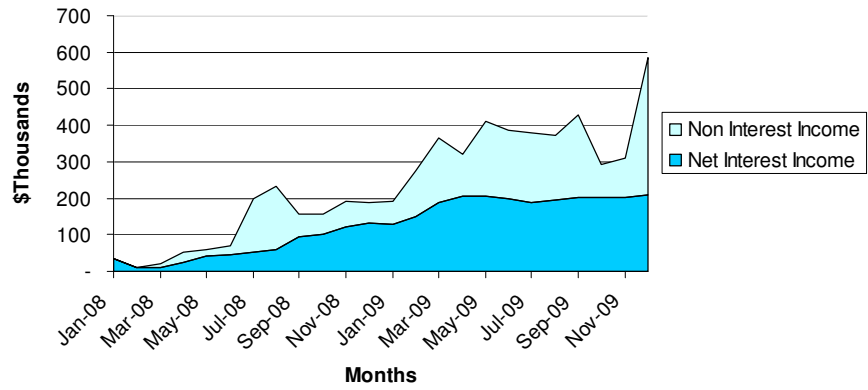


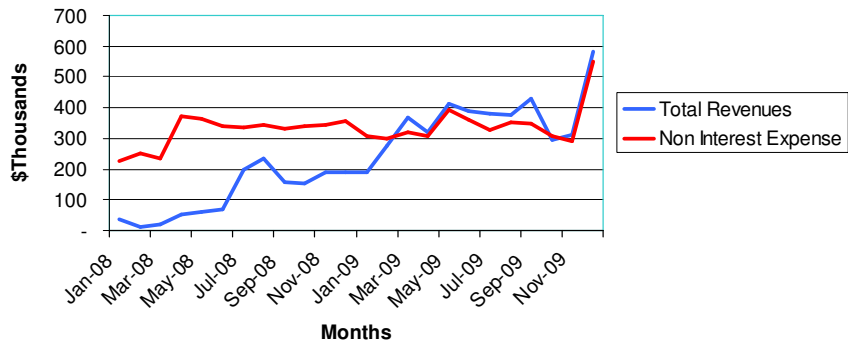


**Annual Report**  
**December 31, 2009**

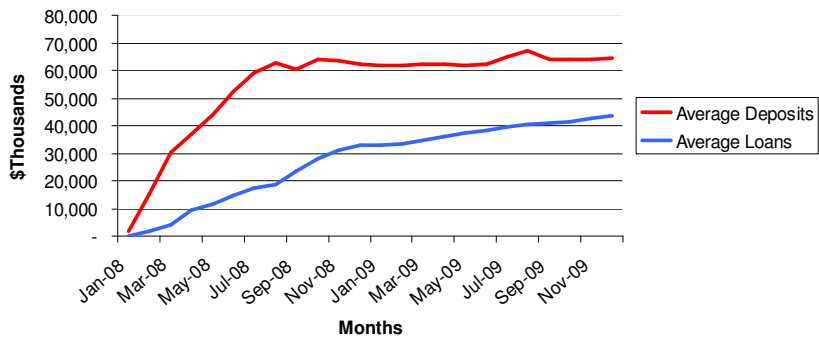
### Vantage Point Revenue Trends



### Vantage Point Revenue & Expense Trends



### Vantage Point Deposit & Loan Growth Trends



Dear Shareholders,

2009 was an eventful year for your bank. Vantage Point Bank turned the corner and posted net income of \$1.16 million dollars. These results during only the Bank's second full year of operation strongly validate our dual revenue model and are a testament to the hard work of our associate team.

During the year, revenues grew from \$3.07 million in 2008 to \$5.95 million for 2009, an increase of 93.8%. At the same time, interest expense actually declined by a small margin and operating expenses increased by only 7.8%.

Not including Vantage Point Bank's 2009 loan loss provision of \$395 thousand, taxable income was approximately \$43 thousand for the year. The Bank's current profitability, along with forecasted future profitability supported the booking of a \$1.52 million dollar reversal of the deferred tax valuation allowance. It is complicated, but the bottom line is this produces net income of \$1.16 million for 2009, with a commensurate boost in the Bank's equity capital, which helped increase the Bank's year end equity ratio from 8.73% in 2008 to 9.89% in 2009.

All was not completely rosy during the year. At year end your bank showed \$573 thousand in impaired loans that were more than 90 days past due in payment. All of these loans were part of a pool of Home Equity loans that were purchased from Wachovia Bank during March of 2008. We are happy to report that on April 30, 2010 Wells Fargo Bank purchased \$543 thousand of these loans back from us, at 100% of book value plus accrued interest. This has the additional advantage of freeing up \$280 thousand of valuation allowance for other purposes, further strengthening the Bank's capital position and removing almost our entire year end credit blemish.

Vantage Point Bank's 2009 capital campaign was less successful than we had hoped it would be. We raised \$246 thousand in new equity capital at a price of \$4.50 per share. During 2010 the equity campaign was completed and we are now considering the costs and benefits of trust preferred and preferred stock offers as potential ways to raise other Tier 1 and Tier 2 capital to further support Vantage Point Bank's future balance sheet growth needs. The current capital supply environment for community banks is poor but shows some indication of improvement. We will continue to push when we see opportunities.

Allow us to highlight some of our other accomplishments for the year.

- At the end of 2009, our balance sheet consisted of \$43.7 million in loans and \$63.6 million in deposits.
- Our Financial Services division generated over \$1.39 million in outside revenues in 2009.
- During 2009, Vantage Point Financial Services had \$2.7 million in life insurance policies issued and \$22.1 million in residential mortgage originated and sold.
- At the end of April 2010, Vantage Point Financial Services had \$48 million in assets under management

We would also like to communicate our top goals and strategies for 2010.

- Continue to build our dual revenue sources – net interest income and Financial Services revenue
- Generate strong financial performance for 2010
- Continue to expand our business and community outreach programs
- Continue to implement our vision by minimizing bank risks, maintaining liquidity and capital, improving customer service, and building our Financial Services and Mortgage Banking teams

If you have not already done so, we urge all of you to visit the Bank's revamped website at [www.VantagePointBank.com](http://www.VantagePointBank.com). The website conveys far better than we can in this short letter the essence of the pulse of the Bank and our commitment to great service.

Our Board of Directors and associates join us in thanking you for your strong support during this past year. Despite the lingering shadow of the great recession, we believe that the economy has turned, and that Vantage Point Bank is in a perfect position to build market share throughout the Philadelphia region and grow the franchise during 2010 and beyond.

Thank you again for your support.

Respectfully yours,



Walter L. Tillman, Jr.  
Chairman & CEO



David Bezar  
President

## **Our Mission**

- Deliver world-class financial services that specifically suit the needs of businesses and individuals throughout the greater Philadelphia region.
- Boldly integrate basic banking, financial services, and mortgage banking within an exciting, energized, solutions-oriented sales and service culture.
- Participate only in those financial activities and community endeavors that are in the best interest of our stakeholders: our shareholders, our employees, our customers and our community.

## **Our Value Proposition**

- **Deliver World Class Services:** We hire great people, continually train them and reward strong performance. We have built a culture focused on finding the right financial solutions for the customer.
- **Offer Multiple Delivery Channels:** Our branch office is warm, friendly and professional. Our Internet presence is easy to use, and includes the same “virtual office” services and high quality as much larger financial institutions. Our world- class telephone service center supports basic bank services, cross-selling and outbound marketing.
- **Employ New Technologies:** Our Desk Point Deposit system allows commercial customers to easily deposit checks remotely and securely, from their own location. Our robust Internet Banking services include Vantage Alert, which emails an “alert” if you are close to overdrawing your account. This is a bank service that is usually only available to corporate treasurers.

## **Our Core Strategies**

- Integrate Financial Services with traditional Banking through the cultivation of relationships with businesses and individuals, purposeful cross-selling, and strong referral networks.
- Manage the Corporation's balance sheet intelligently, with the utmost attention to controlling risk and generating strong performance.
- Focus on deposit generation first, and then asset deployment, with the intention of building strong and sustainable net interest income.

## **Our Commitment to Community**

- Assist the community through education and high value/high visibility services. For instance, our Business Education Center assists businesses in their financial and marketing efforts, free of charge.
- Expose new business to the bank by being a valued information resource and focal point for business events.
- Feature good businesses and good business practices through our monthly Contact Point networking meetings and ongoing exposure to Vantage Point Bank's financial professionals.

## **Annual Meeting**

**The annual Meeting of Shareholders of Vantage Point Bank will be held at 1250 Virginia Drive, Suite 175, Fort Washington, PA 19034 on Tuesday, June 15, 2010 at 10:00AM.**

## **FDIC Listing**

Vantage Point Bank is a state chartered commercial bank with FDIC insurance. The Bank's FDIC certificate number is 58531. Vantage Point Bank is a C Corporation and owns 100% of its subsidiary, Vantage Point Financial Services Inc.

## **Call Report**

A copy of the Bank's Call Report, including financial statement schedules, is available online at [FDIC.gov](http://FDIC.gov) by clicking on Bank Find and entering Vantage Point Bank, or upon written request to Suzanne Weisberg Corporate Secretary, Vantage Point Bank 1250 Virginia Drive, Suite 175, Fort Washington, PA 19034, or via email to [suzanne.weisberg@VantagePointBank.com](mailto:suzanne.weisberg@VantagePointBank.com).

# *Vantage Point Bank*

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## **Table of Contents**

**December 31, 2009 and 2008**

	<u><b>Page</b></u>
<b>Independent Auditors' Report</b>	1
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6



## Independent Auditors' Report

To the Board of Directors and Stockholders  
Vantage Point Bank  
Fort Washington, Pennsylvania

We have audited the accompanying consolidated balance sheets of Vantage Point Bank and its subsidiary (collectively, the "Bank") as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vantage Point Bank and its subsidiary as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*ParenteBeard LLC*

Reading, Pennsylvania  
April 21, 2010

# Vantage Point Bank

## Consolidated Balance Sheets

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash and due from banks	\$ 580,922	\$ 684,190
Interest bearing deposits with other bank	<u>2,955,632</u>	<u>220,411</u>
<b>Total Cash and Cash Equivalents</b>	<b>3,536,554</b>	904,601
Interest bearing time deposits	-	99,000
Investment securities available for sale	<b>19,836,131</b>	24,545,704
Investment securities held to maturity (fair value 2008 \$6,981,211)	-	6,965,703
Loans receivable, net of allowance for loan losses (2009 \$780,000; 2008 \$385,000)	<b>43,728,323</b>	33,150,688
Restricted investment in bank stock	<b>470,000</b>	390,100
Bank premises and equipment, net	<b>622,631</b>	671,515
Deferred taxes	<b>1,795,047</b>	121,678
Accrued interest receivable	<b>223,104</b>	317,197
Other assets	<u>722,337</u>	<u>57,579</u>
<b>Total Assets</b>	<b><u>\$70,934,127</u></b>	<b><u>\$67,223,765</u></b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Non-interest bearing	\$ 1,713,001	\$ 948,319
Interest bearing deposits	<u>61,905,270</u>	<u>60,143,548</u>
Total Deposits	<b>63,618,271</b>	61,091,867
Accrued interest payable	<b>63,958</b>	62,222
Other liabilities	<u>236,002</u>	<u>201,360</u>
<b>Total Liabilities</b>	<b><u>63,918,231</u></b>	<b><u>61,355,449</u></b>
<b>Stockholders' Equity</b>		
Preferred stock, no par value; authorized 5,000,000 shares; no shares issued or outstanding	-	-
Common stock, \$1.00 par value; authorized 25,000,000 shares; issued and outstanding 2009 2,661,763 shares; 2008 2,598,120 shares	<b>2,661,763</b>	2,598,120
Surplus	<b>7,941,777</b>	7,705,028
Accumulated deficit	<b>(3,034,470)</b>	(4,198,632)
Accumulated other comprehensive loss	<u>(553,174)</u>	<u>(236,200)</u>
<b>Total Stockholders' Equity</b>	<b><u>7,015,896</u></b>	<b><u>5,868,316</u></b>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$70,934,127</u></b>	<b><u>\$67,223,765</u></b>

See notes to consolidated financial statements.

# Vantage Point Bank

## Consolidated Statements of Operations Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Interest Income</b>		
Loans receivable, including fees	\$1,972,663	\$1,043,395
Investment securities	2,000,080	1,000,027
Short-term investments and federal funds sold	4,318	392,877
<b>Total Interest Income</b>	<u>3,977,061</u>	<u>2,436,299</u>
<b>Interest Expense</b>		
Deposits	1,694,150	1,687,035
Borrowings	3,950	12,982
<b>Total Interest Expense</b>	<u>1,698,100</u>	<u>1,700,017</u>
<b>Net Interest Income</b>	2,278,961	736,282
<b>Provision for Loan Losses</b>	<u>395,000</u>	<u>385,000</u>
<b>Net Interest Income after Provision for Loan Losses</b>	<u>1,883,961</u>	<u>351,282</u>
<b>Other Income</b>		
Service charges and fees on deposit accounts	19,715	5,237
Commission earned on annuities issued	580,378	427,195
Commissions earned on brokered securities	263,388	112,799
Commissions earned on issuance of insurance policies	105,049	32,715
Commissions earned on brokered loans	443,450	60,398
Realized gains on sale of securities	630,183	-
Total other-than-temporary impairment losses	(402,937)	-
Portion of loss recognized in other comprehensive income (before tax)	332,037	-
Net impairment losses recognized in earnings	(70,900)	-
<b>Total Other Income</b>	<u>1,971,263</u>	<u>638,344</u>
<b>Non-Interest Expenses</b>		
Salaries and employee benefits	2,947,794	2,637,632
Occupancy	257,391	276,517
Equipment	342,549	235,915
Professional fees	174,458	286,227
FDIC insurance	167,001	32,761
Marketing and advertising	70,516	155,536
Supplies	76,600	85,948
Data and item processing	39,846	65,384
Travel and entertainment	46,198	33,955
Other	85,332	93,060
<b>Total Non-Interest Expenses</b>	<u>4,207,685</u>	<u>3,902,935</u>
<b>Loss Before Income Taxes</b>	(352,461)	(2,913,309)
<b>Income Taxes</b>	<u>(1,516,623)</u>	<u>-</u>
<b>Net Income (Loss)</b>	<u>\$1,164,162</u>	<u>\$(2,913,309)</u>

See notes to consolidated financial statements.

# Vantage Point Bank

## Consolidated Statements of Stockholders' Equity Years Ended December 31, 2009 and 2008

	<u>Common Stock</u>	<u>Surplus</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehen- sive Loss</u>	<u>Total</u>
<b>Balance - December 31, 2007</b>	\$2,502,550	\$7,293,835	\$(1,285,323)	\$ -	<u>\$8,511,062</u>
Sale of common stock, net of offering costs of approximately \$17,843	95,570	268,867	-	-	<u>364,437</u>
Comprehensive loss:					
Net loss	-	-	(2,913,309)	-	(2,913,309)
Net change in unrealized losses on securities available for sale, net of reclassification adjustments and income taxes	-	-	-	(236,200)	<u>(236,200)</u>
<b>Total Comprehensive Loss</b>					<u>(3,149,509)</u>
Stock-based compensation expense	-	142,326	-	-	<u>142,326</u>
<b>Balance - December 31, 2008</b>	2,598,120	7,705,028	(4,198,632)	(236,200)	5,868,316
Sale of common stock, net of offering costs of approximately \$31,009	<b>63,643</b>	<b>160,419</b>	-	-	<u><b>224,062</b></u>
Comprehensive income:					
Net income	-	-	<b>1,164,162</b>	-	<b>1,164,162</b>
Net change in unrealized losses on securities available for sale, net of reclassification adjustments and income taxes	-	-	-	<b>(316,974)</b>	<u><b>(316,974)</b></u>
<b>Total Comprehensive Income</b>					<u><b>847,188</b></u>
Stock-based compensation expense	-	<b>76,330</b>	-	-	<u><b>76,330</b></u>
<b>Balance - December 31, 2009</b>	<u><b>\$2,661,763</b></u>	<u><b>\$7,941,777</b></u>	<u><b>\$(3,034,470)</b></u>	<u><b>\$(553,174)</b></u>	<u><b>\$7,015,896</b></u>

*See notes to consolidated financial statements.*

# Vantage Point Bank

## Consolidated Statements of Cash Flows Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	<b>\$1,164,162</b>	\$ (2,913,309)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Provision for loan losses	<b>395,000</b>	385,000
Depreciation and amortization	<b>147,074</b>	118,906
Stock-based compensation expense	<b>76,330</b>	142,326
Net realized gain on sale of securities	<b>(630,183)</b>	-
Deferred income taxes	<b>(1,510,079)</b>	-
(Increase) decrease in accrued interest receivable	<b>94,093</b>	(317,197)
Increase in other assets	<b>(664,758)</b>	(20,148)
Increase in accrued interest payable	<b>1,736</b>	61,821
Increase in other liabilities	<b>34,642</b>	113,188
	<u><b>(891,983)</b></u>	<u>(2,429,413)</u>
<b>Net Cash Used in Operating Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Loan originations and principal collections, net	<b>(10,972,635)</b>	(28,778,557)
Loans purchased	-	(4,757,131)
Activity in available for sale securities:		
Purchases	<b>(21,965,215)</b>	(24,866,707)
Maturities, calls and principal repayments	<b>10,741,664</b>	29,958,475
Proceeds from sales	<b>17,548,505</b>	-
Activity in held to maturity securities:		
Purchases	-	(6,966,467)
Maturities, calls and principal repayments	<b>5,500,241</b>	764
Redemptions (purchases) of restricted bank stock	<b>(79,900)</b>	645,500
Purchases of bank premises and equipment	<b>(98,190)</b>	(290,905)
Purchases (maturities) of interest bearing time deposits	<b>99,000</b>	(99,000)
	<u><b>773,470</b></u>	<u>(35,154,028)</u>
<b>Net Cash Provided by (Used in) Investing Activities</b>		
<b>Cash Flows from Financing Activities</b>		
Net increase in deposits	<b>2,526,404</b>	60,341,867
Decrease in short-term borrowings	-	(22,270,600)
Proceeds from sale of common stock, net of offering costs	<b>224,062</b>	364,437
	<u><b>2,750,466</b></u>	<u>38,435,704</u>
<b>Net Cash Provided by Financing Activities</b>		
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,631,953</b>	852,263
<b>Cash and Cash Equivalents - Beginning</b>	<u><b>904,601</b></u>	<u>52,338</u>
<b>Cash and Cash Equivalents - Ending</b>	<u><u><b>\$3,536,554</b></u></u>	<u><u>\$ 904,601</u></u>
<b>Supplementary Cash Flows Information</b>		
Interest paid	<u><b>\$1,698,227</b></u>	<u>\$ 1,638,196</u>
Income taxes paid	<u><b>\$ -</b></u>	<u>\$ 4,422</u>
<b>Supplementary Schedule of Noncash Activities</b>		
Transfer of held to maturity securities to available for sale securities	<u><b>\$1,465,462</b></u>	<u>\$ -</u>

*See notes to consolidated financial statements.*

# ***Vantage Point Bank***

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## **Notes to Consolidated Financial Statements**

**December 31, 2009 and 2008**

### **Note 1 - Nature of Operations**

Vantage Point Bank (the “Bank”) was incorporated on January 23, 2007 under the laws of the Commonwealth of Pennsylvania and is a Pennsylvania chartered, Federal Deposit Insurance Corporation (“FDIC”) insured bank. The Bank commenced operations on December 24, 2007 and is a full service commercial bank providing personal and business lending, deposit products and wealth management services. As a state chartered bank, the Bank is subject to regulation of the Pennsylvania Department of Banking and the FDIC. The Bank is located in, and serves customers in, southeastern Pennsylvania. The Bank established a subsidiary, Vantage Point Financial Services, which began operations during 2008.

### **Note 2 - Summary of Significant Accounting Policies**

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of Vantage Point Bank and its wholly-owned subsidiary, Vantage Point Financial Services. All significant intercompany balances and transactions have been eliminated in consolidation.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the determination of impairment of restricted stock, the valuation of deferred tax assets and the determination of other-than-temporary impairment on securities.

#### **Significant Group Concentrations of Credit Risk**

Most of the Bank’s activities are with customers located within Montgomery County and the suburbs surrounding Philadelphia. Note 3 discusses the types of securities that the Bank currently invests in. Note 4 discusses the types of lending that the Bank engages in. Although the Bank intends to have a diversified loan portfolio, its debtors’ ability to honor their contracts will be influenced by the region’s economy. The Bank does not have any significant concentrations in any one industry or customer.

#### **Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and interest bearing deposits with other bank.

The Bank maintains cash deposits in other depository institutions that occasionally exceed the amount of deposit insurance available. Management periodically assesses the financial condition of these institutions and believes that the risk of any possible credit loss is minimal.

# ***Vantage Point Bank***

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## **Notes to Consolidated Financial Statements**

**December 31, 2009 and 2008**

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **Investment Securities**

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Investment securities classified as available for sale are those securities that the Bank intends to hold for an indefinite period of time, but not necessarily to maturity. Securities available for sale are carried at fair value. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Unrealized gains or losses are included as a component of stockholders' equity. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Investment securities classified as held to maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by a method which approximates the interest method over the terms of the securities.

Declines in fair value of securities below their cost that are deemed to be other-than-temporary are separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income (loss).

To determine whether a loss is other-than-temporary, management utilizes criteria such as the reasons underlying the decline, the magnitude and duration of the decline and whether or not management intends to sell or expects that it is more likely than not that it will be required to sell the security prior to an anticipated recovery of the fair value.

#### **Restricted Investment in Bank Stock**

Restricted investment in bank stock consists of Federal Home Loan Bank of Pittsburgh (FHLB) stock in the amount of \$410,000 and Atlantic Central Bankers Bank stock in the amount of \$60,000 at December 31, 2009. Federal law requires a member institution of the FHLB to hold stock of its district FHLB according to a predetermined formula. The restricted stock is carried at cost. In December 2008, the FHLB of Pittsburgh notified member banks that it was suspending dividend payments and the repurchase of capital stock.

# ***Vantage Point Bank***

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## **Notes to Consolidated Financial Statements**

**December 31, 2009 and 2008**

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **Restricted Investment in Bank Stock (Continued)**

Management evaluates the restricted stock for impairment in accordance with FASB ASC Topic 320, *Investments - Debt and Equity Securities*. Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB.

Management believes no impairment charge is necessary related to the Federal Home Loan Bank stock as of December 31, 2009 and 2008.

#### **Loans Receivable**

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank will generally amortize these amounts over the contractual life of the loan.

The accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectibility of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans is generally either applied against principal or reported as interest income, according to management's judgment as to the collectibility of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectibility of the total contractual principal and interest is no longer in doubt.

In addition to originating loans, the Bank purchases consumer and mortgage loans from institutions in our market area. Such purchases are reviewed for compliance with our underwriting criteria before they are purchased, and are generally purchased without recourse to the seller.

#### **Allowance for Loan Losses**

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

# ***Vantage Point Bank***

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## **Notes to Consolidated Financial Statements**

**December 31, 2009 and 2008**

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **Allowance for Loan Losses (Continued)**

The allowance for loan losses will be maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance will be based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance will consist of specific, general, and unallocated components. The specific component will relate to loans that are classified as doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance will be established when the discounted cash flows (or collateral value or observable market price) of the impaired loan are lower than the carrying value of that loan. The general component will cover non-classified loans and will be based on historical loss experience adjusted for qualitative factors. An unallocated component will be maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance will reflect the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment will include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and home equity loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

#### **Transfers of Financial Assets**

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales when control over the assets is surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

# ***Vantage Point Bank***

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## **Notes to Consolidated Financial Statements**

**December 31, 2009 and 2008**

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **Bank Premises and Equipment**

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 7 years. Leasehold improvements are amortized over the term of the lease or estimated useful lives, whichever is shorter.

#### **Advertising Costs**

The Bank follows the policy of charging the costs of advertising to expense as incurred.

#### **Income Taxes**

The Company accounts for income taxes in accordance with the income tax accounting guidance set forth in FASB ASC Topic 740, *Income Taxes*. On January 1, 2009, the Company adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of expenses over revenues. The Bank determines deferred income taxes using the liability method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense (benefit) results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Accruals of interest and penalties related to unrecognized tax benefits, when applicable, are recognized in income tax expense.

#### **Stock-Based Compensation**

FASB ASC Topic 718, *Compensation – stock compensation*, contains a fair value-based method for valuing stock-based compensation that entities may use, which measures compensation cost at the grant date based on the fair value of the award. Compensation is then recognized over the service period, which is usually the vesting period.

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Comprehensive Loss

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income (loss).

The components of other comprehensive loss and related tax effects for the year ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Unrealized holding losses on investment securities available for sale arising during the year (net of tax benefit of \$401,658 and \$121,678, respectively)	\$(779,689)	\$(236,200)
Reclassification adjustment for impairment charge included in net loss (net of tax expense of \$24,106 and \$-0-, respectively)	46,794	-
Reclassification adjustment for gain on sale of investment securities (net of tax expense of \$214,262 and \$-0-, respectively)	<u>415,921</u>	<u>-</u>
	<u>\$(316,974)</u>	<u>\$(236,200)</u>

#### Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank may enter into off-balance sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the balance sheets when they are funded.

#### Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation. Such reclassifications had no impact on net income.

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 3 - Investment Securities

The amortized cost, gross unrealized gains and losses, and fair value of securities available for sale and held to maturity are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<b>December 31, 2009:</b>				
<b>Available for Sale:</b>				
Agency CMOs	\$ 577,113	\$ 4,879	\$ -	\$ 581,992
Mortgage-backed securities	1,455,236	-	(16,036)	1,439,200
Private CMOs	18,641,925	160,855	(987,841)	17,814,939
	<u>\$20,674,274</u>	<u>\$165,734</u>	<u>\$(1,003,877)</u>	<u>\$19,836,131</u>

There were no held to maturity securities at December 31, 2009.

### December 31, 2008:

#### Available for Sale:

Agency CMOs	\$ 5,361,878	\$ 80,233	\$ -	\$ 5,442,111
Mortgage-backed securities	8,958,999	289,841	-	9,248,840
Corporate bonds	1,401,140	10,060	(5,652)	1,405,548
Private CMOs	9,181,565	30,830	(763,190)	8,449,205
	<u>\$24,903,582</u>	<u>\$410,964</u>	<u>\$(768,842)</u>	<u>\$24,545,704</u>

#### Held to Maturity:

Callable U.S. Government agency securities	<u>\$ 6,965,703</u>	<u>\$ 25,793</u>	<u>\$ (10,285)</u>	<u>\$ 6,981,211</u>
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The table below indicates the length of time individual securities have been in a continuous unrealized loss position at December 31, 2009 and 2008:

	<u>Less than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
<b>December 31, 2009:</b>						
<b>Available for Sale:</b>						
Mortgage backed security	\$ 1,439,200	\$ (16,036)	\$ -	\$ -	\$ 1,439,200	\$ (16,036)
Private CMOs	9,227,437	(562,409)	2,913,160	(425,432)	12,140,597	(987,841)
	<u>\$10,666,637</u>	<u>\$(578,445)</u>	<u>\$2,913,160</u>	<u>\$(425,432)</u>	<u>\$13,579,797</u>	<u>\$(1,003,877)</u>

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 3 - Investment Securities (Continued)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2008:</b>						
<b>Available for Sale:</b>						
Corporate bonds	\$ 394,348	\$ (5,652)	\$ -	\$ -	\$ 394,348	\$ (5,652)
Private CMOs	7,708,642	(763,190)	-	-	7,708,642	(763,190)
	<u>\$8,102,990</u>	<u>\$(768,842)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,102,990</u>	<u>\$(768,842)</u>
<b>Held to Maturity:</b>						
Callable U.S. Government agency securities	\$ 857,948	\$ (10,285)	\$ -	\$ -	\$ 857,948	\$ (10,285)

At December 31, 2009, the Bank has 29 Private CMOs and one mortgage-backed security that have unrealized losses with an aggregate depreciation of 8.18% and 1.10%, respectively, from the Bank's amortized cost basis. In analyzing the financial condition of the securities, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. As management does not intend to sell and it is not more than likely than not that it will be required to sell the security prior to anticipated recovery of fair value.

Due to the continued decline in the fair value of the Company's investment in three private CMO securities totaling \$1.3 million, the Bank has identified the impairment of these securities as other than temporary and has recorded the December 31, 2009 loss of \$70,900 as an impairment charge against operating results. To determine the amount of decline in fair value attributed to credit losses, discounted cash flow analysis was performed. This analysis was primarily dependent on assumptions of future default rates and default severity.

The amortized cost and fair value of investment securities at December 31, 2009, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
One year or less	\$ 299,097	\$ 302,143
After one year through five years	278,016	279,849
After five years through ten years	4,130,175	4,190,530
After ten years	14,511,750	13,624,409
Mortgage-backed securities	1,455,236	1,439,200
	<u>\$20,674,274</u>	<u>\$19,836,131</u>

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 3 - Investment Securities (Continued)

During the year ended December 31, 2008, there were no sales of securities available for sale. For the year ended December 31, 2009, proceeds from sales of securities available for sale amounted to \$17,548,505; gross realized gains were \$634,164 and gross realized losses were \$3,981.

During 2009, two securities with amortized costs totaling approximately \$1,465,000 were transferred from held to maturity to available for sale. As a result of this transfer, the Company may not classify securities as held to maturity for a period of two years.

There were no pledged securities to secure short-term borrowings at December 31, 2009 and 2008.

### Note 4 - Loans Receivable and Allowance for Loan Losses

Major classifications of net loans receivable at December 31, 2009 are as follows:

	<u>2009</u>	<u>2008</u>
Consumer loans:		
Home equity line of credit	\$23,030,254	\$15,351,092
Home equity term	3,040,956	2,910,653
Construction	761,315	400,000
Other personal	133,952	147,511
<b>Total Consumer Loans</b>	<u>26,966,477</u>	<u>18,809,256</u>
Business loans:		
Term loans	6,181,740	6,795,886
Commercial mortgages	7,921,010	5,267,901
Lines of credit	2,934,650	2,588,624
Other business	302,358	13,284
<b>Total Business Loans</b>	<u>17,339,758</u>	<u>14,665,695</u>
<b>Total Loans</b>	<u>44,306,235</u>	33,474,951
Net deferred loan origination costs	202,088	60,737
Allowance for loan losses	<u>(780,000)</u>	<u>(385,000)</u>
	<u>\$43,728,323</u>	<u>\$33,150,688</u>

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 4 - Loans Receivable and Allowance for Loan Losses (Continued)

The Bank did not have any allowance for loan losses as of December 31, 2007. The changes in the allowance for loan losses for the year ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$385,000	\$ -
Provision for loan losses	395,000	385,000
Net recoveries (charge-offs)	-	-
Balance, end of year	<u>\$780,000</u>	<u>\$385,000</u>

A loan is considered impaired, in accordance with the impairment accounting guidance (FASB ASC 310-10-35-16), when based on current information and events, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans.

The following table presents the Bank's nonaccrual loans at December 31, 2009 and 2008:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Impaired loans without a valuation allowance	\$ 199,899	\$ -
Impaired loans with a valuation allowance	372,834	-
<b>Total Impaired Loans</b>	<u>\$ 572,733</u>	<u>\$ -</u>
Valuation allowance related to impaired loans	<u>\$(279,626)</u>	<u>\$ -</u>
Total loans past-due ninety days or more and still accruing	<u>\$ 86,878</u>	<u>\$ -</u>
	<u>Years ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Average investment in impaired loans	\$308,000	\$ -
Interest income recognized on impaired loans	3,000	-
Interest income recognized on a cash basis on impaired loans	19,000	-

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 5 - Bank Premises and Equipment

The components of premises and equipment at December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 49,716	\$ 49,216
Furniture, fixtures and equipment	64,395	57,175
Computer equipment and data processing software	<u>774,500</u>	<u>684,030</u>
	888,611	790,421
Accumulated depreciation	<u>(265,980)</u>	<u>(118,906)</u>
	<u><u>\$622,631</u></u>	<u><u>\$671,515</u></u>

Depreciation and amortization expense charged to operations amounted to approximately \$147,074 and \$118,906 for the years ended December 31, 2009 and 2008, respectively.

### Note 6 - Deposits

Deposits at December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Demand, non-interest bearing	\$ 1,713,001	\$ 948,319
Demand, interest-bearing	578,837	362,104
Money market and savings	17,717,746	24,822,016
Certificates of deposit of less than \$100,000	21,412,346	16,700,390
Certificates of deposit of \$100,000 or more	<u>22,196,341</u>	<u>18,259,038</u>
	<u><u>\$63,618,271</u></u>	<u><u>\$61,091,867</u></u>

Interest expense on time deposits amounted to approximately \$1,407,337 and \$1,052,695 in 2009 and 2008, respectively. Interest expense on demand, money market and savings accounts amounted to approximately \$286,813 and \$634,340 in 2009 and 2008, respectively.

At December 31, 2009, the scheduled maturities of time deposits are as follows:

2010	\$21,074,203
2011	12,772,136
2012	4,894,074
2013	2,515,817
2014	<u>2,352,457</u>
	<u><u>\$43,608,687</u></u>

# ***Vantage Point Bank***

## **Notes to Consolidated Financial Statements**

**December 31, 2009 and 2008**

### **Note 7 - Borrowings**

At December 31, 2009, the Bank had a maximum borrowing capacity with the Federal Home Loan Bank of Pittsburgh of approximately \$20,805,000, of which there was no amount outstanding at December 31, 2009 or 2008. The Bank also has a \$1 million facility available with the Atlantic Central Bankers Bank. There were no borrowings outstanding at December 31, 2009 and 2008.

### **Note 8 - Lease Commitments**

At December 31, 2009, the Bank was obligated under noncancellable leases for premises. Such leases required the Bank to pay a monthly fee for its portion of certain operating expenses, including real estate taxes, insurance, utilities, maintenance and repairs in addition to the base rent.

Future minimum lease payments by year and in the aggregate, under these lease agreements, are as follows:

2010	<b>\$258,628</b>
2011	<b>266,743</b>
2012	<b>59,400</b>
2013	<b>15,022</b>
	<hr/>
	<b>\$599,793</b>
	<hr/> <hr/>

Rent expense for the years ended December 31, 2009 and 2008 totaled \$223,167 and \$237,889, respectively.

### **Note 9 - Change in Control Agreement**

The Bank entered into employment agreements with change of control provisions with its President and its Chief Executive Officer. Upon resignation after a change in the control of the Bank, as defined in the agreements, an individual will receive monetary compensation in the amount set forth in the agreement. The agreements range from 2-3 year terms, and may be extended for a two year term subsequently, as long as a majority of the Board of Directors affirmatively approve the extension.

### **Note 10 - Stockholders' Equity**

During 2009, the Bank sold 62,643 shares of common stock at \$4.00 per share and 1,000 shares of common stock at \$4.50 per share which resulted in net proceeds of \$224,062. During 2008, the Bank sold 95,570 shares of common stock at \$4.00 per share which resulted in net proceeds of \$364,437.

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 10 - Stockholders' Equity (Continued)

During 2008, organizers were issued at total of 171,875 "organizer warrants" with a fair value of \$197,650. The fair value of each warrant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, risk-free rate of 3.89%, volatility of 15.0%, and expected life of 7 years. These warrants vest over a period of three years, expire in 10 years and will enable the warrant holder to purchase one share of common stock at \$4.00 per share for each warrant exercised. The fair value of these warrants will be expensed over the vesting period. There were no new warrants issued during 2009. Stock compensation expense related to these organizer warrants was approximately \$66,000 and \$132,000 for the years ended December 31, 2009 and 2008, respectively.

### Note 11 - Federal Income Taxes

The components of income tax benefit for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Current	\$ (6,544)	\$ -
Deferred	<u>(1,510,079)</u>	<u>-</u>
	<u><u>\$(1,516,623)</u></u>	<u><u>\$ -</u></u>

A reconciliation between the income tax expense for the years ended December 31, 2009 and 2008 and the amount computed using the applicable statutory federal tax rate of 34% follows:

	<u>2009</u>	<u>2008</u>
Federal income tax at statutory rate	(34.0)%	(34.0)%
Other	(4.7)	0.2
Increase (decrease) in valuation allowance	<u>(446.9)</u>	<u>33.8</u>
	<u><u>(485.6)%</u></u>	<u><u>-%</u></u>

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 11 - Federal Income Taxes (Continued)

The components of the deferred tax asset at December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Deferred tax assets:		
Organization and start-up costs	\$ 421,408	\$ 445,891
Allowance for loan loss	223,089	88,833
Net operating loss carryforward	919,337	908,887
Contribution carryforward	-	2,706
Share based compensation	61,529	-
Unrealized loss on available for sale securities	284,968	121,678
Valuation allowance	-	(1,397,613)
<b>Total Deferred Tax Assets, Net of Valuation Allowance</b>	<b>1,910,331</b>	<b>170,382</b>
Deferred tax liabilities:		
Property and equipment	(115,284)	(48,704)
<b>Net Deferred Tax Assets</b>	<b>\$1,795,047</b>	<b>\$ 121,678</b>

At December 31, 2009, the Bank has a net operating loss carryforward available for federal income tax purposes of approximately \$2,700,000 which expires through 2028.

The Company is subject to federal income tax. The Company is no longer subject to examination by federal authorities for years before 2007.

### Note 12 - Stock-Based Compensation

In 2008, the Bank adopted the Vantage Point Bank Stock Option Plan (the Plan). The Plan authorizes the Board of Directors to grant options up to an aggregate of 150,000 shares of common stock as of the effective date of the Plan to officers, other employees and directors of the Bank. The shares granted under the Plan to directors are non-qualified options. The shares granted under the Plan to officers and other employees can be non-qualified options or incentive stock options, subject to the limitations under Section 422 of the Internal Revenue Code.

All options granted under the Plan have a term that shall not exceed 10 years. The exercise price of the options granted shall be the fair market value of a share of common stock at the time of the grant.

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 12 - Stock-Based Compensation (Continued)

The following summarizes changes in stock options outstanding for the years ended December 31:

	2009		2008	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of year	49,998	\$4.00	-	\$ -
Granted	-	-	49,998	4.00
Forfeited	-	-	-	-
Outstanding, end of year	<u>49,998</u>	<u>\$4.00</u>	<u>49,998</u>	<u>\$4.00</u>
Exercisable, end of year	<u>19,166</u>	<u>\$4.00</u>	<u>-</u>	<u>\$ -</u>
Weighted-average fair value of options granted during the year	<u>\$ -</u>		<u>\$1.06</u>	

The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for 2009 and 2008: dividend yield of 0% for both years; expected volatility of approximately 15% for both years; risk-free interest rate of 3.21% and an expected life of the options of seven years. The volatility percentage for 2009 and 2008 were based on the average expected volatility of similar public financial institutions in the Bank's market area.

The weighted average remaining contractual life of options outstanding at December 31, 2009 and 2008 is 8.80 and 9.08 years, and the weighted average remaining contractual life of options exercisable at December 31, 2009 and 2008 is 8.08 and 9.08 years. The aggregate intrinsic value of options exercisable was approximately \$10,000 and \$-0- and aggregate intrinsic value of outstanding options was approximately \$25,000 and \$-0- at December 31, 2009 and 2008, respectively.

Stock-based compensation expense related to outstanding stock options was approximately \$11,000 for the years ended December 31, 2009 and 2008. As of December 31, 2009, there was approximately \$32,559 of unrecognized compensation costs related to non-vested stock options granted in 2008. This cost is expected to be recognized over a weighted average period of 3.08 years.

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 13 - Transactions with Executive Officers, Directors and Principal Stockholders

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, their immediate families and affiliated companies (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. Deposits of related parties totaled \$2,269,670 and \$2,028,966 at December 31, 2009 and 2008, respectively. The aggregate dollar amount of loans to related parties, along with an analysis of the activity for 2009 and 2008, is summarized as follows:

	<u>2009</u>	<u>2008</u>
Balance, beginning	\$1,135,846	\$ -
Additions	1,524,991	1,302,047
Repayments	<u>(23,840)</u>	<u>(166,201)</u>
Balance, ending	<u><u>\$2,636,997</u></u>	<u><u>\$1,135,846</u></u>

### Note 14 - Financial Instruments with Off-Balance Sheet Risk

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

At December 31, 2008, the Bank did not have any commitments to extend credit. The Bank had the following off-balance sheet financial instruments whose contract amounts represent credit risk at December 31:

	<u>2009</u>	<u>2008</u>
Commitments to grant loans	\$1,453,250	\$6,251,275
Unfunded commitments under lines of credit	6,192,505	6,733,329

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment. The liability associated with these commitments is not material at December 31, 2009 and 2008.

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 15 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets and of Tier 1 capital to average assets. Management believes, as of December 31, 2009 and 2008, that the Bank meets all capital adequacy requirements to which it is subject.

The Federal Deposit Insurance Corporation requires that the Bank maintain a ratio of Tier 1 leverage capital to total assets of at least 8% during the first three years of operation. Under these guidelines, the Bank is considered well capitalized as of December 31, 2009 and 2008.

The Bank's actual capital amounts and ratios at December 31, 2009 and 2008 are presented below:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Ratio		Ratio	
(Dollar Amounts in Thousands)						
<b>December 31, 2009:</b>						
Total capital (to risk-weighted assets)	\$7,061	11.96 %	\$≥4,725	≥8.0%	\$≥5,906	≥10.0%
Tier 1 capital (to risk-weighted assets)	6,321	10.70 %	≥2,362	≥4.0	≥3,544	≥ 6.0
Tier 1 capital (to average assets)	6,321	9.16 %	≥5,520	≥8.0	≥5,520	≥ 8.0
<b>December 31, 2008:</b>						
Total capital (to risk-weighted assets)	\$6,485	14.89 %	\$≥3,483	≥8.0%	\$≥4,354	≥10.0%
Tier 1 capital (to risk-weighted assets)	6,100	14.01 %	≥1,742	≥4.0	≥2,613	≥ 6.0
Tier 1 capital (to average assets)	6,100	8.70 %	≥5,910	≥8.0	≥5,910	≥ 8.0

The Bank is subject to certain restrictions on the amount of dividends that it may declare due to regulatory considerations. The Pennsylvania Banking Code provides that cash dividends may be declared and paid only out of accumulated net earnings.

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 16 - Fair Value Measurements

The Bank adopted the guidance on fair value measurement now codified as FASB ASC Topic 820, *Fair Value Measurement and Disclosures*, on January 1, 2008. Under ASC Topic 820, fair value measurements are not adjusted for transaction costs. ASC Topic 820 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Management uses its best judgment in estimating the fair value of the Bank's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Bank could have realized in sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective period end and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period end.

The fair value measurement hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

*Level 1:* Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

*Level 2:* Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3:* Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2009 and 2008 are as follows:

<u>Description</u>	<u>Total</u>	<u>(Level 1) Quoted Prices in Active Markets for Identical Assets</u>	<u>(Level 2) Significant Other Observable Inputs</u>	<u>(Level 3) Significant Unobservable Inputs</u>
<b>December 31, 2009:</b>				
Securities available for sale	<u>\$19,836,131</u>	<u>\$ -</u>	<u>\$19,836,131</u>	<u>\$ -</u>
<b>December 31, 2008:</b>				
Securities available for sale	<u>\$24,545,704</u>	<u>\$ -</u>	<u>\$24,545,704</u>	<u>\$ -</u>

# Vantage Point Bank

## Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### Note 16 - Fair Value Measurements (Continued)

The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers (where available) were used to support fair values of certain Level 3 investments.

There were no financial assets measured at fair value on a nonrecurring basis at December 31, 2008. For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2009 are as follows:

<u>Description</u>	<u>Total</u>	<u>(Level 1) Quoted Prices in Active Markets for Identical Assets</u>	<u>(Level 2) Significant Other Observable Inputs</u>	<u>(Level 3) Significant Unobservable Inputs</u>
Impaired loans	<u>\$93,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$93,208</u>

Impaired loans are those that are accounted for under FASB ASC Subtopic 310-40, *Troubled Debt Restructuring by Creditors*, in which the Bank has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of the loan balances of \$372,834, net of a valuation allowance of \$279,626.

### Note 17 - Subsequent Events

During November 2009, the Bank began a capital offering which ended on March 31, 2010. Pursuant to this capital offering, the Bank offered a maximum of 1,112,000 shares of its common stock with a \$1 par value per share and an offering price of \$4.50 per share. During 2010, the Bank has sold 53,856 shares of common stock at \$4.50 per share which resulted in net proceeds of \$242,352.

The Bank has evaluated subsequent events through April 21, 2010 in preparing the December 31, 2009 consolidated financial statements.

## **DIRECTORS**

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Mehul Patel  
Vice President of Engineering,  
Metrologic Instruments

Walter L. Tillman, Jr.  
Chairman & CEO, Vantage Point Bank

## **OUR ASSOCIATES**

### **Executive Staff Members**

Walter L. Tillman, Jr. - Chairman & CEO

David Bezar - President

Russell Carlow – EVP, Chief Lending  
Officer

### **Customer Service Staff**

Ivonne Dege – Client Services Director

Elizabeth Gutgesell - Branch Manager

### **Loan Officers**

Daniel E. O'Brien, VP, Commercial Loan Officer

Staci Hymanson, Consumer Loan Officer

### **Senior Staff Members**

Joseph Cusatis – SVP,  
Chief Technology Officer

Suzanne Weisberg – SVP,  
Operations & Compliance Officer,  
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Michelle Ford – SVP, VPFS  
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