



# Milestones

June 2012

## Dear Friends, Shareholders and Clients:

The first quarter of 2012 marked The Victory Bank's sixth consecutive profitable quarter, with the Bank continuing to gather momentum and increase its operating efficiencies. Total assets reached \$111 million, loans \$89 million, and total deposits averaged between \$98 million and \$101 million. Despite a very small marketing budget, the Bank has been very successful in attracting new clients to the Bank, partly because of our commitment to small business and professional practice lending, and because our commitment to a superior client experience has attracted a considerable amount of retail banking business. We spend our days "out and about," and much of our growth comes from good referrals made by satisfied clients and local centers of influence who believe in what we are doing. Another important part of our offerings includes loans through the SBA, helping the Bank lend to borrowers that might not otherwise qualify for conventional bank financing.

Net of taxes, the Bank earned \$167,000 for the quarter, and continued to experience excellent credit quality with non-performing assets at .41% of total assets. Loan loss reserves increased slightly to 1.31% of loans, or \$1,133,000. Actual capital held at the Bank has increased to slightly over \$9.9 million, with \$11.1 million in total consolidated capital at the bank holding company level. Over the past several quarters, we have managed expenses judiciously while still hiring a select number of high-performing bankers with considerable experience in order to meet the demands of a growing company. One industry shorthand method of looking at how well a bank is run is called the "efficiency ratio." This ratio compares the amount of dollars spent in overhead to the revenue generated, and so the lower this ratio falls, the more efficiently the bank is operating. In the case of The Victory Bank, we have been gradually growing into our fixed overhead, which includes things like salaries, computer systems, buildings, and legal and accounting expenses. The Bank's efficiency ratio fell to 79% for the quarter; a "middle of the road" result that is typical for a start-up bank just four years old, but a number that



**Joseph W. Major**, Chairman & CEO

we expect to improve consistently as the company grows. I am very proud to report that we now have a total of 27 members of our team, who joyfully and energetically work each day to make the Bank great!

The operating environment remains challenging and chaotic. Internally, since January we have completed a full audit, internal audits of many of our processes, systems, and our entire IT function, completed an FDIC compliance review, and completed a full safety and soundness and IT review by the Pennsylvania State Department of Banking.

Externally, the banking industry is doing considerably better than it had during the past few years, but

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**"...unintended and negative consequences have brought a host of new problems to smaller banks, but from our perspective, complaining about them does not fix the problems, so we are taking action."**

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competition is fierce. Bank credit quality is gradually improving and the amount of dollars being used to build loan-loss reserves and to charge-off bad loans has been reduced. The banking industry has now shown a collective profit in four quarters in a row. Revenues are actually showing a slight decline, in part because of the Dodd-Frank legislation. The number of banks on the FDIC's problem bank list has started to go down, and the industry has amassed considerable amounts of new capital. Very large and TBTF (too big to fail) banks have accessed public capital markets, but smaller companies have had to rely upon retained earnings or expensive private placements. Unfortunately, the reputational damage to the banking industry caused by the reckless behavior and greed of very large financial institutions (including some giant companies that operate on Wall Street and are now technically bank holding companies) continues to create problems for the entire industry, and the regulatory burden upon small banks is at an all-time high. Locally, many of our clients are reporting modestly improved conditions and are beginning to do some hiring. Our loans-under-consideration "pipeline" has increased from \$12 million 16 months ago to nearly \$27 million today. So, we are growing but we are experiencing

far more competition on loans of all sizes. What we view as a knee-jerk legislative response to the so-called banking crisis (caused mostly by the actions of non-banking companies!) led Congress to enact the Dodd-Frank legislation, which created a massive new regulatory and compliance burden for the smaller banks which didn't create the problems in the first place.

Likewise, our FDIC assessments have gone up dramatically. These assessments are used to fund losses caused by failed banks, and are paid by the banks left standing, not by the taxpayers. The aftermath of the Enron scandal similarly created monstrous new levels of compliance and expense for public companies and made it more difficult for smaller companies to raise capital in the public markets. These unintended and negative consequences have brought a host of new problems to smaller banks, but from our perspective, complaining about them does not fix the problems, so we are taking action. We've been working aggressively to systematize all of our corporate functions and responsibilities, our regulatory and compliance obligations, our loan review process, and other similar corporate and banking responsibilities into a master follow-up system that smoothly flows through our internal office management software and

drives timely and effective responses from all of our team. This is allowing the Bank to meet these obligations as efficiently as possible.

As for our team, The Victory Bank was created with one overriding premise in mind: that hiring, retaining, and managing a superior group of people, and asking them to apply themselves to a clearly articulated strategy, would lead to consistent growth and excellent results. We remain unrelentingly committed to this approach, and part of that strategy includes the ongoing development of every member of our team. We are developing individualized training programs for each of our team members with the goal of improving their knowledge, personal efficiency, and client orientation. Our commitment to excellence drives us to make the Bank and the client experience better today than yesterday.

We thank all of you for your support and commitment to the Bank, as investors and clients, and sources of new referrals. Please stop by to visit or call us any time we can be of service to you.

Sincerely Yours,



**Joseph W. Major**  
Chairman and CEO, The Victory Bank



## You're invited to Game Day at The Victory Bank!

Please join us for a complimentary BBQ lunch at The Victory Bank to watch the Philadelphia Phillies.

**June 28** Pittsburgh Pirates

**July 25** Milwaukee Brewers

**August 30** New York Mets

**Game Time:** 1:05 p.m.

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## More than a customer; an “advocate.”

Robert Kleckner is a man who exudes the energy of a go-getter. His words tumble out, and they communicate excitement about the improvements he’s undertaking at the Linfield National Golf Club, thanks in large measure to the backing he’s gotten from The Victory Bank.

Kleckner spent 11 years as the general manager and head pro at the golf club, which is located on Church Road in Linfield, near the Schuylkill River. This past spring he was presented with an opportunity to buy the club. He wrote a business plan and talked with a number of banks about getting a loan to make the deal a reality, but it was The Victory Bank that impressed him the most.

To begin with, several officers of the bank met personally with Kleckner and went out to visit the golf club and see for themselves what he had in mind. It was that personal involvement that demonstrated what kind of relationship Kleckner could expect to have with The Victory Bank. The more he learned, the more he was sure about the choice.

“There were a couple of things that made the stars align, so to speak,” he explains. “The Victory Bank is a mile from the club. It’s a local bank and it’s a family-oriented bank. They want to help small businesses and particularly businesses in the area. The Victory

Bank was just a wonderful fit for me. I felt very comfortable dealing with them.”

And he adds, with emphasis: “I now stop in there a couple of times a week and not only am I customer of The Victory Bank, I am an advocate for The Victory Bank.” Example: Kleckner recently held a meeting of club members to explain his plans for the future and invited officials of The Victory Bank to speak. Thanks to Kleckner’s enthusiastic endorsement, the Bank gained several new customers that evening.

Kleckner, an economics graduate of Temple University, has had a passion for golf since taking up the game as a young man growing up in Lower Bucks County. His first job out of college was as a second assistant golf pro at the Cherry Valley Country Club near Princeton, New Jersey. His next stop was at the Gulph Mills Golf Club in King of Prussia where he earned his PGA A-1 certification. He moved up to first assistant pro at Commonwealth National Golf Club in Horsham and then became part owner of Worcester Golf Club in Collegeville. In 2001 he was hired as general manager and head pro of Linfield, the club he now owns.

Kleckner has already made improvements to the course at the golf club and is in the midst of a general facelift to improve what he



**Robert Kleckner**, Linfield National Golf Club

calls the club’s “curbside appeal.” He’s also modernizing by putting up a new website and offering tee times by Internet. He has a lot of special events in the offing, including a car show and a hot air balloon lift. “We’re creating not just a golf course but a family and community place where people can stop in,” he says. He adds that he’s looking forward to The Victory Bank “being involved in all these opportunities with me.”

Besides golf, the 42-year-old Kleckner keeps busy with a multitude of community activities. He helps raise money for the Red Cross, the Crohn’s Colitis Foundation of America, and the Major League Baseball Alumni Association. He serves on the golf committee at St. Mary Hospital and helps promote the KO Junior Golf Tour. Kleckner is married and has two kids, Bobby, 7, and Addie, 8. His wife, Wendy, is an educator in the Colonial School District.

**“They want to help small businesses and particularly businesses in the area. The Victory Bank was just a wonderful fit for me. I felt very comfortable dealing with them.”**

# How to deter, detect and defend against identity theft

Identity theft is a serious crime. It occurs when your personal information is stolen and used without your knowledge to commit fraud or other crimes. Identity theft can cost you time and money. It can destroy your credit and ruin your good name.

The Federal Trade Commission (FTC) estimates that as many as 10 million Americans have their identities stolen each year. In fact, you or someone you know may have experienced some form of identity theft.

While nothing can guarantee that you won't become a victim of identity theft, you can take specific steps to minimize your risk, and minimize the damage if a problem develops. These steps make it more difficult for identity thieves to steal your identity.

It's about following the "3 D's" of identity theft protection—Deter, Detect, Defend.

## DETER

Deter identity thieves by safeguarding your information.

- Shred financial documents and paperwork with personal information before you discard them.
- Protect your Social Security number. Don't carry your Social Security card in your wallet or write your Social Security number on a check. Give it out only if absolutely necessary or ask to use another identifier.

- Don't give out personal information on the phone, through the mail, or over the Internet unless you have initiated the contact and know who you are dealing with.
- Never click on links sent in unsolicited emails; instead, type in a Web address you know. Use firewalls, anti-spyware, and anti-virus software to protect your home computer; keep them up-to-date. Visit [OnGuardOnline.gov](http://OnGuardOnline.gov) for more information.
- Don't use an obvious password like your birth date, your mother's maiden name, or the last four digits of your Social Security number.
- Keep your personal information in a secure place at home, especially if you have roommates, employ outside help, or are having work done in your house.

## DETECT

Detect suspicious activity by routinely monitoring your financial accounts and billing statements.

Be alert to signs that require immediate attention:

- Mail or bills that do not arrive as expected
- Unexpected credit cards or account statements

- Denials of credit for no apparent reason
- Calls or letters about purchases you did not make

Inspect:

- Your credit report. Credit reports have information about you, including what accounts you have and your bill paying history.
- The law requires the major nationwide consumer reporting companies—Equifax, Experian, and TransUnion—to give you a free copy of your credit report each year if you ask for it. Visit [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com) or call 1-877-322-8228, a service created by these three companies, to order your free credit reports each year. You also can write: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.
- Your financial statements. Review financial accounts and billing statements regularly, looking for charges you did not make.

## DEFEND

Defend against identity theft as soon as you suspect a problem.

- Place a "Fraud Alert" on your credit reports, and review the reports carefully. The alert tells creditors to follow certain procedures before they open new accounts in your

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## Top Marks for The Victory Bank!

The Victory Bank was given a grade of an "A" and ranked 211 out of 6,716 FDIC regulated banks in America for their commitment to small business lending based on loan-to-deposit ratios.

Source: BankingGrades, using public information as of December 31, 2011.



## 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: Shelly Stockmal

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

## **Shelly Stockmal, "quarterback"**

A customer once told Shelly Stockmal he thought of her as "the quarterback of the Bank." He explained by saying, "I know you'll get me to the right person."

That's a pretty good description, because Stockmal is a key member of the team at The Victory Bank.

Her title is executive assistant. She carries out assignments for the president, the CEO, and the CFO. She's helps handle the daily flow of mail and email to and from the executives, coordinates the activities of the Bank board and its committees, prepares information for board meetings, handles paperwork for submission to regulators, and sets up and runs a variety reports. She's busy, busy, busy—and thrives on it.

"I think this is the most enriching part of my whole career," she says of her last four years at The Victory Bank. "I've learned so much here. I have a great team of co-workers, and I'm excited to come to work every morning. I really do believe I can make a positive difference." She says it's a place where the people are approachable and ideas are welcomed.

Stockmal says she got into banking "on a whim" 24 years ago. She was attending Montgomery County



**Shelly Stockmal**, Executive Assistant

Community College after graduating from Perkiomen Valley High School. A girlfriend had a job in a bank and recruited her. "I really feel I happened to stumble into a passion of my life," she says. "I like people and I like numbers, so I think I was born to be banker."

She spent eight years with a savings and loan, as a retail loan underwriter. She then spent a dozen years with her second bank and became an administrative assistant leading a team of assistants.

Stockmal had worked for Rich Graver and Eric Offner at the previous bank, and she happily accepted an offer to join them at The Victory Bank.

(Graver is president and Eric Offner is executive vice president and chief credit officer at The Victory Bank.)

She likes the fact that The Victory Bank, as she puts it, "takes the high road" and proactively looks for ways to serve customers. She says, "You know I need to pay the bills just like anybody, but for me this job is about more than money. It's about feeling like you're making a difference with your life. I'm not just going through the motions every day."

Stockmal is just as busy outside the office. She's been married 22 years. Her husband, Joe, is a commercial contractor. They live in Stowe and have two kids, a son, Joey, 18, who's entering Montgomery County Community College, and a daughter, Annie, 12, who attends St. Aloysius School in Pottstown.

Another of Stockmal's passions is Girl Scouts. She's been leading a Girl Scout troop for six years. She's third generation scout: she was a Girl Scout, her mother was a scout, and her grandmother was a scout leader.

She volunteers with local community theater while her husband volunteers at an animal rescue shelter. She's also a regular working with veterans for the Memorial Day and Fourth of July parades in Pottstown.

It's all part of making a difference.

## Identity Theft

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name or make certain changes to your existing accounts. The three nationwide consumer reporting companies have toll-free numbers for placing an initial 90-day fraud alert; a call to one company is sufficient:

Equifax: 1-800-525-6285

Experian: 1-888-397-3742

TransUnion: 1-800-680-7289

Placing a fraud alert entitles you to free copies of your credit reports. Look for inquiries from companies you haven't contacted, accounts you didn't open, and debts on your accounts that you can't explain.

- Close accounts. Close any accounts that have been tampered with or established fraudulently.
- Call the security or fraud departments of each company where an account was opened or changed without your okay. Follow up in writing, with copies of supporting documents.
- Use the ID Theft Affidavit at [ftc.gov/idtheft](http://ftc.gov/idtheft) to support your written statement.
- Ask for written verification that the disputed account has been closed and the fraudulent debts discharged.
- Keep copies of documents and records of your conversations about the theft.
- File a police report. File a report with law enforcement officials to help you with creditors who may want proof of the crime.
- Report your complaint to the Federal Trade Commission. Your report helps law enforcement officials across the country in their investigations.

**Online:** [ftc.gov/idtheft](http://ftc.gov/idtheft)

**By phone:** 1-877-ID-THEFT (438-4338) or TTY, 1-866-653-4261

**By mail:** Identity Theft Clearinghouse, Federal Trade Commission, Washington, DC 20580

# Investing in our communities one business at a time.



Some banks talk about their commitment to local businesses. At The Victory Bank, we prefer to let our commitment to lending speak for itself.

~~\$1,800,000~~ Medical Office Building, Montgomery County

~~\$1,025,000~~ Investment Property, Montgomery County

~~\$90,000~~ IT Company, Bucks County, SBAP

~~\$50,000~~ CPA Firm, Chester County

~~\$890,000~~ Custom Racing Shop, Montgomery County, SBAP

~~\$50,000~~ Dental Practice, Berks County

~~\$100,000~~ Consulting Business, Montgomery County

~~\$200,000~~ Law Firm, Berks County

~~\$50,000~~ Golf Course, Chester County

How can we help your business?  
Call us today at ~~610.948.9000~~ to set up an appointment  
with one of our business lending experts.



Member FDIC

*The Business of Banking...Done Right.*




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# Perkiomen Valley Chamber of Commerce Mixer at The Victory Bank, May 8, 2012



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