



# The Bank of Princeton

*Bank Wisely.*

Investment presentation

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## 2011 Capital Campaign

**Stephen Distler**  
**Vice-Chairman**

**Steven Ackmann**  
**President**

**August 4, 2011**



*Bank Wisely.*

**We Listen. We Understand. We Make a Difference.**

**FORWARD-LOOKING STATEMENTS:**

This presentation contains "forward-looking statements", which involve risks and uncertainties. Such statements are not historical facts and include expressions about management's confidence, strategies, and expectations about new and existing programs, products, relationships, opportunities, technologies, and market conditions. These statements may be identified by the use of such words as "believe," "expect," "strong," "estimate," "anticipate," "should," "may," "potential," or similar statements or variations of such terms.

Important factors that could cause actual results to differ materially from those in the forward looking statements include: changes in general, economic and market conditions, both in the bank's market area and nationally, legislative and regulatory conditions, or the development of an interest rate environment which adversely affects our interest rate margin or other income anticipated from operations and investments, changes in monetary policy, the continued viability of our customers and a variety of other matters, most, if not at all of which, are beyond our control. You should not place undue reliance on any forward-looking statements, which only reflect management's analysis as of the date of this presentation .

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# Our Vision

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*At The Bank of Princeton,*

*We listen to you,* we appreciate your business, and we're committed to being a true resource for our community.

*We understand,* and we show it by providing you with the highest level of friendly, helpful, and personalized banking services.

*We get it -* we know you want to be treated with respect, and we thank you, genuinely, for entrusting us with your banking.

*Most importantly,* we believe that our own success is achieved only when yours is, when we deliver our unique banking experience to you... and everyone we meet. For you, in that way,

*We make a difference.*

# Background

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- Original Capitalization of \$30 Million
- Broad ownership, no shareholder with more than 10% ownership
- Opened for business April, 2007 with one office on Chambers Street in downtown Princeton
- Pennington Office opened December, 2007
- Hamilton Office opened April, 2008
- Bayard Lane (Headquarters) November, 2008
- Purchase of the Montgomery Office from Provident Bank in May 2010
- Acquired MoreBank with three branches September 2010
- Monroe, NJ office opened December 2010
- Lambertville office opened July 2011
- We became an SEC reporting company as of March 31, 2011

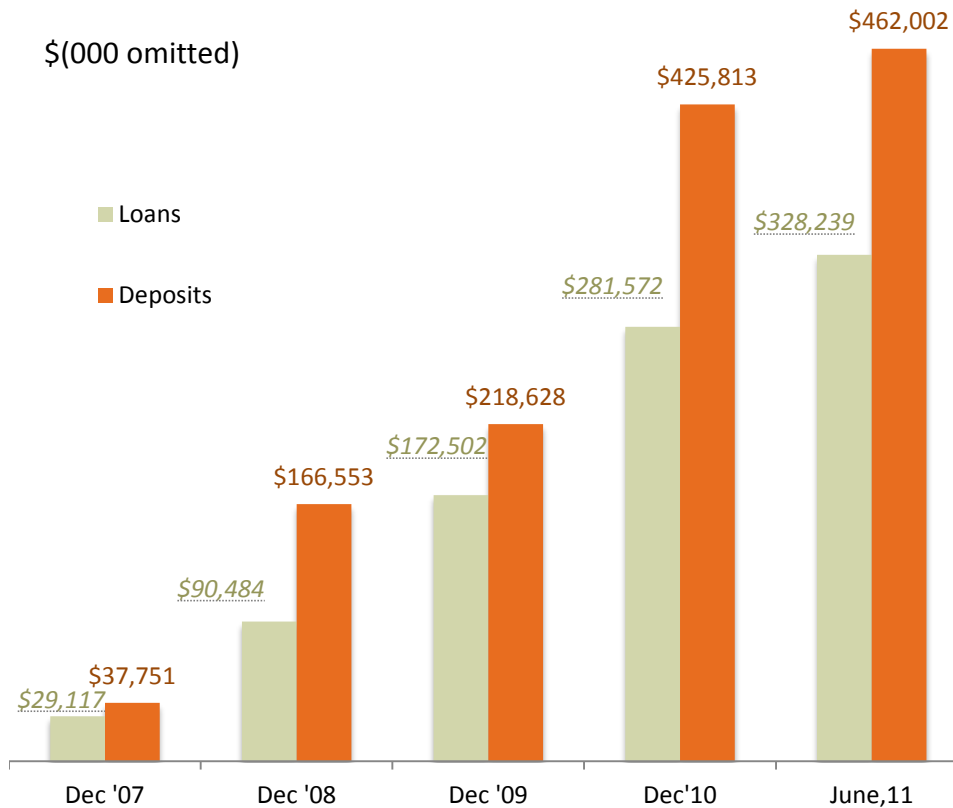
# Our Team



Officers	Title
Steve Ackmann	President
Ed Dietzler	Chief Operating Officer
Mike Sanwald	Chief Financial Officer
Doug Conover	Chief Lending Officer
Paul Hyon	Regional President MoreBank Division

Directors	
Andrew Chon	Chairman
Stephen Distler	Vice-Chairman
Ross Wishnick	Vice-Chairman
Judith Giacin	
Richard J. Gillespie	
Robert N. Ridolfi, Esq.	
Stephen K. Shueh	
Steven Ackmann	President

# We have demonstrated the ability to generate strong deposit and loan growth



## Commentary

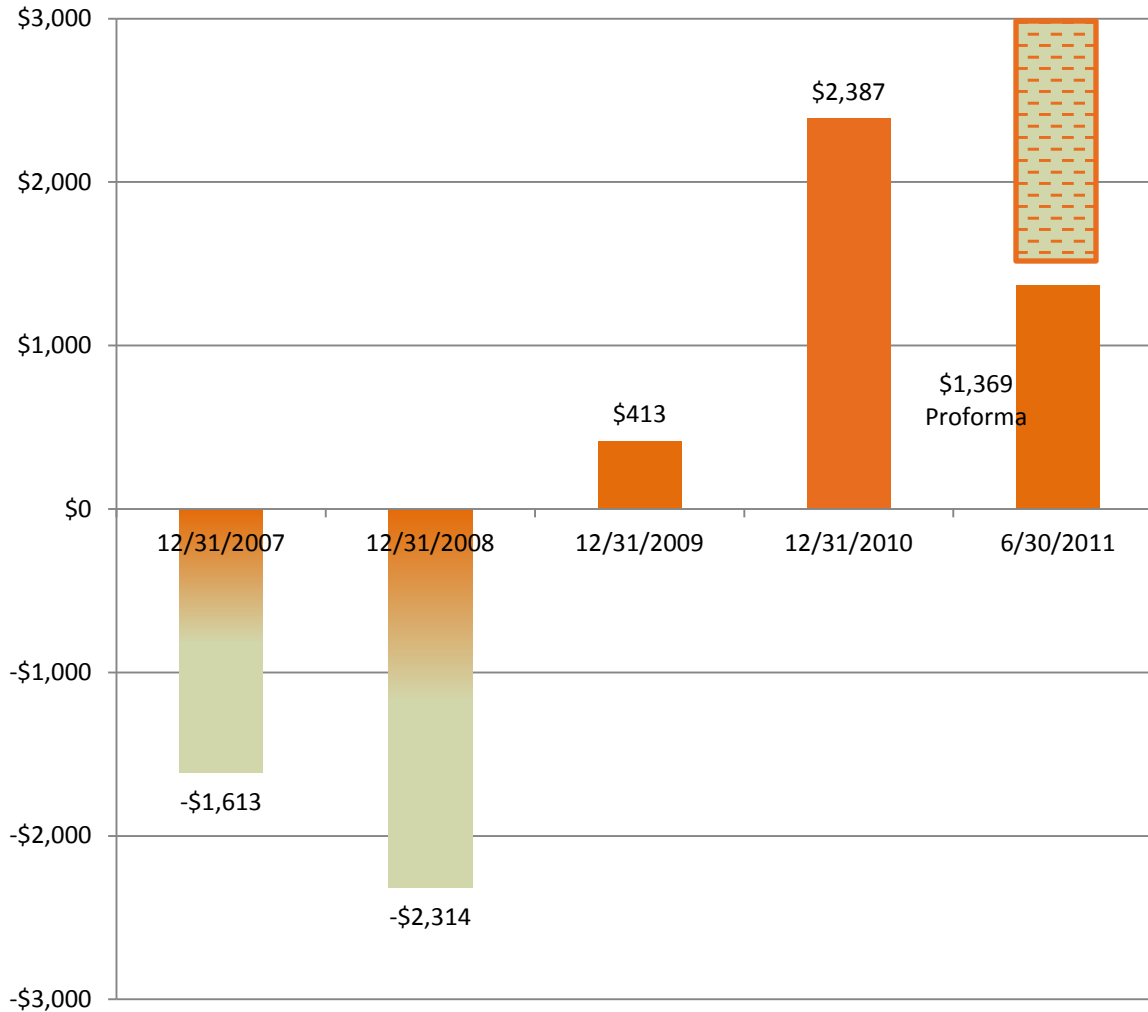
### Deposits

- Deposits internally generated
- Negligible brokered deposits
- 84.6% of deposits are core

### Loans

- Majority of loans internally generated and within the market
- Small pool of purchased NJ 1 to 4 family mortgages

# Financial Performance



Estimated 2011

Profitable in *third* year of operation

2011 Net Income projected to be \$3.0 Million

# Loan Composition

% of Total Loans



	12/31/2007	12/31/2008	12/31/2009	12/31/2010	6/30/2011 Pro-forma
<b>Real Estate Loans</b>	<b>%</b>				
Construction & Land Development Loans/ Loans	19.12	17.64	14.21	11.21	13.49
Total 1-4 Family Loans/ Loans	7.12	15.59	25.81	20.23	17.79
Multifamily Loans/ Loans	8.08	0.00	3.37	2.04	4.45
Farm Loans/ Loans	4.41	2.34	0.89	0.08	.07
CommRE(Nfarm/NRes)/ Loans	35.34	1.62	44.02	56.86	54.53
Foreign RE Loans/ Loans	0.00	0.00	0.00	0.00	0.00
<b>Real Estate Loans/ Loans</b>	<b>74.07</b>	<b>37.18</b>	<b>88.29</b>	<b>90.54</b>	<b>90.33</b>
<b>Total C&amp;I Loans/ Loans</b>	17.35	60.94	11.06	8.83	9.18
<b>Total Cons. Loans/ Loans</b>	0.37	0.59	0.69	0.61	.63
<b>Agricultural Prod/ Loans</b>	0.00	0.00	0.00	0.00	0.00
<b>Other Loans/ Loans</b>	8.58	1.55	0.14	0.21	.11
<b>Total Loans</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

# Asset Quality



	<i>12/31/2007</i>	<i>12/31/2008</i>	<i>12/31/2009</i>	<i>12/31/2010</i>	<i>6/30/11</i> <i>Pro-Forma</i>
<i>Allowance for Loan Losses as a % of Loans</i>	1.20%	1.19%	1.23%	1.29%	1.26%
<i>Non-Performing Assets as a % of Total Assets</i>	0%	.08%	2.75%	1.74%	2.05%

## Key Points

- Continuing to fund reserves as we grow
- Most loans secured by local real estate
- We started after valuations declined
- Loans are within market area and internally generated
- Market area has not been as severely affected as many others

# Deposit Composition and Cost of Funds



	<b>6/30/2011</b>				
<b>% of Total Deposits</b>	<b>12/31/2007</b>	<b>12/31/2008</b>	<b>12/31/2009</b>	<b>12/31/2010</b>	<b>Pro-forma</b>
Non Interest Bear Deposits/Deposits	3.36	6.23	7.61	7.24	7.99
Transaction Accounts/ Deposits	6.41	17.94	28.59	27.54	25.40
MMDAs + Savings/ Deposits	26.70	45.78	43.99	40.73	40.59
Retail Time Deposits/ Deposits	33.58	22.96	16.71	18.14	18.14
Jumbo Time Deposits/ Deposits	33.31	13.31	10.71	13.59	15.87
Cost of interest bearing deposits (%)	Nm	3.22	1.99	1.62	1.54

# Selected Financial Data



	<i>Dec '07</i>	<i>Dec '08</i>	<i>Dec '09</i>	<i>Dec '10</i>	<i>June'11 Pro-forma</i>
<b>Operating Revenue (000)</b>	\$1,672	\$3,432	\$7,791	\$12,397	\$8,549
<b>Net Interest Margin (TE)</b>	N/A	2.99%	3.33%	3.03%	3.43%
<b>Assets/Branch (000)</b>	\$33,231	\$38,874	\$52,932	\$54,241	\$59,637
<b>Assets/Employee (000)</b>	\$3,020	\$5,250	\$6,150	\$6,179	\$5,898
<b>Revenue/Employee (000)</b>	\$76	\$93	\$177	\$157	\$94
<b>Net Income</b>	-\$1,613	-\$2,314	\$413	\$2,387	\$1,369
<b>Net Income/Share</b>	(\$0.54)	(\$0.77)	\$0.14	\$0.60	\$0.35
<b>Book Value/Share</b>	\$9.45	\$8.89	\$9.27	\$10.36	\$11.02

## Key points

- Strong 2<sup>nd</sup> half revenue as loans are booked
- Margin improvement as federal funds are moved into earning assets
- First branch (Chambers St., Princeton) is now over \$100 MM in deposits
- Montgomery office has grown from \$7 MM to \$38MM
- Anticipated Net Income for 2011 is \$3.0 MM, or \$.76/share
- We expect Operating Revenue to exceed \$18.0 Million for 2011

# Capitalization



- Initial capitalization of \$30,000,000 at \$10/share
- Spring 2010, and additional \$5,500,000 in common was added as shareholders exercised warrants at \$12/share
- September 30, 2010 a further \$5,600,000 Capital was added from the MoreBank acquisition
- March 31, 2011 Capital ratios

Ratio	TBOP	To be considered Well-Capitalized
Leverage Ratio	7.85%	>5%
Tier 1 risk-based capital	10.95%	>6%
Total risk-based capital	12.00%	>10%

# Comparison with Other Denovo Banks Started in 2007 *(as of 3/31/2011)*



American  
Bankers  
Association

## Selected de Novo Statistics

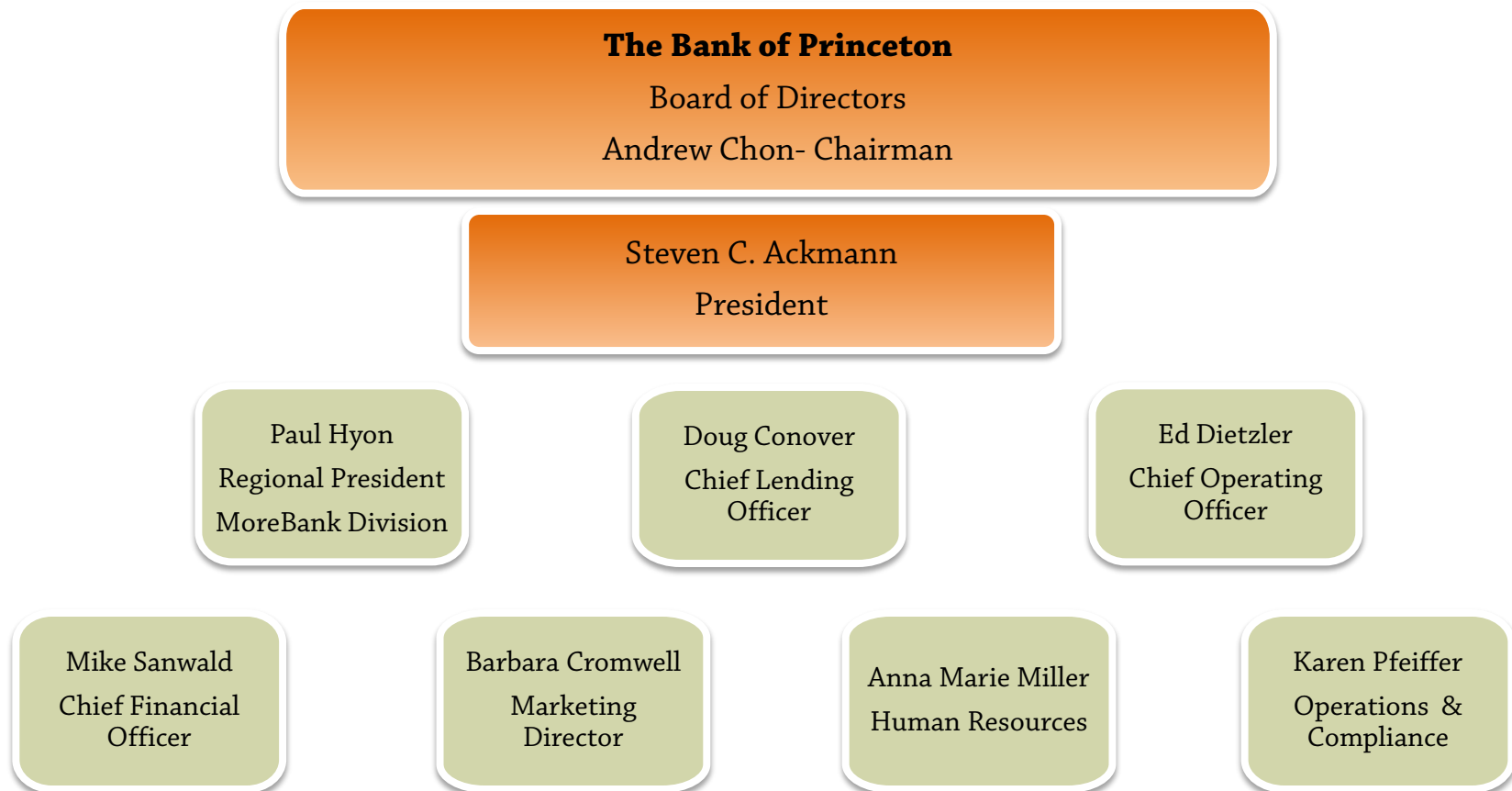
						March 31, 2011						
						Top 25 Percent	Bottom 25 Percent	<i>Bank of Princeton</i>				
						Dec 2007	Dec 2008	Dec 2009	Dec 2010	Mar 2011		
<i>(medians)</i>												
<b>Chartered in 2007</b>	Number of Banks	168	166	163	158	154						
	<i>Number of Employees</i>	14	18.5	20	23	24	37	16	84			
	Total Assets (\$ in Mil)	\$29.4	\$69.5	\$106.2	\$127.1	\$124.7	\$218.3	\$78.3	\$523.5			
	Total Deposits (\$ in Mil)	\$14.0	\$54.1	\$86.4	\$104.0	\$106.9	\$187.0	\$68.4	\$462.7			
	Total Loans (\$ in Mil)	\$11.2	\$47.9	\$71.4	\$80.6	\$79.8	\$146.2	\$53.7	\$305.6			
	Tangible Equity Ratio	55.55%	20.60%	12.29%	10.58%	10.49%	13.15%	9.05%	7.87%			
	Return on Average Assets*	-4.58%	-2.64%	-0.98%	0.16%	0.30%	0.67%	-0.07%	0.56%			
	Return on Average Equity*	-7.48%	-8.73%	-6.49%	1.11%	2.59%	6.30%	0.14%	6.88%			
	NIM/AA	3.17%	3.40%	3.38%	3.72%	3.80%	4.19%	3.33%	3.36%			
	Interest Income/AA	3.19%	5.19%	4.94%	4.78%	4.67%	5.08%	4.16%	4.50%			
	Interest Expense/AA	0.63%	1.97%	1.70%	1.34%	1.11%	1.31%	0.84%	1.33%			
	Non-Interest Income (\$ in Thous)	\$7	\$68	\$136	\$236	\$71	\$230	\$30	\$179			
	Efficiency Ratio	308%	153%	108%	86%	83%	71%	95%	71%			
	Total Deposits Per Employee (\$ in Mil)	\$1.04	\$2.91	\$3.93	\$4.40	\$4.52	\$5.47	\$3.53	\$5.51			
Non-Performing Loans**/Total Loans	0.00%	0.00%	0.75%	1.42%	1.66%	0.25%	3.84%	1.93%				
Loan Loss Reserves/Total Loans	1.20%	1.25%	1.45%	1.58%	1.63%	2.22%	1.31%	1.25%				

Source: American Bankers Assoc.

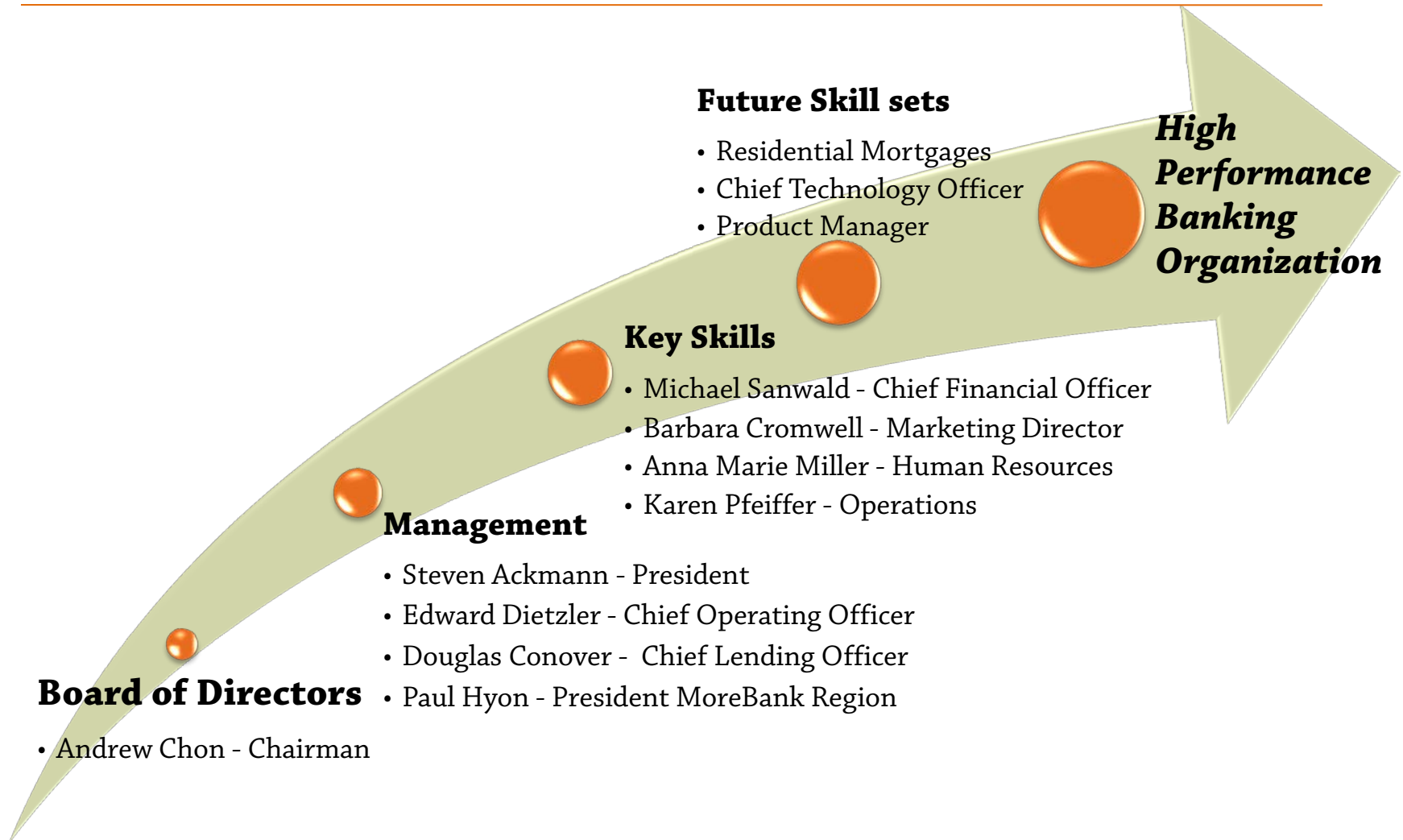
Confidential



# Our Organization



# A commitment to build a high performance bank





Our loan growth is driven by  
*experienced and community based lending group*

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**Lending Management**

- Steve Ackmann - President
- Doug Conover - Chief Lending Officer
- Carol Safchinsky - Credit Administrator

**Lending Support**

- Consumer Loans
  - Mary Beth Gorecki
- Loan Collections
  - H. John Young

***Average experience  
over 20 years***

• **Community Bank Executives**

- Nina Melker- Hamilton
- Stephanie Adkins-Princeton
- Bill McDowell-Pennington
- Bill Allen-Monroe
- Mike Johnson-Lambertville

• **MoreBank Division**

- Paul Hyon-Regional President
- Mike Han-Relationship Manager

• **Commercial Lenders**

- Kris Muse- Healthcare
- Bill McCoy- Commercial

• **Business Development Managers**

- Carly Meyer
- Paul Bencivengo
- Jelanie Polite

# Residential Mortgage Business

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- Begins in 2012 with 5-6 people
  - Includes 3 originators
- Build a portfolio of non-conforming loans<sup>1</sup>
  - \$50 to \$60 Million per year
- Sell conforming loans to FNMA, Freddie Mac, and others
  - Anticipated fee income
    - \$650 K in fee income in 2012
    - Exceeding \$1 MM annually 2014 and beyond

<sup>1</sup> Not sub-prime. These loans generally conforming, but outside the agencies purchase guidelines

# Strategic direction

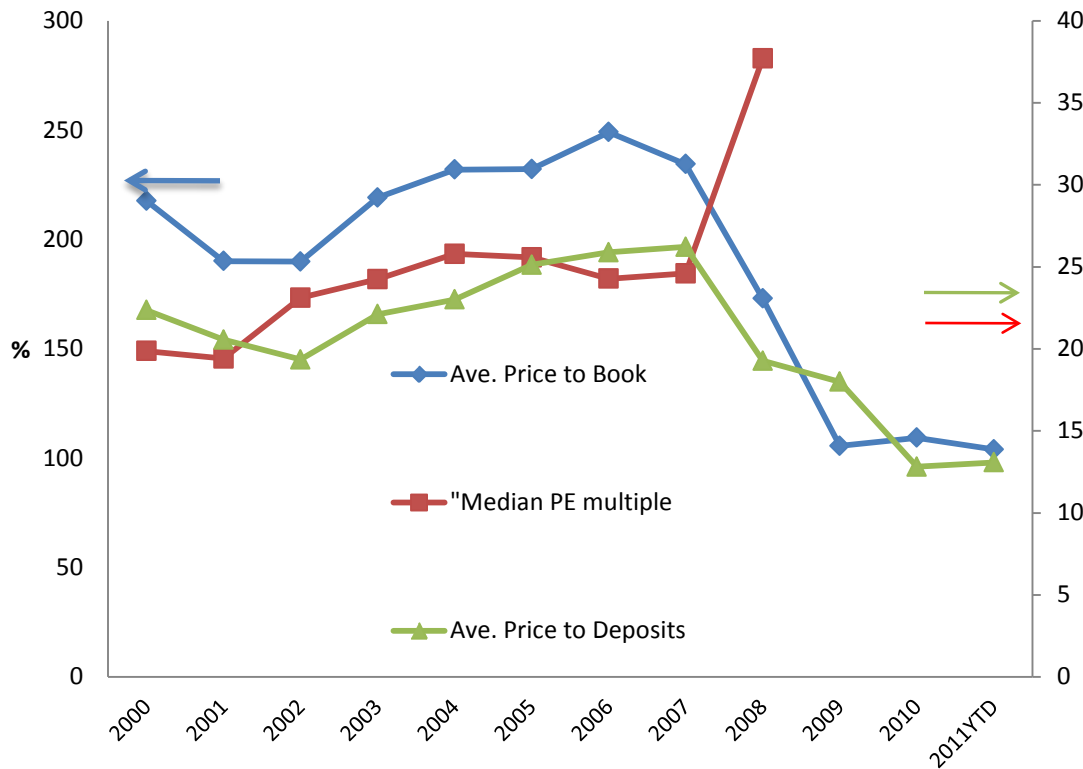


## **For the total company**

- To perform in the top quartile of our peers
  - Expanding organically, acquiring customers in this opportune period
  - Expand the Bank by acquiring
  - Using technology to magnify service and touch, and to keep our costs low
  - Carefully develop residential mortgage capability in our markets
- TBOP franchise...to become a dominant banking franchise in the Mercer County, Central NJ market
  - Continue organic growth
  - Select new branches to capture market
  - Acquire as opportunities emerge
    - Over 25 Banks in our footprint below \$250 Million in assets, many with capital constraints, regulatory issues, and looking for an exit strategy
- Asian Bank franchise
  - Capitalize on opportunities to consolidate other Asian banks
    - There are several Asian Banks with capital and regulatory constraints within market
  - Add Branches and LPO's in Asian communities between Philadelphia and Northern New Jersey
  - Become the dominant Asian Bank on East Coast

# M & A multiples

## *Trends over a decade*



SNL data

- Multiples have fallen severely in the wake of the financial crisis
- We likely are at a low point in values
- Moratorium on new charters
- Most deals in 2010 are government deals
- Non-government deals are beginning to occur
- Multiples likely to expand as asset quality and earning normalize



# TBOP pricing rational

	All	Top Quartile	TBOP Pricing
Price to Book	88.9% (Ave.)	210.1% (Ave.)	125%
<i>Ranges</i>	<i>34.8% to 308.2%</i>	<i>111.2% to 308.2%</i>	
P/E multiple	11.0X (Ave.)	24.8X (Ave.)	18.3X <sup>1</sup>
<i>Ranges</i>	<i>nm<sup>2</sup> to 63.7</i>	<i>14.7x to 63.7x</i>	

<sup>1</sup> Based on TBOP estimated 2011 earnings

<sup>2</sup> not meaningful

137 publicly traded banks under \$2.0 Billion in assets data

Source: SNL Financial, (as of(3/31/2011))



# Estimated valuations with the intermediate growth goals \*

(possible values in 2014)

Inputs			Value of \$13.75 share at Normalized Multiples	Implied Value by 2014	Return
Price/share	\$13.75		15X EPS (normal trading range)	\$39.90	190%
New Shares	1,500,000		22X EPS (normal takeout )	\$58.52	324%
Total Shares	5,509,000		1.5X book (normal trading range)	\$26.10	90%
Bank Assets	\$1.37 Billion		2.2 X book (normal take out)	\$34.80	153%
Bank Deposits	\$1.25 Billion		22% Deposit Premium	\$49.99	264%
EPS @ 1.2% ROA	\$2.66/Share		IRR's from 20.0% if exit is via normal trading to 44.6% on a take out multiple		

\*These valuations reflect significant growth assumptions and do not provide for any of a variety of external variables.

They are not a guaranty of future performance.

# Our Value Proposition

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## **A Capital investment in The Bank of Princeton**

- Allows our investors to grow the TBOP franchise at an unusually opportune time, and in a proven growth strategy
- Permits entry into the mortgage business
- A high growth financial services company with a solid core franchise in a consolidating industry
- The Asian Banking Division adds a further significant expansion in a parallel community banking
- New bank charters seem to be nonexistent or severely restricted
- Significant upside value as valuations normalize, or even exceed prior levels due to scarcity and more difficult entry requirements



# Final thoughts.....

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- Each member of the Board has committed to subscribe to this offering
- Board members will be buying between 10% to 20% of this offering.

***The Board believes strongly in the growth and prospects for The Bank of Princeton.***



# The Bank of Princeton

*Bank Wisely.*

## Questions?

Please contact Steve Distler

The Bank of Princeton

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