stop there. Levengood's office is 17 miles from The Victory Bank and he was facing a 20-minute drive a couple of times a week to make deposits. Then The Victory Bank acquainted Levengood with its Remote Capture Deposit Service.

Remote Capture Deposit Service equips businesses with the technology to scan in their checks and send the digital images to the bank by computer via an Internet link.

"That's a huge service," Levengood said. "At the end of every business day we just run the checks we

have and they're deposited into our accounts for the next day. Our checks are actually getting deposited and becoming available at least a full day quicker. We bridged the distance gap, but we also created a better cash flow situation because the checks clear quicker."

In addition, Levengood appreciates the fact he can do ATM transactions at other banks and The Victory Bank reimburses him for the non-customer fees charged by other banks.

The 39-year-old Levengood is a people person—he was in the ministry and social work before starting his business six years ago—so it's not surprising that he considers the personal service and the "personal rapport" he enjoys with The Victory Bank to be the best benefit of all.

"The thing that I like the most is the customer service, the people," he said. "If I have a question or a problem or need help with something it's easy to call there. It's very easy to access information and have questions answered."

Levengood learned the copying and printing business from the bottom up, doing sales and service "out on the road." As a result, he's attuned to the challenge of figuring out new solutions and new ways to help his customers. Just like his bank.



Check out a demo of the Remote Deposit Capture system on our Web site at
www.thevictorybank.com/RDC

Could your business use a little stimulus?



With the newly enacted Small Business Jobs and Credit Act which significantly raises loan limits and temporarily eliminates fees, there has never been a better time to apply for an SBA loan. But these favorable conditions will last only until either the year runs out or the funding does. So you really can't afford to wait.

At The Victory Bank, we've already helped a number of existing and start-up businesses throughout our area secure millions of dollars of SBA loans. That's because we're experienced at steering through the rules and regulations, paperwork and procedures involved with SBA lending.

Call us today at 610.948.9000 to set up an appointment with one of our small business experts and start stimulating your business. Because the only thing worse than being too big to fail is being too small to succeed.



The Business of Banking...Done Right.



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Member FDIC

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- The bank has grown to approximately \$85 million in assets
- We have opened over 2000 deposit accounts and over 400 loans
- We are now one of the top 10 SBA lenders in Southeastern Pennsylvania
- Our mission has remained focused on banking services for small businesses, professional practices, and local consumers
- Our banking team holds over 300 collective years of experience, and we remain true to our stated mission, providing sound financial advice and world-class, "white glove" service to our clients
- Our team is actively involved in a host of community organizations
- We make every effort to treat our team members, our investors, and our clients with the utmost respect. We believe in candor, honest communication, and in doing what we promise. Integrity and credibility are the hallmarks of our business, and we always strive to do what is best for our customers, even if it does not generate immediate return to the bank. We

now employ 20 people, and we expect that number to grow in the upcoming years.

Continued bank consolidation, combined with the many difficulties affecting the banking world has certainly worked to our benefit and assisted us in our growth. However, we could not have made it this far in the midst of the very difficult external operating environment without the remarkable dedication and support of our board, and the entire Victory Bank team.

Without exception, the entire team at the bank, including the Board of Directors, undertook this project with a basic commitment to trying to do things the right way – to achieve greatness and excellence in our service and operations. We have made every effort to build a bank that accommodates the needs of our clients and of our local community. This attitude, our profoundly comingled sense of purpose, this small group of bankers all "sitting in the same boat," pulling their oars in rhythm has for me proven to be a tremendous source of joy and personal challenge, and I know the entire team shares my positive sentiments.

We believe there is inherent good in doing the right things, and providing banking in our local communities done in the right way. You might note that we use the tagline, "The business of banking - done right," in promoting our bank. We believe it summarizes the fundamental reason for our bank's very existence, and we hope this idea deeply resonates for you as an investor or client of our bank. As always, we welcome your ideas, referrals, and suggestions for improvement.


Thanks for supporting The Victory Bank.

Sincerely Yours,



Joseph W. Major
Chairman and CEO
The Victory Bank

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 **Opportunity House**, Reading, in lieu of holiday cards.



The Business of Banking... Done Right.

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USE your home's equity

Is high-interest credit card debt pulling you under? Are you planning that long awaited vacation? Need to pay for home improvements or college tuition? Or simply want a cushion for unexpected expenses?

For a limited time, save \$250 on a new home equity loan or line of credit!

A new Victory Bank home equity loan or line of credit may give you the peace of mind you need to take advantage of life's opportunities or challenges. Simply have your monthly payment for a new home equity loan or home equity line of credit deducted from a Victory Bank checking account and we will waive the \$250 closing fee.* In addition to a competitive rate, the interest may be tax deductible.** Plus you get all of the valuable benefits of a Victory Bank checking account. It's all part of our Win² program designed to reward you for growing your personal relationship with The Victory Bank.

Stop by our banking center, call 610.948.9000 or visit us online at www.thevictorybank.com to take advantage of this limited time offer.

EQUAL HOUSING LENDER

Member FDIC *This is a limited time offer and may be withdrawn without notice. Subject to credit approval. Contact a bank representative for details. Win² is a trademark of The Victory Bank.

**Consult your tax advisor.

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: Eric Offner

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

Looking Behind the Numbers

Eric B. Offner's position as Executive Vice President and Chief Credit Officer of The Victory Bank is a vital one at the bank. "The largest asset category of a bank is its loan and lease portfolio," he explained. Offner oversees the credit underwriting process of the loan officers responsible for customer relationships and the loan administration department, which documents and monitors the loans.

"I make loans directly as well," he added. "In a small bank all employees are hands-on. Everyone who works here has an interest in the success of the bank's customers and subsequently the bank."

Offner, 52, brings 25 years of experience in the financial industry to his position. He joined The Victory Bank in March of 2008, after 19 years with another bank. "The bank I was at had grown tremendously and the way they serviced their less-than-large customers changed," he said. "They started to lose their people-oriented approach and understanding the business behind the digits. I felt it was becoming more investor-driven rather than customer-focused." He said one reason he came to The Victory Bank was

"because of its Statement of Values and the commitment to live up to them both externally and internally."

That approach, he said, has helped The Victory Bank attract new customers during what have been undeniably difficult economic circumstances in the past two years. "Larger banks seem to be pulling back and making business decisions that restrict their lending activity," he said. "There are still good customers and good loans to be made and we're making them here. We listen more, we're flexible. Understanding a company that's going through troubled waters may be a good thing, if you understand the reason and how they're dealing with it, as a relationship can be enhanced for both parties."

Offner likes to emphasize that "people, not faceless businesses, repay loans." All banks should lend money in a "thoughtful, careful, and prudent manner," he cautioned, but at the same time he said numbers alone don't always tell the whole story. "You have to get behind the numbers and find the real people and business that's reflected in those numbers."



Offner knows all about what numbers mean—in a different context. He and his wife of 30 years have five children—a daughter, age 28, a son, age 25, and three sons, triplets, age 22. It was a lot of work and they went through diapers

"by the case" in the early years. But now that his children are grown and all working, Offner has found some time for other things. He attends the Royersford Bible Fellowship Church. He likes to play golf. He also likes to read—mysteries, speculative fiction and the classics—and to watch his favorite black-and-white movies from the '30s and '40s.

With a sense of enthusiasm and energy at work, Offner is determined to see The Victory Bank thrive "by doing the right things, by servicing its customers well." He said providing credit to customers is only the first step. "You have to be able to maintain that relationship and do it in an acceptable manner. It's what you do moving forward that maintains the relationship. The proof is in the performance."

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548 N. Lewis Road
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