



Milestones

July 2011

Dear Friends, Shareholders and Clients:

It's always difficult to reduce several months of decisions, challenges and progress into a few informative paragraphs, but the financial results and ratios now being generated by the Bank offer a good starting point. Through May 31, 2011, your bank has generated the following results:

- Total assets now exceed \$95,000,000.
- Loans total \$75,623,000, and the bank holds \$942,000 in loan loss reserves, or approximately 1.25% of the loan portfolio
- Asset quality remains excellent. Non-performing assets represent only .53% of total loans, far less than that of most of our peer banking companies.
- Net Interest Margins are averaging approximately 3.7%.
- The Bank was recently listed as one of the top 25 SBA lenders in the eastern Pennsylvania district.
- Deposits continue to grow at a good pace, totaling \$87,203,000, with over 2,200 active deposit accounts.
- The bank was profitable for the second quarter in a row, and total net income for the first quarter, 2011 was approximately \$168,000.
 - First Quarter Return on Average Assets - .74%.

- Efficiency ratio improved from 138% for the first quarter, 2010 to 80% for the first quarter, 2011.
- The Bank also expects to be profitable for the second quarter, 2011.

- YTD Non-spread income through May 31, 2011 totaled \$459,000.

Perhaps it goes without saying, but the external operating environment remains quite challenging. While interest rates are at historic lows and bank deposits plentiful (which would seemingly benefit a bank such as The Victory Bank), the demand for good quality loans is severely limited, and the yields available to the Bank on alternative investments are also extremely low. As a result, most small banking companies are struggling to grow their balance sheets and to generate fee income from transactions or from the sale of loans.

Our response to these conditions includes keeping a tight lid on expenses, growing the balance sheet one relationship at a time, and managing credit risk by making loans in a traditional, disciplined manner. From the start, we understood that we needed to “grow into” our fixed overhead to become consistently profitable, and that we would get there only through salesmanship, persistence and the referrals of our board members, shareholders and satisfied clients. Adding key personnel who have a proven track record of loan portfolio growth is also helping the Bank acquire new clients and increase overall asset size.



Joseph W. Major, Chairman & CEO

As a result of all these efforts, our “pipeline” of loans under consideration has grown steadily since the beginning of 2011, and our use of technology and systems to gather deposits on location from our clients’ businesses has allowed us to grow without adding the considerable risks and expenses associated with traditional branch expansion.

Other key developments include:

- Successful New Capital Raise
 - The total capital raised through the sale of 7% coupon, convertible preferred securities of The Victory Bancorp is expected to be approximately \$2.6 million (\$540,000 of which is held in escrow pending the final closing which is expected to be on or before July 15th, 2011).

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Webb Medical: Finding a “good fit” at The Victory Bank

Webb Medical Systems is a company that knows great customer service. They go out of their way to provide great service to their own customers, so they recognize it when they're on the receiving end.

Which is why they're so high on The Victory Bank.

“They’ve made working with them seamless—I guess the word today is ‘transparent,’ ” says Sharon Webb, the company’s vice president and corporate sales manager. “The people at The Victory Bank are very personal and personable. They respond anytime we have a question. They’ve made us feel very comfortable. We’re very pleased.”

Webb Medical is a family-owned and -run company that started in 1971 as an offshoot of Sharon Webb’s parents’ pharmacy in downtown Reading.

Over the intervening years, after she and her husband, Richard, acquired



the business, it grew in terms of employees, space, products, and sophistication.

The first benchmark was a 5,000 square-foot showroom and warehouse in the Shillington Shopping Center, then expansion into rehabilitation products such as power chairs and stair climbers. Then came a 15,000 square-foot workshop and warehouse at the K-Mart Plaza in Shillington and a billing office and specialized staff space in Northampton.

The company, which now boasts 42 employees, many of whom carry certification as “assistive technology professionals,” works closely with many of the region’s large rehabilitation hospitals and handles high-tech items such as power-tilt chairs operated with fiber optics.

Webb says the company’s basic mission is to help their customers achieve mobility and independence— “to give a person the ability to do something they were not able to do before.” She says her husband, who serves as president and chief financial officer, is fond of saying the company can provide anything from an adjustable cane to an accessible van.

On one hand the company is well-positioned to serve the aging Baby

Boomer population, but at the same time changing reimbursement rules and the demands of insurance companies have put the company into a challenging business climate.

Webb Medical came to The Victory Bank a little over a year ago. They had a pleasant relationship with a small bank, but then that bank was taken over by what Webb calls a “big box bank.” Suddenly the pleasant relationship they had “changed into an adversarial one.” The new bank had a profile of what their ideal customer looked like. “We didn’t fit their profile,” Webb recalls.

“We looked for a bank that was independent, like us, which understood our needs and had knowledgeable people,” Webb explains. “Our CPA firm had positive experiences with the people at The Victory Bank. We liked the philosophy and culture of The Victory Bank.”

But it was a little detail that was the clincher. “They told us they didn’t have automated voicemail, that it was their desire to have a real person on the other end,” Webb says. “Well, we discontinued our automated voicemail system for the same reason. We found out there were a lot of similar business approaches.”

The company now is happily ensconced. It has its line of credit with The Victory Bank and enjoys the convenience of using checking services such as electronic deposit and the cash courier system, among others. “They’ve met our expectations,” Webb says. “We’re growing and they’re growing. It’s a good fit.”





Perklomen Valley Chamber of Commerce Mixer at The Victory Bank, May 10, 2011



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Save time – Eliminate daily trips to the bank and securely **deposit checks 24 hours a day, 7 days a week.**

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View our RDCapture video for more information at www.thevictorybank.com/rdc or contact us at 610.948.9000 to see which *Deposits...Done Right* service solution is right for you.

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RDCapture RDSan

	RDCapture	RDSan
No per-item fees	✓	✓
Unlimited checks deposited	✓	
Next-day deposit availability	✓	✓
Scan checks at your desk	✓	✓
Free bank supplied scanner	✓	
Deposit into multiple accounts	✓	✓
Receive an email confirmation	✓	✓
Transmit images through a secure server with the latest security protocols	✓	✓
Scans front and back of the check at the same time	✓	
Retain check images online	✓	
Generate reports online	✓	

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Member FDIC

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- Total Consolidated Capital as of May 31st of \$8.9 million. With the addition of the expected additional \$540,000 currently being held in escrow, Total Consolidated Capital will reach approximately \$9.4 million.
- \$865,000 in capital is currently held at the bank holding company level
- Completion during the first quarter of an examination by the FDIC of the Bank on:
 - Safety and Soundness
 - IT
 - Compliance
- Key additions to our team of experienced bankers
 - Tony D’Antonio, Relationship Manager and Commercial Banker extraordinaire
 - Vincent Raffeo, Business Development Officer with lengthy and meaningful connections to our local market area
 - Jennifer Gilbert, Banking Center Representative, the newest

member of our cracker-jack retail banking team

- Pamela Havrilla, Loan Process Manager, an expert in loan documentation, operations and reporting
- Christine Gray, Staff Accountant , provides a broad array of skills in accounting, regulatory reporting, operations, IT and compliance
- The collective business and banking experience of this new group of bankers is more than 115 years!

We expect to continue to focus on the following areas the next few months:

- Continued asset growth through the expansion of the Bank’s loan and investment portfolios, additional growth in commercial lending, SBA lending, and consumer lending.
- Continued expansion of our client base.
- Continued installation of remote deposit capture technologies.

- Further growth in merchant services, such as credit card processing.

One final note – our mission is simple: “To optimize the financial lives of our clients.” We focus most of our energy on the client experience, i.e., is the client receiving from the Bank what he or she needs, in a way that is fair and beneficial to both the client and the Bank, and in a way that the client feels important and respected? While the Bank has grown substantially in three plus years since opening, our orientation and commitment to these values has not diminished at all, and it is our promise to you and to our clients that we shall remain true to these values, even as the Bank continues to grow in size and complexity.

Thanks to all of you for your support and for your patronage.

Sincerely Yours,



Joseph W. Major
Chairman and CEO, The Victory Bank

Traveling this Summer? Protect your Identity.



If you’re planning a trip you probably have many things on your to-do list such as booking your hotel, taking care of the family pet, packing the right type of clothing...but is protecting your identity on that list? It should be.

There are many things you can do before leaving town to ensure your personal information doesn’t fall into the wrong hands leaving you vulnerable to identity theft.

- **Hold your mail.** A full mailbox is a sure sign of an empty home and mail is still one of the easiest ways to

steal personal information such as credit card numbers. Either have the post office hold your mail or have a person pick it up daily for you.

- **Contact your credit card company.** If you don’t normally travel a credit card company may deny your transactions if you haven’t informed them of your plans viewing the transactions as suspicious.
- **Don’t post your plans on social media sites.** Wait until after your trip to share memories with your social media pals. Posting ahead of time that you’ll be out of town leaves you and your home vulnerable to potential crime.
- **Write down important numbers.** Keep a list of credit card phone

numbers, the Department of Motor Vehicles, your bank or even the U.S. Embassy if traveling internationally. If something gets lost or stolen during your trip you’ll be able to limit your liability right away by calling them directly.

- **Protect your computer.** Update your anti-virus software, firewalls and malware protection before leaving town. If you’re taking a laptop with you, don’t let it out of your sight and be sure you’re in a protected area when inputting usernames and passwords that no one can walk behind you and see your information.

For more information, on identity protection, visit www.fdic.gov.



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: Roxanne Raymond

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

No Limit to Good Service

Roxanne Raymond remembers one day when she helped a client, a lawyer, open a new account. She could see he was busy and didn't want to make him sit and wait until all the paperwork was finished. She took his information and sent him on his way and then had the completed paperwork delivered to his office for him to sign.

The lawyer was so impressed by the considerate service that he sent a complimentary letter to our CEO.

In a way, Raymond was surprised. "That to me was not anything out of the norm here," she explains. "That's just part of everyday banking here."

This summer Raymond celebrated her second anniversary as assistant manager of the Banking Center. She's one of the people you meet when you stop in The Victory Bank to take care of everyday transactions, like making a deposit or buying a certificate of deposit.



She delights in knowing her clients right down to the names of children and grandchildren, and because she knows them so well she treats them like the friends they have become.

One of her clients, an elderly man who often calls, sometimes forgets and makes repeat requests. "We just take care of his needs," she says. "We treat people with respect and dignity."

Raymond thinks her empathy for clients began during the 15 years she worked as an accounting trainer for WalMart. She learned that "people are people" and everyone deserves your respect and best effort.

She left the retail world because her commute left too little time for family. She worked as an assistant branch manager for a credit union and as a branch operations manager for another

bank before joining The Victory Bank.

"I enjoy being at work every day," she says. "I enjoy the client contact and I think it's the best staff I've ever worked with. Everybody's genuine. There's nothing pretentious about the people here."

When she's not at work, Raymond goes golfing on weekends with her husband, Michael, a tool maker, though she notes, "He's the golfer. I just drive the cart." She is, however, an avid exerciser—a runner—and she adds that she loves to shop, especially for shoes. The couple live in Limerick and have a son, Adam, 25, and a daughter, Savanna, 19.

"We're always trying to see what we can do to help our clients," she says of her Banking Center team. "Above and beyond anyplace else is not above and beyond for us. We pretty much go above and beyond every day."

The Victory Bank
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