

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20429

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 30, 2023**

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: **001-41589**

PRINCETON BANCORP, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

88-4268702
(I.R.S. Employer
Identification No.)

183 Bayard Lane, Princeton, New Jersey 08540
(Address of principal executive offices) (Zip Code)

(609) 921-1700
(Registrant's telephone number, including area code)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	BPRN	The Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☐

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 8, 2023, there were 6,287,252 outstanding shares of the issuer's common stock, no par value.

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Explanatory Note

On January 10, 2023 (the "Effective Date"), Princeton Bancorp, Inc., a Pennsylvania corporation (the "Company") acquired all of the outstanding stock of The Bank of Princeton, a New Jersey state-chartered bank (the "Bank"), (the "Reorganization"). Pursuant to the Reorganization, the Bank became the sole direct wholly owned subsidiary of the Company, the Company became the holding company for the Bank and the stockholders of the Bank became stockholders of the Company.

Before the Effective Date, the Bank's common stock was registered under Section 12(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), and the Bank was subject to the information requirements of the Exchange Act and, in accordance with Section 12(i) thereof, filed quarterly reports, proxy statements and other information with the Federal Deposit Insurance Corporation ("FDIC"). As of the Effective Date, pursuant to Rule 12g-3 under the Exchange Act, the Company is the successor registrant to the Bank, the Company's common stock is deemed to be registered under Section 12(b) of the Exchange Act, and the Company has become subject to the information requirements of the Exchange Act and files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC").

Prior to the Effective Date, the Company conducted no operations other than obtaining regulatory approval for the Reorganization. Accordingly, the consolidated financial statements for periods prior to the Effective Date, discussions of those financial statements, and market data and all other information presented herein for periods prior to the Effective Date, are those of the Bank.

In this report, unless the context indicates otherwise, references to "we," "us," and "our" refer to the Company and the Bank. However, if the discussion relates to a period before the Effective Date, the terms refer only to the Bank.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

PRINCETON BANCORP, INC. **UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION** (Dollars in thousands, except per share data)

	June 30, 2023	December 31, 2022
ASSETS		
Cash and due from banks	\$ 16,100	\$ 12,161
Interest-earning bank balances	1,815	13,140
Federal funds sold	125,086	28,050
Total cash and cash equivalents	<u>143,001</u>	<u>53,351</u>
Securities available-for-sale, at fair value	87,172	83,402
Securities held-to-maturity (fair value \$196 and \$200, at June 30, 2023 and December 31, 2022, respectively)	197	201
Loans receivable, net of deferred costs	1,499,691	1,370,368
Less: allowance for credit losses	<u>(17,970)</u>	<u>(16,461)</u>
Loan receivable, net	1,481,721	1,353,907
Bank-owned life insurance	53,202	52,617
Premises and equipment, net	14,616	11,722
Accrued interest receivable	5,575	4,756
Restricted investment in bank stock	1,385	1,742
Deferred taxes, net	12,672	7,599
Goodwill	8,853	8,853
Core deposit intangible	1,662	1,825
Mortgage servicing rights	1,623	—
Other real estate owned	33	—
Operating lease right-of-use asset	23,050	16,026
Other assets	8,264	5,778
TOTAL ASSETS	<u><u>\$1,843,026</u></u>	<u><u>\$ 1,601,779</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest-bearing	\$ 258,014	\$ 265,078
Interest-bearing	<u>1,314,884</u>	<u>1,082,652</u>
Total deposits	1,572,898	1,347,730
Borrowings	—	10,000
Accrued interest payable	6,174	1,027
Operating lease liability	23,805	16,772
Other liabilities	<u>11,250</u>	<u>6,649</u>
TOTAL LIABILITIES	<u><u>1,614,127</u></u>	<u><u>1,382,178</u></u>
STOCKHOLDERS' EQUITY:		
Common stock, no par value; 15,000,000 shares authorized, 6,279,479 shares issued and outstanding at June 30 2023; at December 31, 2022, par value \$5.00 per share, 6,909,402 shares issued and 6,245,597 shares outstanding	—	34,547
Paid-in capital	97,103	81,291
Treasury stock, at cost 663,805 shares at December 31, 2022	—	(19,452)
Retained earnings	140,310	131,488
Accumulated other comprehensive loss	<u>(8,514)</u>	<u>(8,273)</u>
TOTAL STOCKHOLDER'S EQUITY	<u><u>228,899</u></u>	<u><u>219,601</u></u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$1,843,026</u></u>	<u><u>\$ 1,601,779</u></u>

See accompanying notes to unaudited consolidated financial statements.

PRINCETON BANCORP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
INTEREST AND DIVIDEND INCOME				
Loans receivable, including fees	\$21,517	\$ 16,768	\$41,411	\$33,260
Securities available-for-sale:				
Taxable	292	234	570	457
Tax-exempt	284	293	568	596
Securities held-to-maturity	2	3	5	6
Other interest and dividend income	919	158	1,072	215
TOTAL INTEREST AND DIVIDEND INCOME	23,014	17,456	43,626	34,534
INTEREST EXPENSE				
Deposits	7,321	1,169	11,186	2,393
Borrowings	32	—	118	—
TOTAL INTEREST EXPENSE	7,353	1,169	11,304	2,393
NET INTEREST INCOME	15,661	16,287	32,322	32,141
Provision for credit losses	2,463	—	2,728	—
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	13,198	16,287	29,594	32,141
NON-INTEREST INCOME				
Gain on call/sale of securities available-for-sale	—	2	—	2
Income from bank-owned life insurance	295	283	585	565
Fees and service charges	464	497	912	972
Loan fees, including prepayment penalties	1,030	303	1,381	398
Gain on bargain purchase	9,696	—	9,696	—
Other	80	27	365	221
TOTAL NON-INTEREST INCOME	11,565	1,112	12,939	2,158
NON-INTEREST EXPENSE				
Salaries and employee benefits	5,776	4,908	11,175	9,809
Occupancy and equipment	1,705	1,429	3,046	2,907
Professional fees	556	582	1,021	1,143
Data processing and communications	1,318	1,056	2,618	2,091
Federal deposit insurance	253	275	443	539
Advertising and promotion	126	120	236	239
Office expense	178	62	275	116
Other real estate expenses	1	2	1	11
Loss on sale of other real estate owned	—	101	—	101
Core deposit intangible	127	145	262	299
Acquisition-related expenses	7,026	—	7,026	—
Other	748	748	1,483	1,441
TOTAL NON-INTEREST EXPENSE	17,814	9,428	27,586	18,696
INCOME BEFORE INCOME TAX EXPENSE	6,949	7,971	14,947	15,603
INCOME TAX EXPENSE	161	1,644	2,062	3,255
NET INCOME	\$ 6,788	\$ 6,327	\$12,885	\$12,348
Earnings per common share-basic	\$ 1.08	\$ 1.00	\$ 2.06	\$ 1.93
Earnings per common share-diluted	\$ 1.07	\$ 0.98	\$ 2.02	\$ 1.89
Dividends declared per common share	\$ 0.30	\$ 0.25	\$ 0.60	\$ 0.50

See accompanying notes to unaudited consolidated financial statements.

PRINCETON BANCORP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
NET INCOME	\$ 6,788	\$ 6,327	\$12,885	\$ 12,348
Other comprehensive income (loss)				
Unrealized losses arising during period on securities available-for-sale	(2,074)	(3,616)	(335)	(10,081)
Reclassification adjustment for gains realized in income ¹	—	(2)	—	(2)
Net unrealized loss	(2,074)	(3,618)	(335)	(10,083)
Tax effect	592	774	94	2,717
Total other comprehensive income (loss)	(1,482)	(2,844)	(241)	(7,366)
COMPREHENSIVE INCOME	\$ 5,306	\$ 3,483	\$12,644	\$ 4,982

- 1 Amounts are included in gain on call/sale of securities available-for-sale on the Consolidated Statements of Income as a separate element within total non-interest income. There was no income tax benefit for the three months and six months ended June 30, 2022.

See accompanying notes to unaudited consolidated financial statements.

PRINCETON BANCORP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except per share data)

	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Three Months Ended June 30, 2023 and 2022						
Balance, April 1, 2022	\$ 34,181	\$80,576	\$(13,647)	\$115,813	\$ (3,683)	\$213,240
Net income	—	—	—	6,327	—	6,327
Other comprehensive loss	—	—	—	—	(2,844)	(2,844)
Stock options exercised (29,951 shares)	153	266	—	—	—	419
Dividends declared \$0.25 per share	—	—	—	(1,599)	—	(1,599)
Purchase of treasury stock (140,901 shares)	—	—	(4,185)	—	—	(4,185)
Dividend reinvestment plan (931 shares)	4	26	—	(54)	—	(24)
Stock-based compensation expense	—	15	—	—	—	15
Balance, June 30, 2022	<u>\$ 34,338</u>	<u>\$80,883</u>	<u>\$(17,832)</u>	<u>\$120,487</u>	<u>\$ (6,527)</u>	<u>\$211,349</u>
Balance, April 1, 2023	\$ —	\$96,880	\$ —	\$135,425	\$ (7,032)	\$225,273
Net income	—	—	—	6,788	—	6,788
Other comprehensive loss	—	—	—	—	(1,482)	(1,482)
Dividends declared \$0.30 per share	—	—	—	(1,876)	—	(1,876)
Dividend reinvestment plan (1,083 shares)	—	27	—	(27)	—	—
Stock-based compensation expense	—	196	—	—	—	196
Balance, June 30, 2023	<u>\$ —</u>	<u>\$97,103</u>	<u>\$ —</u>	<u>\$140,310</u>	<u>\$ (8,514)</u>	<u>\$228,899</u>
Six Months Ended June 30, 2023 and 2022						
Balance, January 1, 2022	\$ 34,100	\$80,220	\$(10,032)	\$111,451	\$ 839	\$216,578
Net income	—	—	—	12,348	—	12,348
Other comprehensive loss	—	—	—	—	(7,366)	(7,366)
Stock options exercised (36,401 shares)	185	339	—	—	—	524
Restricted stock (8,741 shares)	44	165	—	—	—	209
Dividends declared \$0.50 per share	—	—	—	(3,267)	—	(3,267)
Purchase of treasury stock (265,341 shares)	—	—	(7,800)	—	—	(7,800)
Dividend reinvestment plan (1,733 shares)	9	36	—	(45)	—	—
Stock-based compensation expense	—	123	—	—	—	123
Balance, June 30, 2022	<u>\$ 34,338</u>	<u>\$80,883</u>	<u>\$(17,832)</u>	<u>\$120,487</u>	<u>\$ (6,527)</u>	<u>\$211,349</u>
Balance, January 1, 2023	\$ 34,547	\$81,291	\$(19,452)	\$131,488	\$ (8,273)	\$219,601
Net income	—	—	—	12,885	—	12,885
Other comprehensive loss	—	—	—	—	(241)	(241)
Adoption of CECL	—	—	—	(284)	—	(284)
Formation of Princeton Bancorp, Inc.	(34,547)	15,095	19,452	—	—	—
Stock options exercised (16,307 shares)	—	272	—	—	—	272
Dividends declared \$0.60 per share	—	—	—	(3,719)	—	(3,719)
Dividend reinvestment plan (2,041 shares)	—	60	—	(60)	—	—
Stock-based compensation expense	—	385	—	—	—	385
Balance, June 30, 2023	<u>\$ —</u>	<u>\$97,103</u>	<u>\$ —</u>	<u>\$140,310</u>	<u>\$ (8,514)</u>	<u>\$228,899</u>

See accompanying notes to unaudited consolidated financial statements.

PRINCETON BANCORP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 12,885	\$ 12,348
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	2,728	—
Depreciation and amortization	670	648
Stock-based compensation expense	385	123
Amortization of premiums and accretion of discount on securities	19	24
Accretion of net deferred loan fees and costs	(1,005)	(3,139)
Gain on call/sale of securities available-for-sale	—	(2)
Income earned from small business investment company ("SBIC") Investment	(191)	(87)
Increase in cash surrender value of bank-owned life insurance	(585)	(564)
Deferred income tax (benefit)	(752)	3
Amortization of core deposit intangible	262	300
Bargain purchase gain	(9,696)	—
Proceeds from other real estate owned	—	125
Write down on other real estate owned	—	101
Decrease in accrued interest receivable and other assets	10,501	1,002
Decrease in accrued interest payable and other liabilities	(2,416)	(2,220)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,805	8,662
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale securities	(345)	(4,306)
Principal repayments of securities available-for-sale	3,198	4,208
Maturities and calls of securities available-for-sale	830	3,002
Maturities, calls and principal repayments of securities held-to-maturity	4	4
Net decrease (increase) in loans	56,082	(57,649)
Cash paid for acquisition	(25,414)	—
Cash received from acquisition	23,181	—
Purchases of premises and equipment	(1,069)	(477)
Purchases of restricted bank stock	357	40
NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES	56,824	(55,178)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	33,468	(55,095)
Repayment of overnight borrowings	(10,000)	—
Cash dividends	(3,779)	(3,312)
Dividend reinvestment program	60	45
Purchase of treasury stock	—	(7,800)
Proceeds from exercise of stock options	272	524
Release of restricted stock units	—	209
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	20,021	(65,429)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,650	(111,945)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	53,351	158,716
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 143,001	\$ 46,771
SUPPLEMENTARY CASH FLOWS INFORMATION:		
Interest paid	\$ 6,157	\$ 2,868
Income taxes paid	\$ 3,455	\$ 1,245
Reclass of paid-in capital related to holding company formation	\$ 15,095	\$ —
Reclass of treasury stock related to holding company formation	\$ 19,452	\$ —
Reclass of common stock related to holding company formation	\$ (34,547)	\$ —
Net assets acquired from Noah Bank ¹	\$ 239,451	\$ —
Net liabilities assumed from Noah Bank ¹	\$ 204,341	\$ —

1 For details of assets acquired and liabilities assumed - See Note 2.

See accompanying notes to unaudited consolidated financial statements.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 1 – Summary of Significant Accounting Policies

Organization and Nature of Operations

The Bank of Princeton (the “Bank”) was incorporated on March 5, 2007 under the laws of the State of New Jersey and is a New Jersey state-chartered banking institution. The Bank was granted its bank charter on April 17, 2007, commenced operations on April 23, 2007 and is a full-service bank providing personal and business lending and deposit services. As a state-chartered bank, the Bank is subject to regulation by the New Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation (“FDIC”). The area served by the Bank, through its 30 branches, is generally an area within an approximate 50-mile radius of Princeton, NJ, including parts of Burlington, Camden, Gloucester, Hunterdon, Mercer, Middlesex, Ocean, and Somerset Counties in New Jersey, and additional areas in portions of Philadelphia, Montgomery and Bucks Counties in Pennsylvania. The Bank also has three retail branches and conducts loan origination activities in select areas of New York.

The Bank offers traditional retail banking services, one-to-four-family residential mortgage loans, multi-family and commercial mortgage loans, construction loans, commercial business loans and consumer loans, including home equity loans and lines of credit.

On January 10, 2023, Princeton Bancorp, Inc., a Pennsylvania corporation formed by the Bank (the “Company”), acquired all the outstanding stock of the Bank in a corporate reorganization. As a result, the Bank became the sole direct subsidiary of the Company, the Company became the holding company for the Bank and the stockholders of the Bank became stockholders of the Company. As of June 30, 2023, the Company had 212 total employees and 209 full-time equivalent employees.

On May 19, 2023, the Company completed the acquisition of Noah Bank, a Pennsylvania chartered state bank headquartered in Elkins Park, Pennsylvania that primarily served the Philadelphia, North New Jersey and New York City markets. On that date the Company acquired 100% of the outstanding common stock, for cash, of Noah Bank and Noah Bank was merged with and into the Bank.

Basis of Financial Statement Presentation

The unaudited consolidated financial statements include the accounts of the Company, its wholly owned subsidiary, the Bank and its wholly owned subsidiaries: Bayard Lane, LLC, Bayard Properties, LLC, 112 Fifth Avenue, LLC, TBOP Delaware Investment Company and TBOP REIT, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission and the FDIC. Accordingly, they do not include all the information and disclosures required by GAAP for annual financial statements. In management's opinion, the unaudited consolidated financial statements contain all adjustments, which include normal and recurring adjustments necessary for a fair presentation of the financial position and results of operations for the interim periods presented. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These unaudited consolidated financial statements should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 2022.

Estimates

The preparation of consolidated financial statements in conformity with GAAP 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. Because of uncertainties associated with estimating the amounts, timing and likelihood of possible outcomes, 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 credit losses, the valuation of acquired assets and liabilities, and evaluation of the potential impairment of goodwill.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 1 – Summary of Significant Accounting Policies (continued)

Management believes that the allowance for credit losses is adequate as of June 30, 2023 and December 31, 2022. While management uses current information to recognize losses on loans, future additions to the allowance for credit losses may be necessary based on changes in economic conditions in the market area or other factors.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for credit losses. Such agencies may require the Company to effect certain changes that result in additions to the allowance based on their judgments about information available to them at the time of their examinations.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year's presentation.

Recently issued accounting standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-04, "Reference Rate Reform" (Topic 848), which provides optional expedients and exceptions for applying GAAP to loan and lease agreements, derivative contracts, and other transactions affected by the anticipated transition away from London Interbank Offered Rate ("LIBOR") toward new interest rate benchmarks. For transactions that are modified because of reference rate reform and that meet certain scope guidance (i) modifications of loan agreements should be accounted for by prospectively adjusting the effective interest rate and the modification will be considered "minor" so that any existing unamortized origination fees/costs would carry forward and continue to be amortized and (ii) modifications of lease agreements should be accounted for as a continuation of the existing agreement with no reassessments of the lease classification and the discount rate or re-measurements of lease payments that otherwise would be required for modifications not accounted for as separate contracts. ASU 2020-04 also provides numerous optional expedients for derivative accounting. ASU 2020-04 is effective March 12, 2020 through December 31, 2022. An entity may elect to apply ASU 2020-04 for contract modifications as of January 1, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic within the Codification, the amendments in this ASU must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. We anticipate this ASU will simplify any modifications we execute between the selected start date (yet to be determined) and June 30, 2023 that are directly related to LIBOR transition by allowing prospective recognition of the continuation of the contract, rather than extinguishment of the old contract resulting in writing off unamortized fees/costs. We are evaluating the impacts of this ASU and we do not anticipate any material impacts to the financial statements.

Recently adopted accounting standards

Effective January 1, 2023 the Company adopted the FASB issued ASU 2016-13, "*Financial Instruments—Credit Losses*," (CECL) which amends the Board's guidance on the impairment of financial instruments, using the modified retrospective method. The amended guidance requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses will represent a valuation account that is deducted from the amortized cost basis of the financial assets to present their net carrying value at the amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets as well as expected increases or decreases of expected credit losses that have taken place during the period. When determining the allowance, expected credit losses over the contractual term of the financial asset(s) (taking into account prepayments) will be estimated considering relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Upon adoption of the new CECL standard, effective January 1, 2023, the Company recorded a one-time decrease, net of tax, in retained earnings of \$284 thousand, a reduction to the allowance for credit losses of \$ 301 thousand and an increase in the reserve for unfunded liabilities of \$695 thousand.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 2 – Business Combinations

On May 19, 2023, the Company completed its acquisition of Noah Bank, a Pennsylvania chartered state bank headquartered in Elkins Park, Pennsylvania that primarily served the Philadelphia, North New Jersey and New York City markets. On that date the Company acquired 100% of the outstanding common stock of Noah Bank and Noah Bank was merged with and into the Bank.

In accordance with the terms of the acquisition agreement, the Company paid \$ 6.00 per share of Noah's common stock outstanding on the closing date.

The acquisition of Noah Bank was accounted for as a business combination using the acquisition method of accounting, and accordingly, the assets acquired, the liabilities assumed, and consideration transferred were recorded at their estimated fair value as of the acquisition. The \$9.7 million below was recorded as a "Bargain Purchase" in non-interest income on the Consolidated Statement of Income. This item was not taxable for the recording of income taxes on the Consolidated Statement of Income.

The following table summarizes the purchase price calculation and bargain purchase gain resulting from acquisition:

	<u>Fair Value</u>
(Dollars in thousands except per share data)	
Purchase Price Consideration in Cash for Noah Bank's Outstanding Shares	
Noah Bank number of common shares outstanding	4,235,666
Purchase price per share assigned to cash consideration	\$ 6.00
Cash consideration	<u>\$ 25,414</u>
Assets Acquired:	
Cash and cash equivalents	\$ 23,181
Securities available-for-sale	6,454
Loans receivable, net of allowance	185,891
Core deposit intangible	99
Premises and equipment	2,495
Operating leases right-of-use	10,523
Deferred tax assets	4,308
Other assets	6,500
Fair value of assets acquired	<u>239,451</u>
Liabilities Assumed:	
Deposits	191,700
Operating lease liability	10,523
Other liabilities assumed	2,118
Fair value of liabilities assumed	<u>204,341</u>
Total identifiable net assets	35,110
Bargain purchase gain	<u>\$ (9,696)</u>

The Company recorded merger-related expenses of \$ 7.0 million, consisting of \$3.7 million for termination of a branch lease, \$ 1.7 million related to termination of data processing contract, \$437 thousand for legal related expenses, \$243 thousand for investment banker services, \$184 thousand in severance payments, \$115 thousand in professional services provided and \$ 621 thousand in other miscellaneous related expenses. In addition, the Company recorded a \$1.7 million provision for the non-purchase credit deteriorated loans in connection with the acquisition.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 2 – Business Combinations (continued)

While the valuation of the acquired assets and liabilities is substantially complete, fair value estimates related to the assets and liabilities from Noah Bank are subject to adjustment for up to one year after the closing date of the acquisition as additional information becomes available. Valuations subject to adjustment include, but are not limited to, investments, loans and deposits as management continues to review the estimated fair value and evaluate the assumed tax position. When the valuation is final, any changes to the preliminary valuation could result in adjustments of bargain purchase recorded. The following is a description of the fair value methodologies used to estimate the fair values of major categories of assets acquired.

Cash and due from banks: The estimated fair values of cash and due from banks approximated their state value.

Investment securities: The acquired portfolio had a fair value of \$ 6.5 million, primarily consisting of mortgage-backed securities and small business administration securities.

Loans: The Company recorded \$185.9 million of acquired loans that were initially at their fair values as of the date of the acquisition. Fair values for loans were based on a discounted cash flow methodology that considered credit loss and prepayment expectations, market interest rates and other market factors, such as liquidity, from the perspective of a market participant. Loan cash flows were generated on an individual loan basis. The probability of default ("PD"), loss given default ("LGD"), exposure of default and prepayment assumptions are the key factors driving credit losses that are embedded in the estimated cash flows. The Company determined that \$37.3 million of the acquired loans were purchased credit deteriorated ("PCD") of which \$34.5 million were performing and \$2.6 million were non-performing at the time of the acquisition.

Allowance for credit losses: The acquisition resulted in the addition of \$2.3 million in the allowance for credit losses, including \$537 thousand identified for purchase credit deteriorated loans.

Other assets: The Company acquired \$2.5 million of premises and equipment and \$10.5 million of operating lease right-of-use assets and recorded the assets at fair value.

Time deposits: Time deposits were valued at the account level based on their remaining maturity dates and comparing the contractual cost of the portfolio to similar instruments. The valuation adjustment of \$407 thousand will be accreted to expense over a five-year period.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 3 - Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is calculated by dividing net income by the weighted average number of common shares outstanding for the period adjusted to include the effect of outstanding stock options, if dilutive, using the treasury stock method. Shares issued during any period are weighted for the portion of the period they were outstanding.

The following schedule presents earnings per share data for the three-month periods ended June 30, 2023 and 2022 (in thousands, except per share data):

	Three months ended June 30,	
	2023	2022
Net income applicable to common stock	\$ 6,788	\$ 6,327
Weighted average number of common shares outstanding	6,270	6,305
Basic earnings per share	\$ 1.08	\$ 1.00
Net income applicable to common stock	\$ 6,788	\$ 6,327
Weighted average number of common shares outstanding	6,270	6,305
Dilutive effect on common shares outstanding	95	132
Weighted average number of diluted common shares outstanding	6,365	6,437
Diluted earnings per share	\$ 1.07	\$ 0.98

The following schedule presents earnings per share data for the six-month periods ended June 30, 2023 and 2022 (in thousands, except per share data):

	Six months ended June 30,	
	2023	2022
Net income applicable to common stock	\$12,885	\$12,348
Weighted average number of common shares outstanding	6,263	6,385
Basic earnings per share	\$ 2.06	\$ 1.93
Net income applicable to common stock	\$12,885	\$12,348
Weighted average number of common shares outstanding	6,263	6,385
Dilutive effect on common shares outstanding	112	141
Weighted average number of diluted common shares outstanding	6,375	6,526
Diluted earnings per share	\$ 2.02	\$ 1.89

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 3 - Earnings Per Share (continued)

The following schedule presents stock options granted but not exercised and the amount of share that were anti-dilutive because the weighted average exercise price equaled or exceeded the estimated fair value of our common stock for the three- and six-month periods ended June 30, 2023 and 2022:

	Three months ended June 30,			
	2023		2022	
	Options	Weighted Ave Exercise Price	Options	Weighted Ave Exercise Price
Options to purchase	276,704	\$ 19.56	328,021	\$ 17.65
Anti-dilutive	95,750	\$ 32.45	95,750	\$ 32.45

	Six months ended June 30,			
	2023		2022	
	Options	Weighted Ave Exercise Price	Options	Weighted Ave Exercise Price
Options to purchase	280,732	\$ 19.49	333,753	\$ 16.31
Anti-dilutive	95,750	\$ 32.45	95,750	\$ 32.45

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 4 – Investment Securities

The following summarizes the amortized cost and fair value of securities available-for-sale at June 30, 2023 and December 31, 2022 with gross unrealized gains and losses therein:

	June 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available -for-sale	(In thousands)			
Mortgage-backed securities - U.S. government sponsored enterprises (GSEs)	\$ 42,035	\$ 6	\$ (6,502)	\$ 35,539
U.S. government agency securities	6,260	—	(1,079)	5,181
Obligations of state and political subdivisions	44,311	6	(3,779)	40,538
Small Business Association (SBA) securities	3,362	1	—	3,363
Subordinated debentures	450	—	—	450
Small business investment company securities	2,684	—	(583)	2,101
Total	\$ 99,102	\$ 13	\$ (11,943)	\$ 87,172

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available -for-sale	(In thousands)			
Mortgage-backed securities - U.S. government sponsored enterprises (GSEs)	\$ 41,515	\$ 2	\$ (6,602)	\$ 34,915
U.S. government agency securities	6,260	—	(1,175)	5,085
Obligations of state and political subdivisions	45,161	8	(3,828)	41,341
Small business investment company securities	2,061	—	—	2,061
Total	\$ 94,997	\$ 10	\$ (11,605)	\$ 83,402

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 4 – Investment Securities (continued)

The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related securities available-for-sale at June 30, 2023 and December 31, 2022 are as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2023	(In thousands)					
Mortgage-backed securities - U.S. government sponsored enterprises (GSEs)	\$ 1,713	\$ (77)	\$31,480	\$ (6,425)	\$33,193	\$ (6,502)
U.S. government agency securities	—	—	5,181	(1,079)	5,181	(1,079)
Obligations of state and political subdivisions	12,409	(367)	23,814	(3,412)	36,223	(3,779)
Small business investment company securities	2,101	(583)	—	—	2,101	(583)
Total	\$16,223	\$ (1,027)	\$60,475	\$ (10,916)	\$76,698	\$ (11,943)
	(In thousands)					
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2022	(In thousands)					
Mortgage-backed securities - U.S. government sponsored enterprises (GSEs)	\$15,605	\$ (1,778)	\$19,137	\$ (4,824)	\$34,742	\$ (6,602)
U.S. government agency securities	—	—	5,085	(1,175)	5,085	(1,175)
Obligations of state and political subdivisions	36,421	(3,457)	1,352	(371)	37,773	(3,828)
	\$52,026	\$ (5,235)	\$25,574	\$ (6,370)	\$77,600	\$ (11,605)

The amortized cost and fair value of securities available-for-sale at June 30, 2023 by contractual maturity are shown below. Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Amortized Cost	Fair Value
	(In thousands)	
Due in one year or less	\$ 150	\$ 150
Due after one year through five years	4,987	4,876
Due after five years through ten years	26,903	24,914
Due after ten years	18,531	15,779
Mortgage-backed securities (GSEs)	42,035	35,539
Small Business Association (SBA) securities	3,362	3,363
Subordinated debentures	450	450
SBIC securities	2,684	2,101
	\$ 99,102	\$ 87,172

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 4 – Investment Securities (concluded)

Proceeds from calls and maturities of available-for-sale securities amounted to \$525 thousand for the three-month period ended June 30, 2023, for which there was no gain recorded. Proceeds from calls and maturities of available-for-sale securities amounted to \$830 thousand for the six-month period ended June 30, 2023 for which there was no gain recorded. There were no sales of securities available-for-sale or proceeds from calls for the six-month period ended June 30, 2022.

On January 1, 2023, the Company adopted ASU 2016-13 and implemented the CECL methodology for allowance for credit losses on its investment securities available-for-sale. The new CECL methodology replaces the other-than-temporary impairment model that previously existed. The company did not have a CECL day 1 impact attributable to its investment securities portfolio and did not have an allowance for credit losses on its investment securities available for sale as of June 30, 2023.

The Company's securities primarily consist of the following types of instruments; U.S. guaranteed mortgage-backed securities, U.S. guaranteed agency bonds, state and political subdivision issued bonds, one small business investment company security guaranteed by the U.S. government and a subordinate debenture acquired from Noah Bank. We believe it is reasonable to expect that the securities with a credit guarantee of the U.S. government, will have a zero-credit loss. Therefore, no reserve was recorded for U.S. guaranteed securities or bonds at June 30, 2023. The state and political subdivision securities carry a minimum investment rating of A. Some of the smaller municipalities also have insurance to cover the Company in the event of default. Therefore, the Company expects to have a zero-credit loss and no reserve was recorded as of June 30, 2023.

At June 30, 2023, the Company's available-for-sale securities portfolio consisted of approximately 219 securities, of which 129 available-for-sale securities were in an unrealized loss position for more than twelve months and 65 available-for-sale securities were in a loss position for less than twelve months. The available-for-sale securities in a loss position for more than twelve months consisted of 81 municipal securities aggregating \$23.8 million with a loss of \$3.4 million, 44 mortgage-backed securities-GSE aggregating \$31.5 million with a loss of \$6.4 million and four agency securities aggregating \$5.2 million with a loss of \$1.1 million. The Company does not intend to sell these securities, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. Unrealized losses primarily relate to interest rate fluctuations and not credit concerns. No OTTI charges were recorded for the three and six months ended June 30, 2023 and 2022.

There are no securities pledged as of June 30, 2023 and December 31, 2022.

Note 5 – Loans Receivable

Loans receivable, net at June 30, 2022 and December 31, 2022 were comprised of the following:

	June 30, 2023	December 31, 2022
	(In thousands)	
Commercial real estate	\$1,022,954	\$ 873,573
Commercial and industrial	46,022	28,859
Construction	383,615	417,538
Residential first-lien mortgage	40,244	43,125
Home equity/consumer	8,029	9,729
Total loans	1,500,864	1,372,824
Deferred fees and costs	(1,173)	(2,456)
Loans, net	<u>\$1,499,691</u>	<u>\$ 1,370,368</u>

Except as discussed in Note 2 regarding the Noah Bank acquisition, the Company did not purchase any loans during the three and six months ended June 30, 2023 and 2022, respectively.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 5 – Loans Receivable (continued)

Upon adoption of CECL the Company has elected to use the discounted cash flow methodology in determining the appropriate quantitative adjustments, which projects future losses, based on historical loss data, as part of the allowance for credit losses ("ACL") reserve. Qualitative adjustments include and consider changes in national, regional and local economic and business conditions, an assessment of the lending environment, including underwriting standards and other factors affecting credit quality.

The following table presents the components of the allowance for credit losses:

	June 30, 2023	December 31, 2022
	(In thousands)	
Allowance for credit losses - loans	\$(17,970)	\$ (16,461)
Allowance for credit losses - off balance sheet	(699)	(332)
	<u>\$(18,669)</u>	<u>\$ (16,793)</u>

The following table presents nonaccrual loans by segment of the loan portfolio as of June 30, 2023 and December 31, 2022:

	June 30, 2023		December 31, 2022	
	With a Related Allowance	Without a Related Allowance	With a Related Allowance	Without a Related Allowance
	(In thousands)			
Commercial real estate	\$ —	\$ 4,485	\$ —	\$ —
Commercial and industrial	—	2,232	—	—
Construction	—	2,925	148	—
Residential first-lien mortgage	—	111	—	118
Total nonaccrual loans	<u>\$ —</u>	<u>\$ 9,753</u>	<u>\$ 148</u>	<u>\$ 118</u>

The calculation of the allowance for credit losses does not include any accrued interest receivable. The Company's policy is to write off any interest not collected after 90 days. During the six-month period ending June 30, 2023, the Company wrote off \$228 thousand in accrued interest receivable for loans.

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loan receivables by the length of time a recorded payment is past due. The following table presents the segments of the loan portfolio, summarized by the past due status as of June 30, 2023:

	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable >90 Days and Accruing
	(In thousands)						
Commercial real estate	\$ 539	\$—	\$4,485	\$ 5,024	\$1,017,930	\$1,022,954	\$ —
Commercial and industrial	45	—	2,232	2,277	43,745	46,022	—
Construction	—	—	2,925	2,925	380,690	383,615	—
Residential first-lien mortgage	495	—	111	606	39,638	40,244	—
Home equity/consumer	—	—	—	—	8,029	8,029	—
Total	<u>\$1,079</u>	<u>\$—</u>	<u>\$9,753</u>	<u>\$10,832</u>	<u>\$1,490,032</u>	<u>\$1,500,864</u>	<u>\$ —</u>

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 5 – Loans Receivable (continued)

The following table presents the segments of the loan portfolio summarized by the past due status as of December 31, 2022:

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 days	Total Past Due	Current	Total Loans Receivable	Loans Receivable >90 Days and Accruing
	(In thousands)						
Commercial real estate	\$ —	\$6,193	\$ —	\$6,193	\$ 867,380	\$ 873,573	\$ —
Commercial and industrial	—	—	—	—	28,859	28,859	—
Construction	—	—	148	148	417,390	417,538	—
Residential first-lien mortgage	1,292	—	118	1,410	41,715	43,125	—
Home equity/Consumer	255	—	184	439	9,290	9,729	184
Total	<u>\$1,547</u>	<u>\$6,193</u>	<u>\$ 450</u>	<u>\$8,190</u>	<u>\$1,364,634</u>	<u>\$1,372,824</u>	<u>\$ 184</u>

The Company categorizes all loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation and current economic trends, among other factors. The Company evaluates risk ratings on an ongoing basis and assigns one of the following ratings: pass, special mention, substandard and doubtful. The Company engages a third party to review its assessment on a semiannual basis. The Company classifies residential and consumer loans as either performing or nonperforming based on payment status.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 5 – Loans Receivable (continued)

The following table summarizes total loans by year of origination, internally assigned credit grades and risk characteristics as of June 30, 2023.

	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
	(Dollars in thousands)							
Commercial real estate								
Pass	\$6,260	\$235,799	\$ 88,066	\$ 54,349	\$174,659	\$450,916	\$ 5,608	\$1,015,657
Special mention	—	—	—	—	—	2,812	—	2,812
Substandard	—	—	—	—	—	4,485	—	4,485
Total commercial real estate	6,260	235,799	88,066	54,349	174,659	458,213	5,608	1,022,954
Commercial and industrial								
Pass	1,771	4,054	2,466	2,298	16,367	2,674	13,139	42,769
Special mention	—	—	—	—	—	697	—	697
Substandard	—	—	—	—	—	2,556	—	2,556
Total commercial and industrial	1,771	4,054	2,466	2,298	16,367	5,927	13,139	46,022
Construction								
Pass	—	6,904	141,342	38,117	48	10,837	183,442	380,690
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	2,925	—	—	—	2,925
Total construction	—	6,904	141,342	41,042	48	10,837	183,442	383,615
Residential first-lien mortgage								
Performing	—	1,006	5,707	2,886	1,578	28,956	—	40,133
Nonperforming	—	—	—	—	—	111	—	111
Total residential first-lien mortgage	—	1,006	5,707	2,886	1,578	29,067	—	40,244
Home equity/consumer								
Performing	—	948	415	67	—	2,980	3,619	8,029
Nonperforming	—	—	—	—	—	—	—	—
Total home equity/consumer	—	948	415	67	—	2,980	3,619	8,029
Current period gross charge-offs	—	—	—	—	—	(1,868)	—	(1,868)
Current period recoveries	—	—	—	—	—	30	—	30
Total net-charge-off	—	—	—	—	—	(1,838)	—	(1,838)
Total								
Pass	8,031	248,711	237,996	97,717	192,652	496,363	205,808	1,487,278
Special mention	—	—	—	—	—	3,509	—	3,509
Substandard	—	—	—	2,925	—	7,152	—	10,077
Total loans	<u>\$8,031</u>	<u>\$248,711</u>	<u>\$237,996</u>	<u>\$100,642</u>	<u>\$192,652</u>	<u>\$507,024</u>	<u>\$205,808</u>	<u>\$1,500,864</u>

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of December 31, 2022:

	Pass	Special Mention	Substandard (In thousands)	Doubtful	Total
Commercial real estate	\$ 864,497	\$ 2,883	\$ 6,193	\$ —	\$ 873,573
Commercial and industrial	28,350	509	—	—	28,859
Construction	417,390	—	148	—	417,538
Residential first-lien mortgage	43,007	—	118	—	43,125
Home equity/consumer	9,729	—	—	—	9,729
Total with no related allowance	<u>\$1,362,973</u>	<u>\$ 3,392</u>	<u>\$ 6,459</u>	<u>\$ —</u>	<u>\$1,372,824</u>

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 5 – Loans Receivable (continued)

The following table presents the allowance for credit losses on loans receivable at and for the three months ended June 30, 2023:

	Commercial real estate	Commercial and industrial	Construction	Residential first-lien mortgage (In thousands)	Home equity/ consumer	Unallocated	Total
Allowance for credit losses:							
Beginning balance	\$ 10,037	\$ 214	\$ 5,349	\$ 654	\$ 253	\$ —	\$16,507
Non-purchased credit deteriorated loans	1,586	105	—	16	—	—	1,707
Purchased credit deteriorated loans	498	103	—	—	—	—	601
Provision ¹	1,697	(19)	(672)	(7)	(3)	—	996
Charge-offs	(1,718)	—	(148)	(2)	—	—	(1,868)
Recoveries	23	4	—	—	—	—	27
Total	<u>\$ 12,123</u>	<u>\$ 407</u>	<u>\$ 4,529</u>	<u>\$ 661</u>	<u>\$ 250</u>	<u>\$ —</u>	<u>\$17,970</u>
Ending Balance:							
Individually evaluated	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively evaluated	<u>12,123</u>	<u>407</u>	<u>4,529</u>	<u>661</u>	<u>250</u>	<u>—</u>	<u>17,970</u>
	<u>\$ 12,123</u>	<u>\$ 407</u>	<u>\$ 4,529</u>	<u>\$ 661</u>	<u>\$ 250</u>	<u>\$ —</u>	<u>\$17,970</u>

¹ The provision for credit losses on the Consolidated Statement of Income is \$ 2.5 million comprising \$1.7 million related to non-PCD loans acquired, a \$996 thousand increase to the allowance for credit losses on loans and a \$ 240 thousand reduction to the reserve for unfunded liabilities.

The following table presents the recorded investment in loans receivable at June 30, 2023:

	Commercial real estate	Commercial and industrial	Construction	Residential first-lien mortgage (In thousands)	Home equity/ consumer	Unallocated	Total
Loans:							
Ending balance:							
Individually evaluated	\$ 4,485	\$ 2,232	\$ 2,925	\$ 111	\$ —	\$ —	\$ 9,753
Collectively evaluated	<u>1,018,469</u>	<u>43,790</u>	<u>380,690</u>	<u>40,133</u>	<u>8,029</u>	<u>—</u>	<u>1,491,111</u>
Ending balance	<u>\$1,022,954</u>	<u>\$ 46,022</u>	<u>\$ 383,615</u>	<u>\$ 40,244</u>	<u>\$ 8,029</u>	<u>\$ —</u>	<u>\$1,500,864</u>

The following table presents the allowance for loan losses on loans receivables at and for the three months ended June 30, 2022:

	Commercial real estate	Commercial and industrial	Construction	Residential first-lien mortgage (In thousands)	Home equity/ consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	\$ 7,088	\$ 266	\$ 8,034	\$ 262	\$ 46	\$ 958	\$16,654
Provision	1,583	13	(1,604)	(3)	4	7	—
Charge-offs	(200)	—	—	—	—	—	(200)
Recoveries	<u>212</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>212</u>
Total	<u>\$ 8,683</u>	<u>\$ 279</u>	<u>\$ 6,430</u>	<u>\$ 259</u>	<u>\$ 50</u>	<u>\$ 965</u>	<u>\$16,666</u>

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 5 – Loans Receivable (continued)

The following table presents the allowance for credit losses on loans receivable at and for the six months ended June 30, 2023:

	Commercial real estate	Commercial and industrial	Construction	Residential first-lien mortgage	Home equity/ consumer	Unallocated	Total
	(In thousands)						
Allowance for credit losses:							
Beginning balance	\$ 8,654	\$ 271	\$ 6,289	\$ 236	\$ 45	\$ 966	\$ 16,461
CECL adoption	1,384	(73)	(1,269)	428	195	(966)	(301)
CECL day 1 provision	1,586	105	—	16	—	—	1,707
Purchased credit deteriorated loans	498	103	—	—	—	—	601
Provision ¹	1,693	(3)	(343)	(17)	10	—	1,340
Charge-offs	(1,718)	—	(148)	(2)	—	—	(1,868)
Recoveries	26	4	—	—	—	—	30
Total	\$ 12,123	\$ 407	\$ 4,529	\$ 661	\$ 250	\$ —	\$ 17,970

¹ The provision for credit losses on the Consolidated Statement of Income is \$ 2.7 million comprising \$1.7 million related to non-PCD loans acquired, a \$1.3 million increase to the allowance for credit losses on loans and a \$ 319 thousand reduction to the reserve for unfunded liabilities.

The following table presents the allowance for credit losses on loans receivable at and for the six months ended June 30, 2022:

	Commercial real estate	Commercial and industrial	Construction	Residential first-lien mortgage	Home equity/ consumer	PPP	Unallocated	Total
	(In thousands)							
Allowance for loan losses:								
Beginning balance	\$ 7,458	\$ 713	\$ 7,228	\$ 267	\$ 48	\$ —	\$ 906	\$ 16,620
Provision	1,179	(434)	(798)	(8)	2	—	59	—
Charge-offs	(200)	—	—	—	—	—	—	(200)
Recoveries	246	—	—	—	—	—	—	246
Total	\$ 8,683	\$ 279	\$ 6,430	\$ 259	\$ 50	\$ —	\$ 965	\$ 16,666

The following table presents the recorded investment of loans receivables and allowance for loan losses at December 31, 2022:

	<u>Commercial real estate</u>	<u>Commercial and industrial</u>	<u>Construction</u>	<u>Residential first-lien mortgage</u> (In thousands)	<u>Home equity/ consumer</u>	<u>Unallocated</u>	<u>Total</u>
Loans:							
Ending Balance:							
Individually evaluated for impairment	\$ 12,030	\$ 10	\$ 148	\$ 118	\$ 71	\$ —	\$ 12,377
Collectively evaluated for impairment	<u>861,543</u>	<u>28,849</u>	<u>417,390</u>	<u>43,007</u>	<u>9,658</u>	<u>—</u>	<u>1,360,447</u>
Ending balance	<u>\$ 873,573</u>	<u>\$ 28,859</u>	<u>\$ 417,538</u>	<u>\$ 43,125</u>	<u>\$ 9,729</u>	<u>\$ —</u>	<u>\$1,372,824</u>
Allowance for loan losses:							
Ending Balance:							
Individually evaluated for impairment	\$ —	\$ —	\$ 118	\$ —	\$ —	\$ —	\$ 118
Collectively evaluated for impairment	<u>8,654</u>	<u>271</u>	<u>6,171</u>	<u>236</u>	<u>45</u>	<u>966</u>	<u>16,343</u>
	<u>\$ 8,654</u>	<u>\$ 271</u>	<u>\$ 6,289</u>	<u>\$ 236</u>	<u>\$ 45</u>	<u>\$ 966</u>	<u>\$ 16,461</u>

At June 30, 2023, non-performing assets totaled \$9.8 million, an increase of \$9.5 million, when compared to the amount at December 31, 2022. This increase was due to the delinquency of a \$4.5 million commercial real estate loan after recording a \$1.7 million charge-off, as well as \$2.9 million of construction loans and \$2.5 million of non-performing loans acquired from Noah Bank. The \$1.7 million charge-off of the \$4.5 million commercial real estate loan's balance was based on recent third party offers to purchase the note received by the Bank. The property securing this loan is located in New York City.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 5 – Loans Receivable (concluded)

Management took a conservative approach and reduced the loan balance although no formal commitment had been executed as of this date.

With the adoption of CECL, performing troubled debt restructurings (“TDRs”) are no longer reported for the current period. At December 31, 2022 there were three loans classified as TDR loans totaling \$ 5.9 million and each of these loans was performing in accordance with the agreed-upon terms.

Note 6 – Deposits

The components of deposits were as follows:

	June 30, 2023		December 31, 2022	
		(Dollars in thousands)		
Demand, non-interest-bearing checking	\$ 258,014	16.40%	\$ 265,078	19.67%
Demand, interest-bearing checking	224,328	14.26%	269,737	20.01%
Savings	152,695	9.71%	190,686	14.15%
Money market	321,840	20.46%	283,652	21.05%
Time deposits, \$250,000 and over	142,674	9.07%	83,410	6.19%
Time deposits, other	473,347	30.10%	255,167	18.93%
	<u>\$1,572,898</u>	<u>100.00%</u>	<u>\$1,347,730</u>	<u>100.00%</u>

Note 7 – Borrowings

At June 30, 2023, the Company had no overnight borrowings outstanding. At December 31, 2022, the Company had \$ 10.0 million of overnight borrowings outstanding at a rate of 4.61%.

Note 8 – Fair Value Measurements and Disclosures

The Company follows the guidance on fair value measurements now codified as FASB ASC Topic 820, *Fair Value Measurement* (“Topic 820”). Fair value measurements are not adjusted for transaction costs. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Management uses its best judgment in estimating the fair value of the Company'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 Company could have realized in sales transactions 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 consolidated 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 from 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 or 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.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 8 – Fair Value Measurements and Disclosures (continued)

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 June 30, 2023 were as follows:

Description	(Level 1) Quoted Price in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs	Total Fair Value June 30, 2023
	(In thousands)			
Mortgage-backed securities -U.S. government sponsored enterprise (GSEs)	\$ —	\$ 35,539	\$ —	\$35,539
U.S. government agency securities	—	5,181	—	5,181
Obligations of state and political subdivisions	—	40,538	—	40,538
Small Business Association (SBA) securities	—	3,363	—	3,363
Subordinated debentures	—	450	—	450
SBIC securities	—	—	2,101	2,101
Securities available-for-sale at fair value	<u>\$ —</u>	<u>\$ 85,071</u>	<u>\$ 2,101</u>	<u>\$87,172</u>

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, 2022 were as follows:

Description	(Level 1) Quoted Price in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs	Total Fair Value December 31, 2022
	(In thousands)			
Mortgage-backed securities -U.S. government sponsored enterprise (GSEs)	\$ —	\$ 34,915	\$ —	\$ 34,915
U.S. government agency securities	—	5,085	—	5,085
Obligations of state and political subdivisions	—	41,341	—	41,341
SBIC securities	—	—	2,061	2,061
Securities available-for-sale at fair value	<u>\$ —</u>	<u>\$ 81,341</u>	<u>\$ 2,061</u>	<u>\$ 83,402</u>

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 8 – Fair Value Measurements and Disclosures (continued)

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2023, were as follows.

<u>Description</u>	<u>(Level 1) Quoted Price in Active Markets for Identical Assets</u>	<u>(Level 2) Significant Other Observable Inputs</u>	<u>(Level 3) Significant Unobservable Inputs</u>	<u>Total Fair Value June 30, 2023</u>
	(In thousands)			
Other real estate owned	\$ —	\$ —	\$ 33	\$ 33
Collateral dependent loan	—	—	4,485	4,485
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,518</u>	<u>\$ 4,518</u>

The following table presents quantitative information using Level 3 fair value measurements at June 30, 2023.

<u>Description</u>	<u>June 30, 2023</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Range (Weighted Average)</u>
		(Dollars in thousands)		
			Discount	0.0%
Other real estate owned ¹	\$ 33	Collateral ²	adjustment	(0.0%)
			Discount	0.0%
Collateral dependent loan	\$ 4,485	Collateral ³	adjustment	(0.0%)

¹ Other real estate owned was written down to the estimated net realizable value.

² Fair value is generally determined through independent appraisal of the underlying collateral, primarily using comparable sales.

³ Value based on third party offer to purchase note from the Bank.

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2022, were as follows:

<u>Description</u>	<u>(Level 1) Quoted Price in Active Markets for Identical Assets</u>	<u>(Level 2) Significant Other Observable Inputs</u>	<u>(Level 3) Significant Unobservable Inputs</u>	<u>Total Fair Value December 31, 2022</u>
	(In thousands)			
Impaired loans	\$ —	\$ —	\$ 30	\$ 30
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 30</u>	<u>\$ 30</u>

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 8 – Fair Value Measurements and Disclosures (continued)

The following table presents quantitative information using Level 3 fair value measurements at December 31, 2022.

<u>Description</u>	<u>Fair Value December 31, 2022</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Range (Weighted Average)</u>
(Dollars in thousands)				
Impaired loans	\$ 30	Collateral ¹	Discount adjustment	6.0% (6.0%)

¹ Fair value is generally determined through independent appraisal of the underlying collateral, primarily using comparable sales.

There were no transfers between fair value hierarchy levels during the six months ended June 30, 2023 and 2022. The Company's policy is to recognize transfers between levels as of the end of the reporting period.

The following methods and assumptions were used by the Company in estimating fair value disclosures:

Investment Securities

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.

Level 2 debt securities are valued by a third-party pricing service commonly used in the banking industry and not adjusted by management. Level 2 fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. treasury yield curve, live trading levels, trade execution date, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things.

Level 3 securities are securities with no observable market prices. The SBIC fund's underlying collateral is valued using prices obtained from pricing vendors or brokers, typically using at least two pricing vendors for the subject or similar securities. When vendor pricing is not available, a fair value is composed of quotes for the subject or quotes for similar securities from broker dealers.

Impaired loans (generally carried at fair value)

Impaired loans carried at fair value are those impaired loans in which the Company has measured impairment generally based on the fair value of the related 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, discounted for estimated selling costs or other factors the Company determines will impact collection of 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.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 8 – Fair Value Measurements and Disclosures (continued)

The carrying amounts and estimated fair value of financial instruments at June 30, 2023 are as follows.

	June 30, 2023				
	Carrying Amount	Estimated Fair Value	Level 1 (In thousands)	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	\$ 143,001	\$ 143,001	\$ 143,001	\$ —	\$ —
Securities available-for-sale at fair value	87,172	87,172	—	85,071	2,101
Securities held-to-maturity	197	196	—	196	—
Loans receivable, net	1,481,721	1,483,203	—	—	1,483,203
Restricted investments in bank stock	1,385	1,385	—	1,385	—
Accrued interest receivable	5,575	5,575	—	5,575	—
Financial Liabilities:					
Deposits	\$1,572,898	\$1,469,087	\$ —	\$1,469,087	\$ —
Accrued interest payable	6,174	6,174	—	6,174	—

The carrying amounts and estimated fair value of financial instruments at December 31, 2022 are as follows:

	December 31, 2022				
	Carrying Amount	Estimated Fair Value	Level 1 (In thousands)	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 53,351	\$ 53,351	\$ 53,351	\$ —	\$ —
Securities AFS	83,402	83,402	—	81,341	2,061
Securities HTM	201	200	—	200	—
Loans receivable, net	1,353,907	1,347,137	—	—	1,347,137
Restricted bank stock	1,742	1,742	—	1,742	—
Accrued interest receivable	4,756	4,756	—	4,756	—
Financial Liabilities					
Deposits	1,347,730	1,225,087		1,225,087	—
Borrowings	10,000	10,000		10,000	
Accrued interest payable	1,027	1,027	—	1,027	—

The fair value of cash and cash equivalents, restricted bank stock, accrued interest receivable, and accrued interest payable are measured at the Company's carrying amount.

The fair value of loans and deposits are measured on a discounted basis using similar rates and terms.

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 8 – Fair Value Measurements and Disclosures (concluded)

Limitations

The fair value estimates are made at a discrete point in time based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Further, the foregoing estimates may not reflect the actual amount that could be realized if all or substantially all the financial instruments were offered for sale. This is due to the fact that no market exists for a sizable portion of the loan, deposit and off-balance sheet instruments.

In addition, the fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to value anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

Finally, reasonable comparability between financial institutions may not be practical due to the wide range of permitted valuation techniques and numerous estimates which must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies introduces a greater degree of subjectivity to these estimated fair values.

Note 9 – Leases

Leases (Topic 842) establishes a right of use model that requires a lessee to record a right of use asset ("ROU") and a lease liability for all leases with terms longer than 12 months. The Company is obligated under 26 operating lease agreements for 25 branches and its corporate offices with terms extending through 2039. The Company's lease agreements include options to renew at the Company's discretion. The extensions are reasonably certain to be exercised, therefore they were considered in the calculations of the ROU asset and lease liability.

The following table represents the classification of the Company's right of use and lease liability.

	Statement of Financial Condition Location	June 30, 2023	December 31, 2022
		(In thousands)	
Operating Lease Right of Use			
Asset:			
Gross carrying amount		\$ 16,026	\$ 17,919
Increased asset from new leases		8,067	—
Accumulated amortization		(1,043)	(1,893)
Net book value	Operating lease right-of-use asset	<u>\$ 23,050</u>	<u>\$ 16,026</u>
Operating Lease Liability:			
Lease liability	Operating lease liability	<u>\$ 23,805</u>	<u>\$ 16,772</u>

As of June 30, 2023, the weighted-average remaining lease terms for operating leases was 12.6 years and the weighted-average discount rate used in the measurement of operating lease liabilities was 3.35%. The Company used FHLB fixed rate advances or at the time the lease was placed in service for the term most closely aligning with remaining lease term.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 9 – Leases (continued)

Future minimum payments under operating leases with terms longer than 12 months are as follows at June 30, 2023 (in thousands):

Twelve months ended June 30,	
2024	\$ 3,401
2025	3,115
2026	3,009
2027	2,794
2028	2,531
Thereafter	17,546
Total future operating lease payment	32,396
Amounts representing interest	(8,591)
Present value of net future lease payments	<u>\$ 23,805</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(In thousands)		(In thousands)	
Lease cost:				
Operating lease	\$ 930	\$ 705	\$ 1,595	\$ 1,405
Short-term lease cost	63	10	65	34
Total lease cost	<u>\$ 993</u>	<u>\$ 715</u>	<u>\$ 1,660</u>	<u>\$ 1,439</u>
Other information:				
Cash paid for amounts included in the measurement of lease liabilities	<u>\$ 696</u>	<u>\$ 577</u>	<u>\$ 1,281</u>	<u>\$ 1,244</u>

Note 10 – Goodwill and Core Deposit Intangible

On May 17, 2019, the Bank acquired five branches which were accounted for under FASB ASC 805, *Business Combinations*.

In accordance with ASC 805, the Bank recorded \$ 8.9 million of goodwill along with \$ 4.2 million of core deposit intangible assets. The intangible assets are related to core deposits and are being amortized over 10 years, using the sum of the year's digits. For tax purposes, goodwill totaling \$ 8.9 million is tax deductible and will be amortized over 15 years straight line. Except as set forth below, GAAP requires that goodwill be tested for impairment annually (with the annual evaluation occurring on May 31 of each year) or more frequently if impairment indicators arise. The reporting unit was determined to be our community banking operations, which is our only operating segment.

ASC Topic 350-20 requires an at least annual review of the fair value of a Reporting Unit that has goodwill in order to determine if it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a Reporting Unit is less than its carrying amount, including goodwill. A qualitative factor test can be performed to determine whether it is necessary to perform a quantitative goodwill impairment test. If this qualitative test determines it is not likely that (less than 50% probability) the fair value of the Reporting Unit is less than Carrying Value, then the Company does not have to perform a quantitative test and goodwill can be considered not impaired. After performing the qualitative factor test, the result was the Company determined that a quantitative test would be performed at May 31, 2023, primarily due to the Company's common stock trading at 68.0% of book value and a reduction in return on assets for the first five months of 2023 compared to the same period of 2022. Based on the results of the quantitative impairment test the Company's goodwill was not impaired as of May 31, 2023.

PRINCETON BANCORP, INC.
Notes to Consolidated Financial Statements (unaudited)

Note 10 – Goodwill and Core Deposit Intangible (continued)

The changes in the carrying amount of goodwill and core deposit intangible assets are summarized as follows:

	<u>Goodwill</u>	<u>Core Deposit Intangible</u>
	(In thousands)	
Balance at December 31, 2022	\$ 8,853	\$ 1,825
Acquisition of Noah Bank	—	99
Amortization expense	—	(262)
Balance at March 31, 2023	<u>\$ 8,853</u>	<u>\$ 1,662</u>

As of June 30, 2023, the remaining current fiscal year and future fiscal periods amortization for the core deposit intangible is (in thousands):

2023	\$ 243
2024	432
2025	353
2026	274
2027	195
Thereafter	165
Total	<u>\$1,662</u>

Note 11 – Subsequent Event

On July 20, 2023, the Board of Directors declared a cash dividend of \$ 0.30 per share of common stock to shareholders of record on August 9, 2023, payable on August 31, 2023.

Note 12 – Risk and Uncertainties

The occurrence of events which adversely affect the global, national and regional economies may have a negative impact on our business. Like other financial institutions, our business relies upon the ability and willingness of our customers to transact business with us, including banking, borrowing and other financial transactions. A strong and stable economy at each of the local, federal and global levels is often a critical component of consumer confidence and typically correlates positively with our customers' ability and willingness to transact certain types of business with us. Local and global events outside of our control which disrupt the New Jersey, Pennsylvania, New York, United States and/or global economy may therefore negatively impact our business and financial condition.

Government economic programs intended to backstop and bolster the economy through the pandemic, such as the PPP have ended, and the nation's economy has entered an inflationary phase. The Consumer Price Index has risen at levels not experienced since the 1980s while the labor market remains very tight, contributing additional inflationary pressure. To address the inflation problem, the Federal Reserve has reversed course on its previously accommodative monetary policies and aggressively increased short-term interest rates. These actions are intended to slow overall economic activity and risk entering the economy into a recession. The conflict between Russia and Ukraine has exacerbated pandemic-related supply chain issues, upset numerous global markets including energy and certain raw materials, and generally added to economic uncertainty and geopolitical instability. Any or all could have negative downstream effects on the Company's operating results, the extent of which is indeterminable at this time.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with the unaudited consolidated interim financial statements contained in Part I, Item 1 of this report, and with our audited consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented in our Form 10-K as of and for the year ended December 31, 2022.

Cautionary Statement Regarding Forward-Looking Statements

The Company may from time to time make written or oral "forward-looking statements," including statements contained in the Company's filings with the Securities and Exchange Commission, in its reports to stockholders and in other communications by the Company (including this press release), which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended.

These forward-looking statements involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations, estimates and intentions that are subject to change based on various important factors (some of which are beyond the Company's control). The most significant factors that could cause future results to differ materially from those anticipated by our forward-looking statements include the ongoing impact of higher inflation levels, higher interest rates and general economic and recessionary concerns, all of which could impact economic growth and could cause a reduction in financial transactions and business activities, including decreased deposits and reduced loan originations, our ability to manage liquidity in a rapidly changing and unpredictable market, supply chain disruptions, labor shortages and additional interest rate increases by the Federal Reserve. Other factors that could cause actual results to differ materially from those indicated by forward-looking statements include, but are not limited to, the following factors: the impact of any future pandemics or other natural disasters; civil unrest, rioting, acts or threats of terrorism, or actions taken by the local, state and Federal governments in response to such events, which could impact business and economic conditions in our market area, the strength of the United States economy in general and the strength of the local economies in which the Company and Bank conduct operations; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; inflation, interest rate, market and monetary fluctuations; market volatility; the value of the Bank's products and services as perceived by actual and prospective customers, including the features, pricing and quality compared to competitors' products and services; the willingness of customers to substitute competitors' products and services for the Bank's products and services; credit risk associated with the Bank's lending activities; risks relating to the real estate market and the Bank's real estate collateral; the impact of changes in applicable laws and regulations and requirements arising out of our supervision by banking regulators; other regulatory requirements applicable to the Company and the Bank; and the timing and nature of the regulatory response to any applications filed by the Company and the Bank; technological changes; acquisitions including the Company's acquisition of Noah; difficulties and delays in integrating the businesses of Noah and the Bank or fully realizing cost savings and other benefits; changes in consumer spending and saving habits; those risks under the heading "Risk Factors" set forth in the Bank's Annual Report on Form 10-K for the year ended December 31, 2022, and in Part II, Item 1A of our quarterly report on Form 10-Q for the quarter-ended March 31, 2023, and the success of the Company at managing the risks involved in the foregoing.

The Company cautions that the foregoing list of important factors is not exclusive. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company, except as required by applicable law or regulation.

Throughout this document, references to "we," "us," or "our" refer to the Company and the Bank.

Executive Overview

Princeton Bancorp, Inc. is the holding company for The Bank of Princeton, a community bank founded in 2007. The Bank is a New Jersey state-chartered commercial bank with 22 branches in New Jersey, including three in Princeton and others in Bordentown, Browns Mills, Chesterfield, Cream Ridge, Deptford, Fort Lee, Hamilton, Kingston, Lakewood, Lambertville, Lawrenceville, Monroe, New Brunswick, Palisades Park, Pennington, Piscataway, Princeton Junction, Quakerbridge and Sicklerville. There are also five branches in the Philadelphia, Pennsylvania area and three in the New York City metropolitan area. The Bank of Princeton is a member of the Federal Deposit Insurance Corporation ("FDIC").

The Company's common stock trades on the "Nasdaq Global Select Market" under ticker symbol, "BPRN."

Critical Accounting Policies and Estimates

Princeton Bancorp has chosen accounting policies that it believes are appropriate to accurately and fairly report its operating results and financial position, and the Company applies those accounting policies in a consistent manner. The Significant Accounting Policies are summarized in Note 1 to the consolidated financial statements included in the 2022 Annual Report on Form 10-K. Except the changes related to the Company's adoption of CECL as noted in Note 1 and the changes related to the acquisition of Noah Bank as noted in Note 2 to the unaudited notes to the consolidated interim financial statements, there have been no changes to the Critical Accounting Estimates since the Company filed its Annual Report on Form 10-K for the year ended December 31, 2022.

New Accounting Pronouncements

Refer to Note 1 to the consolidated financial statements included in the 2022 Annual Report on Form 10-K and Note 1- Summary of Significant Accounting Policies in this document.

Economy

The US economy is showing signs of stress with inflation hitting a 40-year high, an increase in energy prices, specifically home-heating costs, higher interest rates set by the Federal Open Market Committee (impacting the real estate market) and uncertainties resulting from Russia's war with Ukraine. However, the unemployment rate in New Jersey is below the national average.

Comparison of Financial Condition at June 30, 2023 and December 31, 2022

General

Total assets were \$1.84 billion at June 30, 2023, an increase of \$241.2 million, or 15.1% when compared to \$1.60 billion at the end of 2022. The primary reason for the increase in total assets was the acquisition of Noah Bank on May 19, 2023, which had approximately \$239.4 million in assets at closing. When looking at specific components of the balance sheet, including acquired assets, the Company recorded an increase in net loans of \$129.3 million, an increase in cash and cash equivalents of approximately \$89.7 million, an increase in its right of use asset of \$7.3 million, an increase of \$4.9 million due to Noah Bank's deferred tax assets and an increase in other assets of \$2.5 million. The increase in the Company's net loans consisted of a \$149.4 million increase in commercial real estate loans and a \$17.2 million increase in commercial and industrial loans, partially offset by a decrease of \$33.9 million in construction loans.

Cash and cash equivalents

Cash and cash equivalents increased \$89.7 million, or 168.0%, to \$143.0 million at June 30, 2023 compared to December 31, 2022. This increase was primarily due to a reduction in total loans of \$58.5 million, not including the loans acquired in connection with the Noah transaction, and an increase in outstanding deposits of approximately \$33.5, not including the deposits assumed from the Noah acquisition. The reduction in loans was related to loan payoffs during the period.

Investment securities

Total available-for-sale investment securities increased slightly to \$87.2 million at June 30, 2023 compared to \$83.4 million at December 31, 2022. This increase was primarily the result of approximately \$6.5 million added to the available-for-sale securities portfolio due to the Noah acquisition.

Loans

Loans, net of deferred loan fees, increased \$129.3 million to \$1.50 billion at June 30, 2023 compared to \$1.37 billion at December 31, 2022, or 9.4%. This increase was primarily due to the \$186.0 million of loans acquired from Noah Bank, partially offset by payoffs and principal repayments. Including the loans acquired, the following changes occurred within individual loan segments: increases in commercial real estate loans of \$149.4 million and commercial and industrial loans of \$17.2 million, partially offset by a \$33.9 million decrease in construction loans.

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Net charge-offs for the three-month and six-month periods ended June 30, 2023 were \$1.8 million for both periods. For the three-month and six-month periods ended June 30, 2022, the Bank recorded net recoveries of \$12 thousand and \$46 thousand, respectively. With the adoption of CECL, the Bank recorded a one-time decrease, net of tax, in retained earnings of \$284 thousand, a reduction to the allowance for credit losses of \$301 thousand and an increase in the reserve for unfunded liabilities of \$695 thousand. During the second quarter of 2023, the Bank reduced the reserve for unfunded liabilities by \$240 thousand. The coverage ratio of the allowance for credit losses to period end loans was 1.20% at both June 30, 2023 and at December 31, 2022.

At June 30, 2023, non-performing assets totaled \$9.8 million, an increase of \$9.5 million, when compared to the amount at December 31, 2022. This increase was due to the delinquency of a \$4.5 million commercial real estate loan after recording a \$1.7 million charge-off, as well as \$2.9 million of construction loans and \$2.5 million of other non-performing loans acquired from Noah Bank. The \$1.7 million charge-off of the \$4.5 million commercial real estate loan's balance was based on recent third party offers to purchase the note received by the Bank. The property securing this loan is located in New York City. Management took a conservative approach and reduced the loan balance although no formal commitment had been executed as of this date.

With the adoption of CECL, performing troubled debt restructurings ("TDRs") are no longer reported for the current period. At December 31, 2022 there were three loans classified as TDR loans totaling \$5.9 million and each of these loans was performing in accordance with the agreed-upon terms.

Deferred Taxes

Deferred taxes increased \$5.1 million at June 30, 2023 compared to December 31, 2022. The increase was primarily due to purchase accounting entries and net operating loss carryforwards related to the Noah acquisition.

Deposits

Total deposits at June 30, 2023 increased \$225.2 million, or 16.7%, when compared to December 31, 2022. The increase was primarily due to \$191.7 million of deposits assumed from Noah Bank. When comparing deposit products, including deposits assumed, between the two periods, certificates of deposit increased \$277.4 million and money market deposits increased \$38.2 million. Partially offsetting these increases were decreases in interest-bearing demand deposits of \$45.4 million and savings deposits of \$38.0 million.

At June 30, 2023, the Company had approximately \$393.9 million in uninsured deposits, consisting of \$59.0 million in non-interest-bearing demand deposits, \$3.7 million in interest-bearing demand deposits, \$244.2 million in money market accounts, \$19.5 million in savings deposits and \$67.5 million in certificates of deposits.

Borrowings

The Company had no outstanding borrowings at June 30, 2023 compared to \$10.0 million at December 31, 2022.

Stockholders' equity

Total stockholders' equity at June 30, 2023 increased \$9.3 million or 4.2% when compared to the end of 2022. The increase was primarily due to the \$8.8 million increase in retained earnings, consisting of \$12.9 million in net income partially offset by \$3.8 million of cash dividends recorded during the period. The ratio of equity to total assets at June 30, 2023 and at December 31, 2022, was 12.4% and 13.7%, respectively. The current period ratio decrease was primarily due to the Noah Bank acquisition.

Liquidity

Our liquidity, represented by cash and cash equivalents, is a product of our operating, investing and financing activities. Our primary sources of funds are deposits, principal repayments of securities and outstanding loans, and funds provided from operations. In addition, we invest excess funds in short-term interest-earnings assets such as overnight deposits or U.S. agency securities, which provide liquidity to meet lending requirements. While scheduled payments from the amortization of loans and securities and short-term investments are relatively predictable sources of funds, general interest rates, economic conditions and competition greatly influence deposit flows and repayments on loans and mortgage-backed securities.

As a member of the FHLB we are eligible to borrow funds in an aggregate amount of up to 50% of the Company's total assets, subject to its collateral requirements. Based on available eligible securities and qualified real estate loan collateral, and a \$60.0 million line of credit with the FHLB supporting municipal deposits, the Company had the ability to borrow \$181.4 million as of June 30, 2023.

The Company is also a shareholder of Atlantic Community Bancshares, Inc., the parent company of Atlantic Community Bankers Bank ("ACBB"). As of June 30, 2023, the Company had available borrowing capacity with ACBB of \$10.0 million to provide short-term liquidity generally for a period of not more than fourteen days. No amounts were outstanding under our line of credit with ACBB at June 30, 2023.

We believe that our current sources of funds provide adequate liquidity for our current cash flow needs.

Capital Resources

Regulatory Capital Requirements. Federally insured, state-chartered non-member banks are required to maintain minimum levels of regulatory capital. Current FDIC capital standards require these institutions to satisfy a common equity Tier 1 capital requirement and a Tier 1 capital requirement, a leverage capital requirement and a risk-based capital requirement.

In addition, in order to make capital distributions and pay discretionary bonuses to executive officers without restriction, an institution must also maintain additional common equity in excess of the minimum requirements. This excess is referred to as a capital conservation buffer. At June 30, 2023, the required capital conservation buffer is 2.50%.

Under the risk-based capital requirements, "total" capital (a combination of core and "supplementary" capital) must equal at least 8.0% of "risk-weighted" assets. The FDIC also is authorized to impose capital requirements in excess of these standards on individual institutions on a case-by-case basis. Management believes, as of June 30, 2023, that the Bank meets all capital adequacy requirements to which it is subject and is "well capitalized" under applicable regulations.

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The Bank's actual capital amounts and ratios and the regulatory requirements at June 30, 2023 and December 31, 2022 are presented below:

	Actual		For capital conservation buffer requirement		To be well capitalized under prompt corrective action provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
June 30, 2023:						
Total capital (to risk-weighted assets)	\$244,868	14.604%	\$ 176,060	10.500%	\$ 167,676	10.000%
Tier 1 capital (to risk-weighted assets)	\$226,898	13.532%	\$ 142,524	8.500%	\$ 134,141	8.000%
Common equity tier 1 capital (to-risk weighted assets)	\$226,898	13.532%	\$ 117,373	7.000%	\$ 108,989	6.500%
Tier 1 leverage capital (to average assets)	\$226,898	13.426%	\$ 109,848	6.500%	\$ 84,499	5.000%
December 31, 2022:						
Total capital (to risk-weighted assets)	\$233,657	15.309%	\$ 160,256	10.500%	\$ 152,625	10.000%
Tier 1 capital (to risk-weighted assets)	\$217,196	14.231%	\$ 129,731	8.500%	\$ 122,100	8.000%
Common equity tier 1 capital (to-risk weighted assets)	\$217,196	14.231%	\$ 106,838	7.000%	\$ 99,206	6.500%
Tier 1 leverage capital (to average assets)	\$217,196	13.474%	\$ 104,775	6.500%	\$ 80,596	5.000%

Comparison of Operating Results for the Three Months Ended June 30, 2023 and 2022

General

The Company reported net income of \$6.8 million, or \$1.07 per diluted common share, for the second quarter of 2023, compared to net income of \$6.3 million, or \$0.98 per diluted common share, for the second quarter of 2022. The increase in net income for the second quarter of 2023 compared to the same period in 2022 was primarily due to an increase of \$10.5 million in non-interest income and a \$1.5 million decrease in income tax expense, partially offset by an \$8.4 million increase in non-interest expense, a \$2.5 million increase in the provision for credit losses and a \$626 thousand decrease in net interest income.

Interest income

Interest income increased \$5.6 million for the three months ended June 30, 2023 compared to the same period in 2022. Interest income on loans increased \$4.7 million due to increases in both the average balance of loans of \$40.7 million and the yield of 118 basis points. Other interest and dividend income increased \$761 thousand due to an increase in the yield of 432 basis points, partially offset by a decrease in the average balance of \$3.0 million, and interest on taxable available-for-sale securities increased \$58 thousand due to an increase in yield of 70 basis points, partially offset by a decrease in the average balance of \$3.9 million.

Interest expense

Interest expense on deposits increased \$6.2 million to \$7.3 million for the three-month period ended June 30, 2023, due to increases in both the rate paid on interest-bearing deposits of 203 basis points and in the average balance of interest-bearing deposits of \$52.9 million over the same prior year period.

Interest expense on borrowings was \$32 thousand during the three-month period ended June 30, 2023 and there was no interest expense on borrowings during the same period in 2022.

Provision for credit losses

The Company recorded a provision for credit losses of \$2.5 million during the three months ended June 30, 2023 and no provision for the three months ended June 30, 2022. The provision of \$2.5 million recorded in the current quarter consisted of \$2.7 million associated with the Company's loan portfolio offset by a credit to the provision of \$240 thousand associated with unfunded commitments. Included in the Company's provision was \$1.7 million related to non-purchased credit deteriorated loans resulting from the Noah Bank acquisition. Net charge-offs during the three-month period ended June 30, 2023 were \$1.8 million.

Non-interest income

Total non-interest income of \$11.6 million for the second quarter of 2023 increased \$10.5 million, or by 940.0%, when compared to the quarter ended June 30, 2022. The increase over the second quarter of 2022 was primarily due to the \$9.7 million gain on bargain purchase from the Noah Bank acquisition.

Non-interest expense

Total non-interest expense for the second quarter of 2023 increased \$8.4 million, or 88.9%, when compared to the same period in 2022. This increase was primarily due to \$7.0 million of acquisition-related expenses associated with the Noah transaction as well as increases in salaries and employee benefits of \$868 thousand, occupancy and equipment expenses of \$276 thousand and data processing and communications of \$262 thousand.

Provision for income taxes

For the three-month period ended June 30, 2023, the Company recorded an income tax expense of \$161 thousand, resulting in an effective tax rate of 2.3%, compared to an income tax expense of \$1.6 million resulting in an effective tax rate of 20.6% for the three-month period ended June 30, 2022. The effective tax rate for the current period was substantially reduced as a result of the non-taxable bargain purchase gain related to the Noah acquisition.

Average Balances, Net Interest Income, and Yields Earned and Rates Paid

The following table shows for the three-month period indicated the total dollar amount of interest earned from average interest earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities and the resulting costs, expressed both in dollars and rates. Average yields have been annualized. Tax-exempt incomes and yields have not been adjusted to a tax-equivalent basis.

	Three Months Ended June 30,					
	2023			2022		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
(Dollars in thousands)						
Interest-earning assets:						
Loans receivable	\$1,432,680	\$21,517	6.02%	\$1,391,937	\$16,768	4.85%
Securities						
Taxable available-for-sale	44,669	292	2.63%	48,590	234	1.93%
Tax-exempt available-for-sale	41,187	284	2.76%	43,742	293	2.68%
Held-to-maturity	198	2	5.28%	205	3	5.29%
Federal funds sold	65,383	842	5.16%	72,786	135	0.74%
Other interest-earning assets	5,691	77	5.31%	1,307	23	7.06%
Total interest-earning assets	1,589,808	\$23,014	5.81%	1,558,567	\$17,456	4.49%
Other non-earnings assets	110,384			107,194		
Total assets	<u>\$1,700,192</u>			<u>\$1,665,761</u>		
Interest-bearing liabilities						
Demand	\$ 242,667	\$ 835	1.38%	\$ 273,114	\$ 174	0.26%
Savings	158,937	683	1.73%	230,493	138	0.24%
Money market	285,021	2,113	2.97%	368,704	264	0.29%
Certificates of deposit	516,252	3,690	2.87%	277,621	593	0.86%
Total deposits	1,202,877	7,321	2.44%	1,149,932	1,169	0.41%
Borrowings	2,482	32	5.08%	—	—	0.00%
Total interest-bearing liabilities	1,205,359	\$ 7,353	2.45%	1,149,932	\$ 1,169	0.41%
Non-interest-bearing deposits	235,423			278,963		
Total cost of funds	1,440,782		2.04%	1,428,895		0.33%
Other liabilities	32,232			23,534		
Total liabilities	1,473,014			1,452,429		
Stockholders' equity	227,178			213,332		
Total liabilities and stockholder's equity	<u>\$1,700,192</u>			<u>\$1,665,761</u>		
Net interest-earnings assets	\$ 384,449			\$ 408,635		
Net interest income; interest rate spread		\$15,661	3.36%		\$16,287	4.08%
Net interest margin			3.95%			4.19%
Net interest margin FTE ¹			3.99%			4.24%

¹ Includes federal and state tax effect of tax exempt securities and loans.

Rate/Volume Analysis

The following table reflects the changes in our interest income and interest expense segregated into amounts attributable to changes in volume and in yields on interest-earning assets and interest-bearing liabilities during the periods indicated.

	Three Months Ended June 30, 2023 vs. 2022		
	Increase (Decrease) Due to		
	Rate	Volume (In thousands)	Net
Interest and dividend income:			
Loans receivable, including fees	\$ 1,610	\$ 3,139	\$4,749
Securities available-for-sale			
Taxable	147	(89)	58
Tax-exempt	17	(26)	(9)
Securities held-to-maturity	—	(1)	(1)
Federal funds sold	900	(193)	707
Other interest and dividend income	(12)	66	54
Total interest and dividend income	<u>\$ 2,662</u>	<u>\$ 2,896</u>	<u>\$5,558</u>
Interest expense			
Demand	\$ 915	\$ (254)	\$ 661
Savings	1,227	(682)	545
Money markets	2,822	(973)	1,849
Certificates of deposit	(5,134)	8,231	3,097
Borrowings	—	32	32
Total interest expense	<u>\$ (170)</u>	<u>\$ 6,354</u>	<u>\$6,184</u>
Change in net interest income	<u>\$ 2,832</u>	<u>\$ (3,458)</u>	<u>\$ (626)</u>

Comparison of Operating Results for the Six Months Ended June 30, 2023 and 2022

General

For the six-month period ended June 30, 2023, the Company recorded net income of \$12.9 million, or \$2.02 per diluted common share, compared to \$12.3 million, or \$1.89 per diluted common share for the same period in 2022. Net income increased \$537 thousand due to an increase in non-interest income of \$10.8 million, a reduction in income tax expense of \$1.2 million and an increase in net interest income of \$181 thousand, partially offset by increases in non-interest expense of \$8.9 million and provision for credit losses of \$2.7 million.

Interest income

Interest income increased \$9.1 million for the six months ended June 30, 2023 compared to the same period in 2022. Interest income on loans increased \$8.2 million due to increases in both the average balance and yield earned on loans of \$35.0 and 105 basis points, respectively. Interest on other interest and dividend income increased \$857 thousand due to an increase in yield of 465 basis points, partially offset by a reduction in the average balance of \$56.5 million. Interest on taxable available-for-sale securities increased \$113 thousand due to an 80 basis point increase in yield and partially offset by a \$6.9 million decrease in the average balance of taxable available-for-sale securities.

Interest expense

Interest expense on deposits increased \$8.8 million to \$11.2 million for the six-month period ended June 30, 2023, due primarily to a 156 basis point increase in the rate on interest-bearing deposits, partially offset by a decrease in the average balance of interest-bearing deposits of \$11.5 million over the same prior-year period.

Interest expense on borrowings was not significant during the six-month periods ended June 30, 2023 and 2022.

Provision for credit losses

The Company recorded a \$2.7 million provision for credit losses for the six-month period ended June 30, 2023 and recorded no provision for credit losses for the six-month period ended June 30, 2022. The \$2.7 million provision for the six months ended June 30, 2023 includes \$1.7 million related to non-purchased credit deteriorated loans acquired in the Noah Bank acquisition and was also a result of loan charge-offs of \$1.8 million recorded during the period. See the section titled "Financial Condition —Allowance for Loan Losses" in our Form 10-K for the year ended December 31, 2022 for a discussion of our allowance for credit losses methodology, including additional information regarding the determination of the provision for credit losses.

Non-interest income

For the six-month period ended June 30, 2023, non-interest income increased \$10.8 million or 499.6%, from the same six-month period in 2022, primarily due to the \$9.7 million bargain purchase gain from the Noah acquisition and an increase of \$983 thousand in loan fees.

Non-interest expense

For the six-month period ended June 30, 2023, non-interest expense was \$27.6 million, compared to \$18.7 million for the same period in 2022. This increase was primarily due to acquisition-related expenses of \$7.0 million and increases in salaries and employee benefits of \$1.4 million and data processing and communications of \$527 thousand associated with the Bank's expansion strategy.

Provision for income taxes

For the six-month period ended June 30, 2023, the Bank recorded an income tax expense of \$2.1 million, resulting in an effective tax rate of 13.8%, compared to an income tax expense of \$3.3 million resulting in an effective tax rate of 20.9% for the six-month period ended June 30, 2022. The effective tax rate was substantially reduced as a result of the non-taxable bargain purchase gain related to the Noah acquisition.

Average Balances, Net Interest Income, and Yields Earned and Rates Paid

The following table shows for the six-month period indicated the total dollar amount of interest earned from average interest earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities and the resulting costs, expressed both in dollars and rates. Average yields have been annualized. Tax-exempt incomes and yields have not been adjusted to a tax-equivalent basis.

	Six Months Ended June 30,					
	2023			2022		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable	\$1,404,421	\$41,411	5.95%	\$1,369,460	\$33,260	4.90%
Securities						
Taxable available-for-sale	43,459	570	2.63%	50,396	457	1.83%
Tax exempt available-for-sale	41,409	568	2.75%	46,160	596	2.60%
Held-to-maturity	199	5	5.28%	206	6	5.32%
Federal funds sold	37,076	937	5.09%	97,642	178	0.37%
Other interest earning-assets	5,348	135	5.06%	1,330	37	5.61%
Total interest-earning assets	1,531,912	43,626	5.74%	1,565,194	34,534	4.45%
Other non-earnings assets	126,444			94,643		
Total assets	<u>\$1,658,356</u>			<u>\$1,659,837</u>		
Interest-bearing liabilities						
Demand	\$ 253,527	\$ 1,386	1.10%	\$ 265,588	\$ 334	0.25%
Savings	170,785	1,100	1.30%	231,310	274	0.24%
Money markets	276,962	3,271	2.38%	372,575	511	0.28%
Certificates of deposit	440,780	5,429	2.48%	284,118	1,274	0.92%
Total deposit	1,142,054	11,186	1.98%	1,153,591	2,393	0.42%
Borrowings	4,725	118	5.01%	—	—	0.00%
Total interest-bearing liabilities	1,146,779	11,304	1.99%	1,153,591	2,393	0.42%
Non-interest-bearing deposits	239,098			278,269		
Total cost of funds	1,385,877		1.63%	1,431,860		0.34%
Other liabilities	46,991			15,565		
Total liabilities	1,432,868			1,447,425		
Stockholders' equity	225,488			212,412		
Total liabilities and stockholder's equity	<u>\$1,658,356</u>			<u>\$1,659,837</u>		
Net interest-earnings assets	\$ 385,133			\$ 411,603		
Net interest income; interest rate spread			3.76%			4.03%
Net interest margin		\$32,322	4.25%		\$32,141	4.14%
Net interest margin FTE ¹			4.35%			4.20%

¹ Includes federal and state tax effect of tax exempt securities and loans.

Rate/Volume Analysis

The following table reflects the changes in our interest income and interest expense segregated into amounts attributable to changes in volume and in yields on interest-earning assets and interest-bearing liabilities during the periods indicated.

	Six Months Ended June 30, 2023 vs. 2022		
	Increase (Decrease) Due to		
	Rate	Volume	Net
	(In thousands)		
Interest and dividend income:			
Loans receivable, including fees	\$ 5,484	\$ 2,667	\$8,151
Securities available-for-sale			
Taxable	275	(162)	113
Tax-exempt	58	(86)	(28)
Securities held-to-maturity	—	(1)	(1)
Federal funds sold	1,385	(626)	759
Other interest and dividend income	(7)	105	98
Total interest and dividend income	<u>\$ 7,195</u>	<u>\$ 1,897</u>	<u>\$9,092</u>
Interest expense:			
Demand	\$ 1,172	\$ (120)	\$1,052
Savings	1,402	(576)	826
Money market	3,822	(1,062)	2,760
Certificates of deposit	(1,563)	5,718	4,155
Borrowings	—	118	118
Total interest expense	<u>\$ 4,833</u>	<u>\$ 4,078</u>	<u>\$8,911</u>
Change in net interest income	<u>\$ 2,362</u>	<u>\$(2,181)</u>	<u>\$ 181</u>

How We Manage Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises primarily from interest rate risk which is inherent in our lending, investment and deposit gathering activities. To that end, management actively monitors and manages interest rate risk exposure. In addition to market risk, our primary risk is credit risk on our loan portfolio. We attempt to manage credit risk through our loan underwriting and oversight policies.

The principal objective of our interest rate risk management function is to evaluate the interest rate risk embedded in certain balance sheet accounts, determine the level of risk appropriate given our business strategy, operating environment, capital and liquidity requirements and performance objectives, and manage the risk consistent with approved guidelines. We seek to manage our exposure to risks from changes in interest rates while at the same time trying to improve our net interest spread. We monitor interest rate risk as such risk relates to our operating strategies. We have established an Asset/Liability Committee which is comprised of both Management and members of the Board of Directors. The Asset/Liability Committee meets on a regular basis and is responsible for reviewing our asset/liability policies and interest rate risk position. Both the extent and direction of shifts in interest rates are uncertainties that could have a negative impact on future earnings.

Gap Analysis. The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest rate sensitive" and by monitoring the Company's interest rate sensitivity "gap." An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time period and the amount of interest-bearing liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate-sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. During a period of rising interest rates, a negative gap would tend to affect adversely net interest income while a positive gap would tend to result in an increase in net interest income. Conversely, during a period of falling interest rates, a negative gap would tend to result in an increase in net interest income while a positive gap would tend to affect adversely net interest income.

The table on the next page sets forth the amounts of our interest-earning assets and interest-bearing liabilities outstanding at June 30, 2023, which we expect, based upon certain assumptions, to reprice or mature in each of the future time periods shown (the "GAP Table"). Except as stated below, the amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at June 30, 2023, based on contractual maturities, anticipated prepayments, and scheduled rate adjustments within a three-month period and subsequent selected time intervals. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and anticipated prepayments of adjustable-rate loans and fixed-rate loans, and as a result of contractual rate adjustments on adjustable-rate loans.

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(Dollars in thousands)	3 Months or Less	More than 3 Months to 1 Year	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years	Non-Rate Sensitive	Total Amount
Interest-earning assets: (1)							
Investment securities	\$ 10,377	\$ 3,128	\$ 7,616	\$ 8,714	\$ 67,879	\$ (10,345)	\$ 87,369
Loans receivable	474,949	275,635	330,455	349,103	69,136	(17,557)	1,481,721
Other interest-earnings assets (2)	128,286	—	—	—	—	16,100	144,386
Other non-interest assets	—	—	—	—	—	129,550	129,550
Total interest-earning assets	<u>\$613,612</u>	<u>\$ 278,763</u>	<u>\$ 338,071</u>	<u>\$ 357,817</u>	<u>\$ 137,015</u>	<u>\$ (11,802)</u>	<u>\$ 1,843,026</u>
Interest-bearing liabilities:							
Checking and savings accounts	\$ 8,732	\$ 368,291	\$ —	\$ —	\$ —	\$ —	\$ 377,023
Money market accounts	17,477	304,363	—	—	—	—	321,840
Certificate accounts	45,681	438,346	130,248	1,746	—	—	616,021
Borrowings	—	—	—	—	—	—	—
Total interest-bearing liabilities	<u>\$ 71,890</u>	<u>\$ 1,111,000</u>	<u>\$ 130,248</u>	<u>\$ 1,746</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,314,884</u>
Interest-earning assets less interest-bearing liabilities	<u>\$541,722</u>	<u>\$ (832,237)</u>	<u>\$ 207,823</u>	<u>\$ 356,071</u>	<u>\$ 137,015</u>	<u>\$ (11,802)</u>	<u>\$ 528,142</u>
Cumulative interest-rate sensitivity gap (3)	<u>\$541,722</u>	<u>\$ (290,515)</u>	<u>\$ (82,692)</u>	<u>\$ 273,379</u>	<u>\$ 410,394</u>		
Cumulative interest-rate gap as a percentage of total assets at June 30, 2023	<u>29.39%</u>	<u>-15.76%</u>	<u>-4.49%</u>	<u>14.83%</u>	<u>22.27%</u>		
Cumulative interest-earning assets as a percentage of cumulative interest-bearing liabilities at June 30, 2023	<u>853.54%</u>	<u>75.44%</u>	<u>93.70%</u>	<u>120.79%</u>	<u>131.21%</u>		

(1) Interest-earnings assets are included in the period in which the balances are expected to be redeployed and/or repriced as a result of anticipated prepayments, scheduled rate adjustments and contractual maturities.

(2) Includes interest-bearing bank balances, FHLB Stock and Federal Funds Sold

(3) Interest-rate sensitivity gap represents the difference between total interest-earning assets and total interest-bearing liabilities.

Certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate loans, have features which restrict changes in interest rates both on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the table. Finally, the ability of many borrowers to service their adjustable-rate loans may decrease in the event of an interest rate increase.

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Net Portfolio Value Analysis. Our interest rate sensitivity also is monitored by management through the use of a model which generates estimates of the changes in our net portfolio value ("NPV") over a range of interest rate scenarios. NPV is the present value of expected cash flows from assets, liabilities and off-balance sheet contracts. The NPV ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario. The following table sets forth our NPV as of June 30, 2023 and reflects the changes to NPV as a result of immediate and sustained changes in interest rates as indicated.

Change in Interest Rates In Basis Points (Rate Shock)	Net Portfolio Value			NPV as % of Portfolio Value of Assets	
	Amounts	\$ Change	% Change	NPV Ratio	Change
		(Dollars in thousands)			
300	\$ 311,394	\$ (10,285)	-3.20%	-6.53%	-5.37%
200	\$ 322,677	\$ 998	0.31%	-4.53%	-3.38%
100	\$ 325,872	\$ 4,193	1.30%	-2.75%	-1.60%
Static	\$ 321,679	\$ —		-1.16%	
(100)	\$ 321,387	\$ (292)	-0.09%	0.24%	1.39%

As is the case with the GAP Table, certain shortcomings are inherent in the methodology used in the above interest rate risk measurements. Modeling changes in NPV require the making of certain assumptions which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the models presented assume that the composition of our interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the NPV model provides an indication of interest rate risk exposure at a particular point in time, such model is not intended to and does not provide a precise forecast of the effect of changes in market interest rates on net interest income and will differ from actual results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company, such as the Company, is not required to provide the information by this Item. Certain market risk disclosure is set forth in Item 2 above under "How We Manage Market Risk."

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Management, with the participation of the Company's Chief Executive Officer and its Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15 (e) promulgated under the Exchange Act) as of June 30, 2023. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of June 30, 2023 to ensure that the information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in FDIC rules and forms.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting identified during the quarter ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth under the Part I, Item 1.A. Risk Factors as set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as amended by the risk factors set forth under the Part II, Item 1.A. Risk Factor set forth in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the fiscal quarter ended June 30, 2023, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement".

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Item 6. Exhibits

Exhibit Number	Description
10.1	Amended and Restated Employment Agreement Between Princeton Bancorp, Inc. and Edward Dietzler Dated June 2023
10.2	Amended and Restated Employment Agreement Between Princeton Bancorp, Inc. and Daniel O'Donnell Dated June 2023
10.3	Amended and Restated Employment Agreement Between Princeton Bancorp, Inc. and George Rapp Dated June 2023
10.4	Amended and Restated Change in Control Agreement Between Princeton Bancorp, Inc. and Jeffrey Hanuscin Dated June 2023
31.1	Rule 13a-14(a) Certification on the Principal Executive Officer
31.2	Rule 13a-14(a) Certification on the Principal Financial Officer
32	Section 1350 Certifications
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 14, 2023

Princeton Bancorp, Inc.

By: /s/ Edward Dietzler

Edward Dietzler
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ George Rapp

George Rapp
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AGREEMENT originally entered into on the 6th day of **December**, 2018 by and between **The Bank of Princeton** ("TBOP"), a banking corporation organized under the laws of the state of New Jersey, and **Edward Dietzler** (the "EMPLOYEE") and subsequently amended December 18, 2019, is hereby amended and restated in its entirety to add Princeton Bancorp, Inc., the parent bank holding company of TBOP ("Company"), as a party to this Agreement effective June 21, 2023 ("Effective Date").

BACKGROUND

A. TBOP and the Company desire to continue to employ the EMPLOYEE and the EMPLOYEE is willing to serve on the terms and conditions herein provided.

B. In order to effect the foregoing, the parties hereto desire to enter into this employment agreement on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Employment. TBOP and the Company hereby continue to employ the EMPLOYEE, and the EMPLOYEE hereby agrees to serve TBOP and the Company, on the terms and conditions set forth herein.

2. Term of Agreement.

(a) Except as otherwise provided herein, the term of this Agreement shall include: (i) the period commencing on the Effective Date and ending December 31, 2025, plus (ii) any and all extensions of the term made pursuant to paragraphs (b) and (c) of this Section 2 (the "Term").

(b) Beginning on December 31, 2023, and on or around each December 31st thereafter, the term of this Agreement shall be extended by one (1) year, so that, at the time of such extension, the term of the Agreement shall be for a period of three (3) years. Notwithstanding the foregoing, TBOP, the Company or the EMPLOYEE may elect to terminate the automatic annual extension of the Term in this paragraph (b) by giving written notice of such election. Any notice given hereunder shall be effective as of the date such notice of nonrenewal is given and the Term shall be fixed at that time.

(c) Notwithstanding paragraph (b) of this Section 2, in the event of a Change in Control, the Term shall not end before the first anniversary of such Change of Control; provided, however, this sentence shall apply only to the first Change of Control to occur while this Agreement is in effect.

(d) Nothing in this Agreement shall mandate or prohibit a continuation of the EMPLOYEE'S employment following the expiration of the Term upon such terms and conditions as TBOP, the Company and the EMPLOYEE may mutually agree.

(e) Effective upon the termination of the EMPLOYEE's employment with TBOP or the Company, the EMPLOYEE shall resign as a director of TBOP and the Company, unless continued service as a director of TBOP or the Company is requested in writing by the Board of Directors. For purposes of this Agreement, all references to Board of Directors shall mean both the Company and TBOP boards of directors.

3. Position and Duties. The EMPLOYEE shall serve as the President and Chief Executive Officer of TBOP and President and Chief Executive Officer of the Company. EMPLOYEE shall report directly to the respective boards of directors. In addition, the EMPLOYEE shall serve in such capacity, with respect to each Subsidiary or affiliated company, as the Board of Directors of each such Subsidiary or affiliated company shall designate from time to time. During the Term, EMPLOYEE shall devote substantially all of his working time and efforts to the business and affairs of TBOP, the Company and affiliated companies; provided, however, that nothing herein shall be construed as precluding him from devoting a reasonable amount of time to civic, charitable, trade association and similar activities, to the extent participation in these activities do not conflict with the EMPLOYEE's obligations to TBOP and the Company or interfere with the EMPLOYEE'S responsibilities under this Agreement.

4. Compensation and Related Matters. Unless otherwise determined by the Company board of directors, all payments and benefits provided in this Agreement shall be paid or provided solely by TBOP. Notwithstanding anything in this Agreement to the contrary, no provision of this Agreement shall be construed so as to result in the duplication of any payment or benefit. Unless otherwise determined by the Company board of directors, the Company's sole obligation under this Agreement shall be to unconditionally guarantee the payment and provision of all amounts and benefits due hereunder to EMPLOYEE, and the affirmative obligations of the Company as set forth at Section 18, herein, with respect to Indemnification, and, if such amounts and benefits due from TBOP are not timely paid or provided by TBOP, such amounts and benefits shall be paid or provided by the Company.

(a) **Base Compensation.** During the Term, TBOP shall pay to the EMPLOYEE annual base compensation at a rate not less than **\$600,000** ("Annual Salary"). The Board of Directors of TBOP or the Joint Compensation/HR Committee of the Board of Directors shall periodically review the EMPLOYEE'S employment performance, in accordance with policies generally in effect from time to time, for possible merit or cost-of-living increases and any and all such increases shall be deemed to constitute amendments to this Section 4(a) to reflect the increased amounts, effective as of the date established for such increases. Except for a reduction which is proportionate to a bank-wide reduction in officer pay, the annual base compensation paid to the EMPLOYEE in any period shall not be less than his Annual Salary as of the Effective Date. The frequency and manner of payment of the EMPLOYEE'S Annual Salary shall be in accordance with TBOP's payroll practices from time to time in effect. Nothing herein shall be construed as precluding the EMPLOYEE from entering into any salary reduction or deferral plan or arrangement during the Term. The amounts set forth in the first sentence of this subparagraph (a) shall be pro-rated to the extent such period is less than a year.

(b) **Incentive Compensation.** During the Term, the EMPLOYEE shall be eligible to participate in all incentive plans, equity plans, and similar arrangements maintained by TBOP for its executive officers on a basis and at award levels consistent and commensurate with the EMPLOYEE'S position and duties hereunder.

(c) **Employee Benefit Plans and Other Plans or Arrangements.** The EMPLOYEE shall be eligible to participate in all Employee Benefit Plans of TBOP on the same basis as other executive officers of TBOP. In addition, the EMPLOYEE shall be eligible to participate in and enjoy any other plans and arrangements which provide for sick leave, vacation, sabbatical, or personal days, club memberships and dues, education payment or reimbursement, business-related seminars, and similar fringe benefits provided to or for the executive officers of TBOP from time to time.

(d) **Expenses.** During the Term, the EMPLOYEE shall be entitled to receive prompt reimbursement for all reasonable and customary expenses, including transportation expenses, incurred by him in performing services hereunder in accordance with the general policies and procedures established by TBOP.

5. Termination By Reason of Disability.

(a) **In General.** In the event the EMPLOYEE becomes unable to perform his duties on a full-time basis by reason of the occurrence of his Disability and, within 30 days after a Notice of Termination is given, he shall not have returned to the full-time performance of such duties, his employment may be terminated by TBOP or the Company, provided, however, that, if EMPLOYEE'S Disability occurs after EMPLOYEE delivers a Notice of Termination for Good Reason, EMPLOYEE shall nevertheless be absolutely entitled to receive all of the compensation and benefits provided in Section 9 hereof.

(b) **Compensation and Benefits upon Expiration of Remaining Term.** This Agreement shall terminate following the EMPLOYEE'S termination for Disability, provided, however, the EMPLOYEE shall be entitled to receive the compensation and benefits provided under the terms of any long-term disability plan of TBOP in effect on the Date of Termination.

6. Termination By Reason of Death. This Agreement shall terminate in the event of the EMPLOYEE'S death during the Term, provided, however, the EMPLOYEE'S beneficiary(ies) shall be entitled to such benefits as otherwise provided by TBOP as are effective on the date of his death, provided, however, that, if the EMPLOYEE dies after EMPLOYEE delivers a Notice of Termination for Good Reason, the EMPLOYEE'S estate shall nevertheless be absolutely entitled to receive all of the compensation and benefits provided in Section 9 hereof.

7. Termination by TBOP or the Company for Cause.

(a) **In General.** In the event TBOP or the Company terminates the EMPLOYEE'S employment for Cause, TBOP or the Company shall deliver a Notice of Termination to the EMPLOYEE which specifies a Date of Termination which, in the employer's discretion, may be the same date as the Notice of Termination.

(b) **Compensation.** On and after the Date of Termination, EMPLOYEE shall have no further rights under this Agreement, except that at the end of the payroll period after the EMPLOYEE'S termination under Subparagraph (a), TBOP shall pay him, in one lump sum, his accrued but unpaid base compensation and vacation time/paid time off earned through the Date of Termination.

8. Termination by the EMPLOYEE without Good Reason

(a) **In General.** In the event the EMPLOYEE terminates his employment without Good Reason, the EMPLOYEE shall deliver a Notice of Termination to TBOP and the Company which specifies a Date of Termination not less than 30 days following the date of such notice.

(b) **Compensation.** On and after the Date of Termination, the EMPLOYEE shall have no further rights under this Agreement, except that at the end of the payroll period after the EMPLOYEE'S termination under Subparagraph (a), TBOP shall pay him, in one lump sum, his accrued but unpaid base compensation and vacation time/paid time off earned through the Date of Termination.

9. Involuntary Termination without Disability or Cause or Voluntary Termination by the EMPLOYEE for Good Reason .

(a) **In General.** In the event TBOP or the Company terminates the EMPLOYEE'S employment for any reason other than Disability or Cause, TBOP or the Company shall deliver a Notice of Termination to the EMPLOYEE which specifies a Date of Termination not less than 30 days following the date of such notice. In the event that the EMPLOYEE intends to terminate his employment for Good Reason, then at the option of the EMPLOYEE, exercisable by him within ninety (90) days after the occurrence of the condition constituting Good Reason, the EMPLOYEE may resign from employment under this Agreement by delivering a Notice of Termination to TBOP, the Company or its successor which specifies a Date of Termination not less than 30 days following the date of such notice, provided, however, that TBOP, the Company or its successor shall be given thirty (30) days from the day it receives the Notice of Termination to remedy such condition.

(b) **Compensation and Benefits after Termination.** In the event of the termination of EMPLOYEE'S employment under Subparagraph (a), the EMPLOYEE shall be entitled to receive the following payments and benefits.

(i) The EMPLOYEE shall receive a lump sum cash payment equal to two (2) times: (A) the EMPLOYEE'S Annual Salary then in effect, plus (B) the average of the three (3) highest annual cash or stock bonuses paid to the EMPLOYEE under a short-term incentive program maintained by TBOP or the Company during the Term. A portion of the severance payment received in connection with a Change in Control which is classified as payment of reasonable compensation for purposes of Section 280G of the Code shall be allocated to the restrictive covenants noted in Section 13.

(ii) In addition to the cash payment provided under Subparagraph (b)(i) of this Section 9, the EMPLOYEE and his eligible dependents shall be entitled to continue to participate at the same aggregate benefit levels for eighteen (18) months and at no out-of-pocket or tax cost to the EMPLOYEE, in the medical

benefit plan in which the EMPLOYEE was a participant immediately prior to the Date of Termination, to the extent permitted under the terms of such plans and applicable law. To the extent TBOP is unable to provide for continued participation in the medical benefit plan, it shall provide an equivalent benefit directly at no out-of-pocket or tax cost to the EMPLOYEE. For purposes of the preceding two sentences, TBOP shall be deemed to have provided a benefit at no tax cost to the EMPLOYEE if it pays an additional amount to the EMPLOYEE or on his behalf, with respect to those benefits which would otherwise be nontaxable to the EMPLOYEE.

(c) **Earlier Cessation of Medical Benefits.** Notwithstanding the provisions of Subparagraph 9(b), TBOP shall not be required to provide, at its cost, the medical benefits covered by Subparagraph 9(b)(ii) after the later of (i) the attainment by the EMPLOYEE and his spouse (if any) of age 65, or (ii) the date specified in the relevant plan document for benefit termination (assuming that he was employed until the normal retirement date, if any, specified in such document).

(d) **Death during Remaining Period of Payment.** In the event the EMPLOYEE dies during the period of payment following the Date of Termination without Disability or Cause and the EMPLOYEE is survived by his spouse, the compensation and benefits required to be paid and provided under Subparagraph (b) shall be unaffected by his death and shall be paid and provided to the EMPLOYEE'S spouse or on her behalf; provided that TBOP shall not be required to provide continued medical benefits with respect to her deceased husband; and provided further, that in no event shall TBOP be required to provide, at its cost, the medical benefits described in Subparagraph 9(b)(ii) to such spouse and her eligible dependents after the earlier of (x) her death, or (y) the later of (I) her attainment of age 65, or (II) the date specified in the relevant plan document for benefit termination (assuming that the EMPLOYEE was employed until the normal retirement date, if any, specified in the document).

10. Change in Control Best Payment Determination.

Notwithstanding any contrary provisions in any plan, program or policy of TBOP or the Company, if all or any portion of the compensation or benefits payable under this Agreement, either alone or together with other payments and benefits that the EMPLOYEE receives or is entitled to receive from TBOP and the Company, would constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code. TBOP shall reduce the EMPLOYEE'S payments and benefits payable under this Agreement to the extent necessary so that no portion thereof, after the application of all reasonable exceptions permitted under the Code, shall be subject to the excise tax imposed by Section 4999 of the Code, but only if, by reason of such reduction, the net after-tax benefit to the EMPLOYEE shall exceed the net after-tax benefit if such reduction were not made. "**Net after tax benefit**" for these purposes shall mean the sum of (i) the total amount payable to the EMPLOYEE under this Agreement, plus (ii) all other payments and benefits which the EMPLOYEE receives or is then entitled to receive from TBOP or the Company that, alone or in combination with the payments and benefits payable under this Agreement, would constitute a "parachute payment" within the meaning of Section 280G of the Code, less (iii) the amount of federal income taxes payable with respect to the foregoing calculated at the maximum marginal income tax rate for each year in which the

foregoing shall be paid to the EMPLOYEE (based upon the rate in effect for such year as set forth in the Code at the time of the payment under this Agreement), less (iv) the amount of excise taxes imposed with respect to the payments and benefits described in (i) and (ii) above by Section 4999 of the Code. The parachute payments reduced shall first be the payments under Section 9, and then any other parachute payments. Within any of these categories, a reduction shall occur first with respect to amounts that are not deemed to constitute a "deferral of compensation" within the meaning of and subject to Code Section 409A ("Nonqualified Deferred Compensation") and then with respect to amounts that are treated as Nonqualified Deferred Compensation, with such reduction being applied in each case to the payments in the reverse order in which they would otherwise be made, that is, later payments shall be reduced before earlier payments. All determinations required to be made under this Section 10 shall be made by an independent accounting firm, law firm or compensation consultant, agreed upon by the EMPLOYEE and TBOP. All fees and expenses incurred in connection with the calculation required under this Section 10 shall be borne solely by TBOP.

11. Withholding Taxes. All compensation and benefits provided for herein shall, to the extent required by law, be subject to federal, state, and local tax withholding.

12. Confidential Information. The EMPLOYEE agrees that during and subsequent to his employment with TBOP and the Company, he will not, at any time, communicate or disclose to any unauthorized person, without the written consent of TBOP or the Company, any proprietary or other confidential information concerning TBOP, the Company or any Subsidiary or affiliate thereof; provided, however, that the obligations under this paragraph shall not apply to the extent that such matters (a) are disclosed in circumstances where the EMPLOYEE is legally obligated to do so, or (b) become generally known to and available for use by the public otherwise than by his wrongful act or omission; and provided further, that he may disclose any knowledge of insurance, financial, legal and economic principles, concepts and ideas which are not solely and exclusively derived from the business plans and activities of TBOP and the Company.

13. Covenants Not to Compete or to Solicit.

(a) **Noncompetition.** During the Term and for a period of 6 months after the Date of Termination (the "Noncompetition Period"), the EMPLOYEE shall not, without the written consent in writing of the Boards of Directors, become an officer, employee, agent, partner, consultant, member, director, or a four and nine-tenths percent or greater shareholder or equity owner of any entity engaged in the banking or lending business within any county in which TBOP or the Company has a branch, administrative office or loan production office. If at the time of the enforcement of this paragraph a court holds that the duration, scope, or area restrictions stated herein are unreasonable under the circumstances then existing and, thus, unenforceable, TBOP, the Company and the EMPLOYEE agree that the maximum duration, scope, or area reasonable under such circumstances shall be substituted for the stated duration, scope, or area.

(b) **Nonsolicitation.** During his employment and the Noncompetition Period, the EMPLOYEE shall not, whether on his own behalf or on behalf of any other individual or business entity, solicit, endeavor to entice away from TBOP, the Company a Subsidiary or any affiliated company, or otherwise interfere with the relationship of TBOP, the Company, a Subsidiary, or any affiliated company with any person who is, or was within the then most recent 12 month period, an employee or associate thereof.

(c) **Extension of Noncompetition Period.** The Noncompetition Period shall be automatically extended by the length of time (if any) in which the EMPLOYEE is in violation of any of the terms of this Paragraph 13.

14. Additional Equitable Remedy. The EMPLOYEE acknowledges and agrees that TBOP's remedy at law for a breach or a threatened breach of the provisions of Paragraphs 12 and 13 would be inadequate; and, in recognition of this fact, in the event of such a breach or threatened breach by him, it is agreed that TBOP shall be entitled to request equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy which may then be available. Nothing in this paragraph shall be construed as prohibiting TBOP from pursuing any other remedy available under this Agreement for such a breach or threatened breach.

15. Legal Fees. TBOP shall reimburse the EMPLOYEE for all reasonable legal fees and expenses he may incur in seeking to obtain or enforce any right or benefit provided by this Agreement, but only with respect to such claim or claims upon which EMPLOYEE prevails. Such payments shall be made within fourteen (14) days after delivery of EMPLOYEE's written request for payment accompanied with such evidence of fees and expenses incurred as TBOP may reasonably require.

16. Related Agreements. Except as may otherwise be provided herein, to the extent that any provision of any other agreement between TBOP, the Company and the EMPLOYEE shall limit, qualify, duplicate, or be inconsistent with any provision of this Agreement, the provision in this Agreement shall control and such provision of such other agreement shall be deemed to have been superseded, and to be of no force or effect, as if such other agreement had been formally amended to the extent necessary to accomplish such purpose.

17. Exclusive Rights and Remedy. Except for any explicit rights and remedies the EMPLOYEE may have under any other contract, plan or arrangement with TBOP and the Company, the compensation and benefits payable hereunder and the remedy for enforcement thereof shall constitute his exclusive rights and remedy in the event of his termination of employment.

18. Director and Officer Liability Insurance; Indemnification. TBOP and the Company shall provide the EMPLOYEE (including his heirs, executors, and administrators) with the maximum coverage permitted under its directors' and officers' liability insurance policy, at TBOP's expense, and shall indemnify him (and his heirs, executors, and administrators) as an employee and/or officer of TBOP and the Company to the fullest extent permitted under Federal, Pennsylvania and New Jersey law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit, or proceeding in which he may be involved by reason of his having been an employee and/or officer of TBOP, the Company or any Subsidiary or affiliated company (whether or not he continues to be such an officer at the time of incurring such expenses or liabilities). Such expenses and liabilities shall include, but not be limited to, judgments, court costs, and attorneys' fees, and the costs of reasonable settlements.

19. Cooperation and Non-Disparagement. EMPLOYEE agrees that he shall not make any disparaging, negative or critical comments regarding TBOP, or any Subsidiary or affiliated company either during his employment by TBOP and the Company, or thereafter. The EMPLOYEE agrees to cooperate fully with TBOP and the Company in connection with any claims, suits, charges or causes of action that have been brought, or may be brought in the future, against TBOP or the Company in which EMPLOYEE possesses information relevant to such claims, suits, charges or causes of action, which shall include, but not be limited to, making himself available, within reason, for interviews, depositions and testimony, as needed or requested by TBOP or the Company.

20. Notices. Any notice required or permitted under this Agreement shall be sufficient if it is in writing and shall be deemed given (i) at the time of personal delivery to the addressee, or (ii) at the time sent certified mail, with return receipt requested, addressed as follows:

If to the EMPLOYEE:	The address provided in the personnel file of TBOP.
If to TBOP:	The Bank of Princeton 183 Bayard Lane Princeton, NJ 08540 Attention: Chair, Board of Directors
If to Company:	Princeton Bancorp, Inc. 183 Bayard Lane Princeton, NJ 08540 Attention: Chair, Board of Directors

The name or address of any addressee may be changed at any time and from time to time by notice similarly given.

21. No Waiver. The failure by any party to this Agreement at any time or times hereafter to require strict performance by any other party of any of the provisions, terms, or conditions contained in this Agreement shall not waive, affect, or diminish any right of the first party at any time or times thereafter to demand strict performance therewith and with any other provision, term, or condition contained in this Agreement. Any actual waiver of a provision, term, or condition contained in this Agreement shall not constitute a waiver of any other provision, term, or condition herein, whether prior or subsequent to such actual waiver and whether of the same or a different type. The failure of TBOP or the Company to promptly terminate the EMPLOYEE'Ss employment for Cause or the EMPLOYEE to promptly terminate his employment for Good Reason shall not be construed as a waiver of the right of termination, and such right may be exercised at any time following the occurrence of the event giving rise to such right.

22. Survival. Notwithstanding the nominal termination of this Agreement and the EMPLOYEE'S employment hereunder, the provisions hereof which specify continuing obligations, compensation and benefits, and rights (including the otherwise applicable term hereof) shall remain in effect until such time as all such obligations are discharged, all such compensation and benefits are received, and no party or beneficiary has any remaining actual or contingent rights hereunder.

23. Severability. In the event any provision in this Agreement shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining provisions hereof, and this Agreement shall be construed, administered and enforced as though such illegal or invalid provision were not contained herein.

24. Binding Effect and Benefit. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of TBOP, the Company and the executors, personal representatives, surviving spouse, heirs, devisees, and legatees of the EMPLOYEE. TBOP or the Company may assign this Agreement in the event of a sale, merger, consolidation or transfer of all or substantially all of its business and assets.

25. Entire Agreement. This Agreement embodies the entire agreement among the parties with respect to the subject matter hereof, and it supersedes and replaces any prior written or oral agreements between the parties to this Agreement. .

26. Captions. The captions of the several paragraphs and subparagraphs of this Agreement have been inserted for convenience of reference only. They constitute no part of this Agreement and are not to be considered in the construction hereof.

27. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed one and the same instrument which may be sufficiently evidenced by any one counterpart.

28. Applicable Law. Except to the extent preempted by federal law, the provisions of this Agreement shall be construed, administered, and enforced in accordance with the domestic internal law of the State of New Jersey without reference to its laws regarding conflict of laws. Each party hereby agrees that the forum and venue for any legal or equitable action or proceeding arising out of, or in connection with, this Agreement will lie in the appropriate federal or state courts or arbitration proceeding in the State of New Jersey and specifically waives any and all objections to such jurisdiction and venue.

29. Regulatory Matters. The obligations of TBOP under this Agreement shall in all events be subject to any required limitations or restrictions imposed by or pursuant to the Federal Deposit Insurance Act as the same may be amended from time to time. For the avoidance of doubt, any payments made to EMPLOYEE pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with 12 U.S.C. §1828(k) and FDIC regulation 12 C.F.R. Part 359, Golden Parachute and Indemnification Payments.

30. Code Section 409A.

(a) Anything in this Agreement to the contrary notwithstanding, if at the time of the EMPLOYEE'S separation from service within the meaning of Section 409A of the Code, TBOP's stock is publicly traded on an established securities market or otherwise and TBOP determines that the EMPLOYEE is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the EMPLOYEE becomes entitled to under this Agreement on account of the EMPLOYEE'S separation from service would be considered deferred compensation subject to the 20% additional tax imposed pursuant to Section 409A(a) of the IRC as a result of the application of Section 409A(a)(2)(B) (i) of the IRC, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (i) six months and one day after the EMPLOYEE'S separation from service, or (ii) the EMPLOYEE'S death. The first installment payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule. Any such delayed cash payment shall earn interest at an annual rate equal to the applicable federal short-term rate published by the Internal Revenue Service for the month in which the date of separation from service occurs, from such date of separation from service until the payment. To the extent that the foregoing applies to the provision of any ongoing medical benefits to the EMPLOYEE that would not be required to be delayed if the premiums therefore were paid by the EMPLOYEE, the EMPLOYEE shall pay the full costs of premiums for such medical benefits during the six-month period and TBOP shall pay the EMPLOYEE an amount equal to the amount of such premiums paid by the EMPLOYEE during the six-month period within ten (10) days after the conclusion of such period.

(b) Solely for purposes of Section 409A of the IRC, each installment payment of severance is considered a separate payment.

(c) All in-kind benefits provided and expenses eligible for reimbursement under this Agreement shall be provided by TBOP or incurred by the EMPLOYEE during the time periods set forth in this Agreement. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year. Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(d) To the extent that any payment or benefit described in this Agreement constitutes "non-qualified deferred compensation" under Section 409A of the IRC, and to the extent that such payment or benefit is payable upon the EMPLOYEE'S termination of employment, then such payments or benefits shall be payable only upon the EMPLOYEE'S "separation from service." The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation § 1.409A-1(h).

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Agreement, or caused it to be executed, as of the Effective Date.

/s/ Edward Dietzler

EDWARD DIETZLER

THE BANK OF PRINCETON

By: /s/ Richard Gillespie

On behalf of the Board of Directors

PRINCETON BANCORP, INC.

By: /s/ Richard Gillespie

On behalf of the Board of Directors

GLOSSARY

"Board of Directors" or **"Board"** means collectively the boards of directors of TBOP and the Company.

"Cause" means (i) a documented repeated and willful failure by the EMPLOYEE to perform his duties, but only after written demand, (ii) his final conviction of a felony, (iii) conduct by him which constitutes moral turpitude which is directly and materially injurious to TBOP or any Subsidiary or affiliated company, including but not limited to the Company, (iv) willful material violation of corporate policy, or (v) the issuance by the regulator of TBOP or any Subsidiary or affiliated company, including but not limited to the Company, of an unappealable order to the effect that he be permanently discharged.

For purposes of this definition, no act or failure to act on the part of the EMPLOYEE shall be considered "willful" unless done or omitted not in good faith and without reasonable belief that the action or omission was in the best interest of TBOP or any of their Subsidiaries or affiliated companies, including but not limited to the Company.

"Change in Control" means the occurrence of any of the following events:

(a) if any Person is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more (the **"CIC Percentage"**) of the combined voting power of the Company's then-outstanding securities; provided, however, that if such Person first obtains the approval of the Company board of directors to acquire the CIC Percentage, then no Change in Control shall be deemed to have occurred unless and until such Person obtains a CIC Percentage ownership of the combined voting power of the Company's then-outstanding securities without having first obtained the approval of the Company board of directors; or

(b) if any Person is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing greater than 50% of the combined voting power of the Company's then-outstanding securities, whether or not the Company board of directors shall have first given its approval to such acquisition; or

(c) during any period of two consecutive years, individuals who at the beginning of such period constitute the Company board of directors (the **"Incumbent Directors"**) cease for any reason to constitute a majority of the Company board of directors; provided, however, that any new directors whose election, nomination for election by the Company's stockholders or appointment was approved by a vote of at least one-half of the directors then still in office who either were directors at the beginning of the period or whose election, nomination or appointment was previously so approved shall be considered Incumbent Directors; and further provided, however, that no individual shall be considered an Incumbent Director if such individual's election, nomination or appointment to the Company board of directors was in connection with an actual or threatened "election contest" (as described in Rule 14a-12(c) under the Exchange Act) with respect to the election or removal of directors (an **"Election Contest"**) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Company board of directors (a **"Proxy Contest"**) including by reason of any agreement intended to avoid or settle any such Election Contest or Proxy Contest; or

(d) the consummation of a merger or consolidation of the Company with any other corporation; provided, however, a Change in Control shall not be deemed to have occurred: (i) if such merger or consolidation would result in all or a portion of the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) either directly or indirectly more than 50% of the combined voting power of the securities of the Company or such surviving entity outstanding immediately after such merger or consolidation in substantially the same proportion as their ownership immediately prior to the merger or consolidation, or (ii) if the corporate existence of the Company is not affected and following the merger or consolidation, the directors of the Company prior to such merger or consolidation constitute at least a majority of the board of directors of the Company or the entity that directly or indirectly controls the Company after such merger or consolidation; or

(e) the sale or disposition by the Company of all or substantially all the Company's assets provided, however, that in no event shall a reorganization of the Company or TBOP solely within its corporate structure constitute a Change in Control.

"Date of Termination" means:

(a) if the EMPLOYEE'S employment is terminated for Disability, 30 days after the Notice of Termination is given (provided that he shall not have returned to the performance of his duties on a full-time basis during such 30-day period);

(b) if the EMPLOYEE'S employment terminates by reason of his death, the date of his death;

(c) if the EMPLOYEE'S employment is terminated involuntarily for Cause, the date of termination specified in the Notice of Termination and determined in accordance with Paragraph 8(a);

(d) if the EMPLOYEE'S employment is terminated by him, the date of termination specified in the Notice of Termination and determined in accordance with Paragraph 9(a);

provided, however that the Date of Termination shall mean the actual date of termination in the event the parties mutually agree to a date other than that described above. **"Disability"** has the meaning ascribed to the term "permanent and total disability" in Section 22(e)(3) of the IRC. **"Employee Benefit Plan"** has the meaning ascribed to such term in Section 3(3) of ERISA.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and as the same may be amended from time to time.

“Good Reason” means the EMPLOYEE’S separation from service within two (2) years following the initial existence of one or more of the following conditions arising without the consent of the EMPLOYEE:

(a) A material diminution in the EMPLOYEE’S base compensation;

(b) A material diminution in the EMPLOYEE’S authority, duties, or responsibilities;

(c) A material diminution in the authority, duties, or responsibilities of the supervisor to whom the EMPLOYEE is required to report, including a requirement that the EMPLOYEE report to a corporate officer or employee instead of reporting directly to the board of directors of a corporation (or similar governing body with respect to an entity other than a corporation);

(d) A material diminution in the budget over which the EMPLOYEE retains authority; or

(e) A relocation of the EMPLOYEE’S principal office to a location more than 50 miles away from the location at which the EMPLOYEE must perform the services.

“Incumbent Board” means the Board of Directors of TBOP as constituted at any relevant time.

“IRC” or the **“Code”** means the Internal Revenue Code of 1986, as amended and as the same may be amended from time to time.

“Notice of Termination” means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the EMPLOYEE’S employment under the provision so indicated, and (iii) gives the required advance notice of termination.

“Person” has the same meaning as such term has for purposes of Sections 13(d) and 14(d) of the 1934 Act. **“Subsidiary”** means any business entity of which a majority of its voting power or its equity securities or equity interests is owned, directly or indirectly by the Company.

EMPLOYMENT AGREEMENT

THIS AGREEMENT originally entered into on the 6th day of **December**, 2018, by and between **The Bank of Princeton** ("TBOP"), a banking corporation organized under the laws of the state of New Jersey, and **Daniel O'Donnell** (the "EMPLOYEE") and subsequently amended December 18, 2019, is hereby amended and restated in its entirety to add Princeton Bancorp, Inc., the parent bank holding company of TBOP ("Company"), as a party to this Agreement effective June 21, 2023 ("Effective Date").

BACKGROUND

A. TBOP and the Company desire to continue to employ the EMPLOYEE and the EMPLOYEE is willing to serve on the terms and conditions herein provided.

B. In order to effect the foregoing, the parties hereto desire to enter into this employment agreement on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Employment. TBOP and the Company hereby continue to employ the EMPLOYEE, and the EMPLOYEE hereby agrees to serve TBOP and the Company, on the terms and conditions set forth herein.

2. Term of Agreement.

(a) Except as otherwise provided herein, the term of this Agreement shall include: (i) the period commencing on the Effective Date and ending December 31, 2025, plus (ii) any and all extensions of the term made pursuant to paragraphs (b) and (c) of this Section 2 (the "Term").

(b) Beginning on December 31, 2023, and on or around each December 31st thereafter, the term of this Agreement shall be extended by one (1) year, so that, at the time of such extension, the term of the Agreement shall be for a period of three (3) years. Notwithstanding the foregoing, TBOP, the Company or the EMPLOYEE may elect to terminate the automatic annual extension of the Term in this paragraph (b) by giving written notice of such election. Any notice given hereunder shall be effective as of the date such notice of nonrenewal is given and the Term shall be fixed at that time.

(c) Notwithstanding paragraph (b) of this Section 2, in the event of a Change in Control, the Term shall not end before the first anniversary of such Change of Control; provided, however, this sentence shall apply only to the first Change of Control to occur while this Agreement is in effect.

(d) Nothing in this Agreement shall mandate or prohibit a continuation of the EMPLOYEE'S employment following the expiration of the Term upon such terms and conditions as TBOP, the Company and the EMPLOYEE may mutually agree.

(e) Effective upon the termination of the EMPLOYEE'S employment with TBOP or the Company, the EMPLOYEE shall resign as a director of TBOP and the Company, unless continued service as a director of TBOP or the Company is requested in writing by the Board of Directors. For purposes of this Agreement, all references to Board of Directors shall mean both the Company and TBOP boards of directors.

3. Position and Duties. The EMPLOYEE shall serve as the Executive Vice President, Chief Operating Officer and Assistant Secretary of TBOP and Executive Vice President, Chief Operating Officer and Assistant Secretary of the Company. EMPLOYEE shall report directly to the respective Boards of Directors. In addition, the EMPLOYEE shall serve in such capacity, with respect to each Subsidiary or affiliated company, as the Board of Directors of each such Subsidiary or affiliated company shall designate from time to time. During the Term, the EMPLOYEE shall devote substantially all of his working time and efforts to the business and affairs of TBOP, the Company and affiliated companies; provided, however, that nothing herein shall be construed as precluding him from devoting a reasonable amount of time to civic, charitable, trade association, and similar activities, to the extent participation in these activities do not conflict with the EMPLOYEE'S obligations to TBOP and the Company or interfere with the EMPLOYEE'S responsibilities under this Agreement.

4. Compensation and Related Matters. Unless otherwise determined by the Company board of directors, all payments and benefits provided in this Agreement shall be paid or provided solely by TBOP. Notwithstanding anything in this Agreement to the contrary, no provision of this Agreement shall be construed so as to result in the duplication of any payment or benefit. Unless otherwise determined by the Company board of directors, the Company's sole obligation under this Agreement shall be to unconditionally guarantee the payment and provision of all amounts and benefits due hereunder to EMPLOYEE, and the affirmative obligations of the Company as set forth at Section 18, herein, with respect to Indemnification, and, if such amounts and benefits due from TBOP are not timely paid or provided by TBOP, such amounts and benefits shall be paid or provided by the Company.

(a) **Base Compensation.** During the Term, TBOP shall pay to the EMPLOYEE annual base compensation at a rate not less than **\$500,000** ("Annual Salary"). The Board of Directors of TBOP or the Joint Compensation/HR Committee of the Board of Directors shall periodically review the EMPLOYEE'S employment performance, in accordance with policies generally in effect from time to time, for possible merit or cost-of-living increases and any and all such increases shall be deemed to constitute amendments to this Section 4(a) to reflect the increased amounts, effective as of the date established for such increases. Except for a reduction which is proportionate to a bank-wide reduction in officer pay, the annual base compensation paid to the EMPLOYEE in any period shall not be less than his Annual Salary as of the Effective Date. The frequency and manner of payment of the EMPLOYEE'S Annual Salary shall be in accordance with TBOP's payroll practices from time to time in effect. Nothing herein shall be construed as precluding the EMPLOYEE from entering into any salary reduction or deferral plan or arrangement during the Term. The amounts set forth in the first sentence of this subparagraph (a) shall be pro-rated to the extent such period is less than a year.

(b) **Incentive Compensation.** During the Term, the EMPLOYEE shall be eligible to participate in all incentive plans, equity plans, and similar arrangements maintained by TBOP for its executive officers on a basis and at award levels consistent and commensurate with the EMPLOYEE'S position and duties hereunder.

(c) **Employee Benefit Plans and Other Plans or Arrangements.** The EMPLOYEE shall be eligible to participate in all Employee Benefit Plans of TBOP on the same basis as other executive officers of TBOP. In addition, the EMPLOYEE shall be entitled to participate in and enjoy any other plans and arrangements which provide for sick leave, vacation, sabbatical, or personal days, club memberships and dues, education payment or reimbursement, business-related seminars, and similar fringe benefits provided to or for the executive officers of TBOP from time to time.

(d) **Expenses.** During the Term, the EMPLOYEE shall be entitled to receive prompt reimbursement for all reasonable and customary expenses, including transportation expenses, incurred by him in performing services hereunder in accordance with the general policies and procedures established by TBOP.

5. Termination By Reason of Disability.

(a) **In General.** In the event the EMPLOYEE becomes unable to perform his duties on a full-time basis by reason of the occurrence of his Disability and, within 30 days after a Notice of Termination is given, he shall not have returned to the full-time performance of such duties, his employment may be terminated by TBOP or the Company, provided, however, that, if EMPLOYEE'S Disability occurs after EMPLOYEE delivers a Notice of Termination for Good Reason, EMPLOYEE shall nevertheless be absolutely entitled to receive all of the compensation and benefits provided in Section 9 hereof.

(b) **Compensation and Benefits upon Expiration of Remaining Term.** This Agreement shall terminate following the EMPLOYEE'S termination for Disability, provided, however, the EMPLOYEE shall be entitled to receive the compensation and benefits provided under the terms of any long-term disability plan of TBOP in effect on the Date of Termination.

6. Termination By Reason of Death. This Agreement shall terminate in the event of the EMPLOYEE'S death during the Term, provided, however, the EMPLOYEE'S beneficiary(ies) shall be entitled to such benefits as otherwise provided by TBOP as are effective on the date of his death, provided, however, that, if the EMPLOYEE dies after EMPLOYEE delivers a Notice of Termination for Good Reason, the EMPLOYEE'S estate shall nevertheless be absolutely entitled to receive all of the compensation and benefits provided in Section 9 hereof.

7. Termination by TBOP or the Company for Cause.

(a) **In General.** In the event TBOP or the Company terminates the EMPLOYEE'S employment for Cause, TBOP or the Company shall deliver a Notice of Termination to the EMPLOYEE which specifies a Date of Termination which, in the employer's discretion, may be the same date as the Notice of Termination.

(b) **Compensation.** On and after the Date of Termination, EMPLOYEE shall have no further rights under this Agreement, except that at the end of the payroll period after the EMPLOYEE'S termination under Subparagraph (a), TBOP shall pay him, in one lump sum, his accrued but unpaid base compensation and vacation time/paid time off earned through the Date of Termination.

8. Termination by the EMPLOYEE without Good Reason

(a) **In General.** In the event the EMPLOYEE terminates his employment without Good Reason, the EMPLOYEE shall deliver a Notice of Termination to TBOP and the Company which specifies a Date of Termination not less than 30 days following the date of such notice.

(b) **Compensation.** On and after the Date of Termination, the EMPLOYEE shall have no further rights under this Agreement, except that at the end of the payroll period after the EMPLOYEE'S termination under Subparagraph (a), TBOP shall pay him, in one lump sum, his accrued but unpaid base compensation and vacation time/paid time off earned through the Date of Termination.

9. Involuntary Termination without Disability or Cause or Voluntary Termination by the EMPLOYEE for Good Reason .

(a) **In General.** In the event TBOP or the Company terminates the EMPLOYEE'S employment for any reason other than Disability or Cause, TBOP or the Company shall deliver a Notice of Termination to the EMPLOYEE which specifies a Date of Termination not less than 30 days following the date of such notice. In the event that the EMPLOYEE intends to terminate his employment for Good Reason, then at the option of the EMPLOYEE, exercisable by him within ninety (90) days after the occurrence of the condition constituting Good Reason, the EMPLOYEE may resign from employment under this Agreement by delivering a Notice of Termination to TBOP, the Company or its successor which specifies a Date of Termination not less than 30 days following the date of such notice, provided, however, that TBOP, the Company or its successor shall be given thirty (30) days from the day it receives the Notice of Termination to remedy such condition.

(b) **Compensation and Benefits after Termination.** In the event of the termination of EMPLOYEE'S employment under Subparagraph (a), the EMPLOYEE shall be entitled to receive the following payments and benefits.

(i) The EMPLOYEE shall receive a lump sum cash payment equal to two (2) times: (A) the EMPLOYEE'S Annual Salary then in effect, plus (B) the average of the three (3) highest annual cash or stock bonuses paid to the EMPLOYEE under a short-term incentive program maintained by TBOP or the Company during the Term. A portion of the severance payment received in connection with a Change in Control which is classified as payment of reasonable compensation for purposes of Section 280G of the Code shall be allocated to the restrictive covenants noted in Section 13.

(ii) In addition to the cash payment provided under Subparagraph (b)(i) of this Section 9, the EMPLOYEE and his eligible dependents shall be entitled to continue to participate at the same aggregate benefit levels for eighteen (18) months and at no out-of-pocket or tax cost to the EMPLOYEE, in the medical

benefit plan in which the EMPLOYEE was a participant immediately prior to the Date of Termination, to the extent permitted under the terms of such plans and applicable law. To the extent TBOP is unable to provide for continued participation in the medical benefit plan, it shall provide an equivalent benefit directly at no out-of-pocket or tax cost to the EMPLOYEE. For purposes of the preceding two sentences, TBOP shall be deemed to have provided a benefit at no tax cost to the EMPLOYEE if it pays an additional amount to the EMPLOYEE or on his behalf, with respect to those benefits which would otherwise be nontaxable to the EMPLOYEE.

(c) **Earlier Cessation of Medical Benefits.** Notwithstanding the provisions of Subparagraph 9(b), TBOP shall not be required to provide, at its cost, the medical benefits covered by Subparagraph 9(b)(ii) after the later of (i) the attainment by the EMPLOYEE and his spouse (if any) of age 65, or (ii) the date specified in the relevant plan document for benefit termination (assuming that he was employed until the normal retirement date, if any, specified in such document).

(d) **Death during Remaining Period of Payment.** In the event the EMPLOYEE dies during the period of payment following the Date of Termination without Disability or Cause and the EMPLOYEE is survived by his spouse, the compensation and benefits required to be paid and provided under Subparagraph (b) shall be unaffected by his death and shall be paid and provided to the EMPLOYEE'S spouse or on her behalf; provided that TBOP shall not be required to provide continued medical benefits with respect to her deceased husband; and provided further, that in no event shall TBOP be required to provide, at its cost, the medical benefits described in Subparagraph 9(b)(ii) to such spouse and her eligible dependents after the earlier of (x) his death, or (y) the later of (I) his attainment of age 65, or (II) the date specified in the relevant plan document for benefit termination (assuming that the EMPLOYEE was employed until the normal retirement date, if any, specified in the document).

10. Limitations on Payments.

Notwithstanding any contrary provisions in any plan, program or policy of TBOP or the Company, if all or any portion of the compensation or benefits payable under this Agreement, either alone or together with other payments and benefits that the EMPLOYEE receives or is entitled to receive from TBOP and the Company, would constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code. TBOP shall reduce the EMPLOYEE'S payments and benefits payable under this Agreement to the extent necessary so that no portion thereof, after the application of all reasonable exceptions permitted under the Code, shall be subject to the excise tax imposed by Section 4999 of the Code, but only if, by reason of such reduction, the net after-tax benefit to the EMPLOYEE shall exceed the net after-tax benefit if such reduction were not made. **"Net after-tax benefit"** for these purposes shall mean the sum of (i) the total amount payable to the EMPLOYEE under this Agreement, plus (ii) all other payments and benefits which the EMPLOYEE receives or is then entitled to receive from TBOP or the Company that, alone or in combination with the payments and benefits payable under this Agreement, would constitute a "parachute payment" within the meaning of Section 280G of the Code, less (iii) the amount of federal income taxes payable with respect to the foregoing calculated at the maximum marginal income tax rate for each year in which the

foregoing shall be paid to the EMPLOYEE (based upon the rate in effect for such year as set forth in the Code at the time of the payment under this Agreement), less (iv) the amount of excise taxes imposed with respect to the payments and benefits described in (i) and (ii) above by Section 4999 of the Code. The parachute payments reduced shall first be the payments under Section 9, and then any other parachute payments. Within any of these categories, a reduction shall occur first with respect to amounts that are not deemed to constitute a "deferral of compensation" within the meaning of and subject to Code Section 409A ("Nonqualified Deferred Compensation") and then with respect to amounts that are treated as Nonqualified Deferred Compensation, with such reduction being applied in each case to the payments in the reverse order in which they would otherwise be made, that is, later payments shall be reduced before earlier payments. All determinations required to be made under this Section 10 shall be made by an independent accounting firm, law firm or compensation consultant, agreed upon by the EMPLOYEE and TBOP. All fees and expenses incurred in connection with the calculation required under this Section 10 shall be borne solely by TBOP.

11. Withholding Taxes. All compensation and benefits provided for herein shall, to the extent required by law, be subject to federal, state, and local tax withholding.

12. Confidential Information. The EMPLOYEE agrees that during and subsequent to his employment with TBOP and the Company, he will not, at any time, communicate or disclose to any unauthorized person, without the written consent of TBOP or the Company, any proprietary or other confidential information concerning TBOP, the Company or any Subsidiary or affiliate thereof; provided, however, that the obligations under this paragraph shall not apply to the extent that such matters (a) are disclosed in circumstances where the EMPLOYEE is legally obligated to do so, or (b) become generally known to and available for use by the public otherwise than by his wrongful act or omission; and provided further, that he may disclose any knowledge of insurance, financial, legal and economic principles, concepts and ideas which are not solely and exclusively derived from the business plans and activities of TBOP and the Company.

13. Covenants Not to Compete or to Solicit.

(a) **Noncompetition.** During the Term and for a period of 6 months after the Date of Termination (the "Noncompetition Period"), the EMPLOYEE shall not, without the written consent in writing of the Boards of Directors, become an officer, employee, agent, partner, consultant, member, director, or a four and nine-tenths percent or greater shareholder or equity owner of any entity engaged in the banking or lending business within any county in which TBOP or the Company has a branch, administrative office or loan production office. If at the time of the enforcement of this paragraph a court holds that the duration, scope, or area restrictions stated herein are unreasonable under the circumstances then existing and, thus, unenforceable, TBOP, the Company and the EMPLOYEE agree that the maximum duration, scope, or area reasonable under such circumstances shall be substituted for the stated duration, scope, or area.

(b) **Nonsolicitation.** During his employment and the Noncompetition Period, the EMPLOYEE shall not, whether on his own behalf or on behalf of any other individual or business entity, solicit, endeavor to entice away from TBOP, the Company a Subsidiary or any affiliated company, or otherwise interfere with the relationship of TBOP, the Company, a Subsidiary, or any affiliated company with any person who is, or was within the then most recent 12 month period, an employee or associate thereof.

(c) **Extension of Noncompetition Period.** The Noncompetition Period shall be automatically extended by the length of time (if any) in which the EMPLOYEE is in violation of any of the terms of this Paragraph 13.

14. Additional Equitable Remedy. The EMPLOYEE acknowledges and agrees that TBOP's remedy at law for a breach or a threatened breach of the provisions of Paragraphs 12 and 13 would be inadequate; and, in recognition of this fact, in the event of such a breach or threatened breach by him, it is agreed that TBOP shall be entitled to request equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy which may then be available. Nothing in this paragraph shall be construed as prohibiting TBOP from pursuing any other remedy available under this Agreement for such a breach or threatened breach.

15. Legal Fees. TBOP shall reimburse the EMPLOYEE for all reasonable legal fees and expenses he may incur in seeking to obtain or enforce any right or benefit provided by this Agreement, but only with respect to such claim or claims upon which EMPLOYEE prevails. Such payments shall be made within fourteen (14) days after delivery of EMPLOYEE's written request for payment accompanied with such evidence of fees and expenses incurred as TBOP may reasonably require.

16. Related Agreements. Except as may otherwise be provided herein, to the extent that any provision of any other agreement between TBOP, the Company and the EMPLOYEE shall limit, qualify, duplicate, or be inconsistent with any provision of this Agreement, the provision in this Agreement shall control and such provision of such other agreement shall be deemed to have been superseded, and to be of no force or effect, as if such other agreement had been formally amended to the extent necessary to accomplish such purpose.

17. Exclusive Rights and Remedy. Except for any explicit rights and remedies the EMPLOYEE may have under any other contract, plan or arrangement with TBOP and the Company, the compensation and benefits payable hereunder and the remedy for enforcement thereof shall constitute his exclusive rights and remedy in the event of his termination of employment.

18. Director and Officer Liability Insurance; Indemnification. TBOP and the Company shall provide the EMPLOYEE (including his heirs, executors, and administrators) with the maximum coverage permitted under its directors' and officers' liability insurance policy, at TBOP's expense, and shall indemnify him (and his heirs, executors, and administrators) as an employee and/or officer of TBOP and the Company to the fullest extent permitted under Federal, Pennsylvania and New Jersey law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit, or proceeding in which he may be involved by reason of his having been an employee and/or officer of TBOP, the Company or any Subsidiary or affiliated company (whether or not he continues to be such an officer at the time of incurring such expenses or liabilities). Such expenses and liabilities shall include, but not be limited to, judgments, court costs, and attorneys' fees, and the costs of reasonable settlements.

19. Cooperation and Non-Disparagement. EMPLOYEE agrees that he shall not make any disparaging, negative or critical comments regarding TBOP, or any Subsidiary or affiliated company either during his employment by TBOP and the Company, or thereafter. EMPLOYEE agrees to cooperate fully with TBOP and the Company in connection with any claims, suits, charges or causes of action that have been brought, or may be brought in the future, against TBOP or the Company in which EMPLOYEE possesses information relevant to such claims, suits, charges or causes of action, which shall include, but not be limited to, making himself available, within reason, for interviews, depositions and testimony, as needed or requested by TBOP or the Company.

20. Notices. Any notice required or permitted under this Agreement shall be sufficient if it is in writing and shall be deemed given (i) at the time of personal delivery to the addressee, or (ii) at the time sent certified mail, with return receipt requested, addressed as follows:

If to the EMPLOYEE:	The address provided in the personnel file of TBOP.
If to TBOP:	The Bank of Princeton 183 Bayard Lane Princeton, NJ 08540 Attention: Chair, Board of Directors
If to Company:	Princeton Bancorp, Inc. 183 Bayard Lane Princeton, NJ 08540 Attention: Chair, Board of Directors

The name or address of any addressee may be changed at any time and from time to time by notice similarly given.

21. No Waiver. The failure by any party to this Agreement at any time or times hereafter to require strict performance by any other party of any of the provisions, terms, or conditions contained in this Agreement shall not waive, affect, or diminish any right of the first party at any time or times thereafter to demand strict performance therewith and with any other provision, term, or condition contained in this Agreement. Any actual waiver of a provision, term, or condition contained in this Agreement shall not constitute a waiver of any other provision, term, or condition herein, whether prior or subsequent to such actual waiver and whether of the same or a different type. The failure of TBOP or the Company to promptly terminate the EMPLOYEE'S employment for Cause or the EMPLOYEE to promptly terminate his employment for Good Reason shall not be construed as a waiver of the right of termination, and such right may be exercised at any time following the occurrence of the event giving rise to such right.

22. Survival. Notwithstanding the nominal termination of this Agreement and the EMPLOYEE'S employment hereunder, the provisions hereof which specify continuing obligations, compensation and benefits, and rights (including the otherwise applicable term hereof) shall remain in effect until such time as all such obligations are discharged, all such compensation and benefits are received, and no party or beneficiary has any remaining actual or contingent rights hereunder.

23. Severability. In the event any provision in this Agreement shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining provisions hereof, and this Agreement shall be construed, administered and enforced as though such illegal or invalid provision were not contained herein.

24. Binding Effect and Benefit. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of TBOP, the Company and the executors, personal representatives, surviving spouse, heirs, devisees, and legatees of the EMPLOYEE. TBOP or the Company may assign this Agreement in the event of a sale, merger, consolidation or transfer of all or substantially all of its business and assets.

25. Entire Agreement. This Agreement embodies the entire agreement among the parties with respect to the subject matter hereof, and it supersedes and replaces any prior written or oral agreements between the parties to this Agreement.

26. Captions. The captions of the several paragraphs and subparagraphs of this Agreement have been inserted for convenience of reference only. They constitute no part of this Agreement and are not to be considered in the construction hereof.

27. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed one and the same instrument which may be sufficiently evidenced by any one counterpart.

28. Applicable Law. Except to the extent preempted by federal law, the provisions of this Agreement shall be construed, administered, and enforced in accordance with the domestic internal law of the State of New Jersey without reference to its laws regarding conflict of laws. Each party hereby agrees that the forum and venue for any legal or equitable action or proceeding arising out of, or in connection with, this Agreement will lie in the appropriate federal or state courts or arbitration proceeding in the State of New Jersey and specifically waives any and all objections to such jurisdiction and venue.

29. Regulatory Matters. The obligations of TBOP under this Agreement shall in all events be subject to any required limitations or restrictions imposed by or pursuant to the Federal Deposit Insurance Act as the same may be amended from time to time. For the avoidance of doubt, any payments made to EMPLOYEE pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with 12 U.S.C. §1828(k) and FDIC regulation 12 C.F.R. Part 359, Golden Parachute and Indemnification Payments.

30. Code Section 409A.

(a) Anything in this Agreement to the contrary notwithstanding, if at the time of the EMPLOYEE'S separation from service within the meaning of Section 409A of the Code, TBOP's stock is publicly traded on an established securities market or otherwise and TBOP determines that the EMPLOYEE is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the EMPLOYEE becomes entitled to under this Agreement on account of the EMPLOYEE's separation from service would be considered deferred compensation subject to the 20% additional tax imposed pursuant to Section 409A(a) of the IRC as a result of the application of Section 409A(a)(2)(B) (i) of the IRC, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (i) six months and one day after the EMPLOYEE's separation from service, or (ii) the EMPLOYEE'S death. The first installment payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule. Any such delayed cash payment shall earn interest at an annual rate equal to the applicable federal short-term rate published by the Internal Revenue Service for the month in which the date of separation from service occurs, from such date of separation from service until the payment. To the extent that the foregoing applies to the provision of any ongoing medical benefits to the EMPLOYEE that would not be required to be delayed if the premiums therefore were paid by the EMPLOYEE, the EMPLOYEE shall pay the full costs of premiums for such medical benefits during the six-month period and TBOP shall pay the EMPLOYEE an amount equal to the amount of such premiums paid by the EMPLOYEE during the six-month period within ten (10) days after the conclusion of such period.

(b) Solely for purposes of Section 409A of the IRC, each installment payment of severance is considered a separate payment.

(c) All in-kind benefits provided and expenses eligible for reimbursement under this Agreement shall be provided by TBOP or incurred by the EMPLOYEE during the time periods set forth in this Agreement. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year. Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(d) To the extent that any payment or benefit described in this Agreement constitutes "non-qualified deferred compensation" under Section 409A of the IRC, and to the extent that such payment or benefit is payable upon the EMPLOYEE'S termination of employment, then such payments or benefits shall be payable only upon the EMPLOYEE'S "separation from service." The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation § 1.409A-1(h).

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Agreement, or caused it to be executed, as of the date first above written.

/s/ Daniel O'Donnell

DANIEL O'DONNELL

THE BANK OF PRINCETON

By: /s/ Richard Gillespie

On behalf of the Board of Directors

PRINCETON BANCORP, INC.

By: /s/ Richard Gillespie

On behalf of the Board of Directors

GLOSSARY

"Board of Directors" or **"Board"** means collectively the board of directors of TBOP and the Company.

"Cause" means (i) a documented repeated and willful failure by the EMPLOYEE to perform his duties, but only after written demand, (ii) his final conviction of a felony, (iii) conduct by him which constitutes moral turpitude which is directly and materially injurious to TBOP or any Subsidiary or affiliated company, including but not limited to the Company (iv) willful material violation of corporate policy, or (v) the issuance by the regulator of TBOP or any Subsidiary or affiliated company, including but not limited to the Company, of an unappealable order to the effect that he be permanently discharged.

For purposes of this definition, no act or failure to act on the part of the EMPLOYEE shall be considered "willful" unless done or omitted not in good faith and without reasonable belief that the action or omission was in the best interest of TBOP or any of their Subsidiaries or affiliated companies, including but not limited to the Company.

"Change in Control" means the occurrence of any of the following events:

(a) if any Person is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more (the **"CIC Percentage"**) of the combined voting power of the Company's then-outstanding securities; provided, however, that if such Person first obtains the approval of the Company board of directors to acquire the CIC Percentage, then no Change in Control shall be deemed to have occurred unless and until such Person obtains a CIC Percentage ownership of the combined voting power of the Company's then-outstanding securities without having first obtained the approval of the Company board of directors; or

(b) if any Person is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing greater than 50% of the combined voting power of the Company's then-outstanding securities, whether or not the Company board of directors shall have first given its approval to such acquisition; or

(c) during any period of two consecutive years, individuals who at the beginning of such period constitute the Company board of directors (the **"Incumbent Directors"**) cease for any reason to constitute a majority of the Company board of directors; provided, however, that any new directors whose election, nomination for election by the Company's stockholders or appointment was approved by a vote of at least one-half of the directors then still in office who either were directors at the beginning of the period or whose election, nomination or appointment was previously so approved shall be considered Incumbent Directors; and further provided, however, that no individual shall be considered an Incumbent Director if such individual's election, nomination or appointment to the Company board of directors was in connection with an actual or threatened "election contest" (as described in Rule 14a-12(c) under the Exchange Act) with respect to the election or removal of directors (an **"Election Contest"**) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Company board of directors (a **"Proxy Contest"**) including by reason of any agreement intended to avoid or settle any such Election Contest or Proxy Contest; or

(d) the consummation of a merger or consolidation of the Company with any other corporation; provided, however, a Change in Control shall not be deemed to have occurred: (i) if such merger or consolidation would result in all or a portion of the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) either directly or indirectly more than 50% of the combined voting power of the securities of the Company or such surviving entity outstanding immediately after such merger or consolidation in substantially the same proportion as their ownership immediately prior to the merger or consolidation, or (ii) if the corporate existence of the Company is not affected and following the merger or consolidation, the directors of the Company prior to such merger or consolidation constitute at least a majority of the board of directors of the Company or the entity that directly or indirectly controls the Company after such merger or consolidation; or

(e) the sale or disposition by the Company of all or substantially all the Company's assets provided, however, that in no event shall a reorganization of the Company or TBOP solely within its corporate structure constitute a Change in Control.

"Date of Termination" means:

(a) if the EMPLOYEE'S employment is terminated for Disability, 30 days after the Notice of Termination is given (provided that he shall not have returned to the performance of his duties on a full-time basis during such 30-day period);

(b) if the EMPLOYEE'S employment terminates by reason of his death, the date of his death;

(c) if the EMPLOYEE'S employment is terminated involuntarily for Cause, the date of termination specified in the Notice of Termination and determined in accordance with Paragraph 8(a);

(d) if the EMPLOYEE'S employment is terminated by him, the date of termination specified in the Notice of Termination and determined in accordance with Paragraph 9(a); provided, however that the Date of Termination shall mean the actual date of termination in the event the parties mutually agree to a date other than that described above.

"Disability" has the meaning ascribed to the term "permanent and total disability" in Section 22(e)(3) of the IRC.

"Employee Benefit Plan" has the meaning ascribed to such term in Section 3(3) of ERISA.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and as the same may be amended from time to time.

“Good Reason” means the EMPLOYEE’S separation from service within two (2) years following the initial existence of one or more of the following conditions arising without the consent of the EMPLOYEE:

(a) A material diminution in the EMPLOYEE’S base compensation;

(b) A material diminution in the EMPLOYEE’S authority, duties, or responsibilities;

(c) A material diminution in the authority, duties, or responsibilities of the supervisor to whom the EMPLOYEE is required to report, including a requirement that the EMPLOYEE report to a corporate officer or employee instead of reporting directly to the board of directors of a corporation (or similar governing body with respect to an entity other than a corporation);

(d) A material diminution in the budget over which the EMPLOYEE retains authority; or

(e) A relocation of the EMPLOYEE’S principal office to a location more than 50 miles away from the location at which the EMPLOYEE must perform the services.

“Incumbent Board” means the Board of Directors of TBOP as constituted at any relevant time.

“IRC” or the **“Code”** means the Internal Revenue Code of 1986, as amended and as the same may be amended from time to time.

“Notice of Termination” means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the EMPLOYEE’S employment under the provision so indicated, and (iii) gives the required advance notice of termination.

“Person” has the same meaning as such term has for purposes of Sections 13(d) and 14(d) of the 1934 Act.

“Subsidiary” means any business entity of which a majority of its voting power or its equity securities or equity interests is owned, directly or indirectly by the Company.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AGREEMENT originally entered into on the 25th day of January 2019 by and between The Bank of Princeton ("TBOP"), a banking corporation organized under the laws of the state of New Jersey, and **George Rapp** (the "EMPLOYEE" is hereby amended and restated in its entirety to add Princeton Bancorp, Inc., the parent bank holding company of TBOP ("Company"), as a party to this Agreement effective June 21, 2023 ("Effective Date").

BACKGROUND

A. TBOP and the Company desire to continue to employ the EMPLOYEE and the EMPLOYEE is willing to serve on the terms and conditions herein provided.

B. In order to effect the foregoing, the parties hereto desire to enter into this employment agreement on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. **Employment.** TBOP and the Company hereby continue to employ the EMPLOYEE, and the EMPLOYEE hereby agrees to serve TBOP and the Company, on the terms and conditions set forth herein.

2. **Term of Agreement.**

(a) Except as otherwise provided herein, the term of this Agreement shall include: (i) the period commencing on the Effective Date and ending December 31, 2024, plus (ii) any and all extensions of the term made pursuant to paragraphs (b) and (c) of this Section 2 (the "Term").

(b) Beginning on December 31, 2023, and on each anniversary thereafter, the term of this Agreement shall be extended by one (1) year, so that, at the time of such extension, the term shall be for a period of two (2) years. Notwithstanding the foregoing, TBOP, the Company or the EMPLOYEE may elect to terminate the automatic annual extension of the Term in this paragraph (b) by giving written notice of such election. Any notice given hereunder shall be effective as of the date such notice of nonrenewal is given and the Term shall be fixed at that time.

(c) Notwithstanding paragraph (b) of this Section 2, in the event of a Change in Control, the Term shall not end before the first anniversary of such Change of Control; provided, however, this sentence shall apply only to the first Change of Control to occur while this Agreement is in effect.

(d) Nothing in this Agreement shall mandate or prohibit a continuation of the EMPLOYEE'S employment following the expiration of the Term upon such terms and conditions as TBOP, the Company and the EMPLOYEE may mutually agree.

3. **Position and Duties.** The EMPLOYEE shall serve as the Executive Vice-President and Chief Financial Officer of TBOP and Executive Vice President and Chief Financial Officer of the Company. EMPLOYEE shall report directly to the Chief Executive Officer of the Company and TBOP, respectively. In addition, the EMPLOYEE shall serve in such capacity, with respect to each Subsidiary or affiliated company, as the Board of Directors of each such Subsidiary or affiliated company shall designate from time to time. During the Term, EMPLOYEE shall devote substantially all of his working time and efforts to the business and affairs of TBOP, the Company and affiliated companies; provided, however, that nothing herein shall be construed as precluding him from devoting a reasonable amount of time to civic, charitable, trade association, and similar activities, to the extent participation in these activities do not conflict with the EMPLOYEE'S obligations to TBOP and the Company or interfere with the EMPLOYEE'S responsibilities under this Agreement.

4. **Compensation and Related Matters.** Unless otherwise determined by the Company board of directors, all payments and benefits provided in this Agreement shall be paid or provided solely by TBOP. Notwithstanding anything in this Agreement to the contrary, no provision of this Agreement shall be construed so as to result in the duplication of any payment or benefit. Unless otherwise determined by the Company board of directors, the Company's sole obligation under this Agreement shall be to unconditionally guarantee the payment and provision of all amounts and benefits due hereunder to EMPLOYEE, and the affirmative obligations of the Company as set forth at Section 18, herein, with respect to Indemnification, and, if such amounts and benefits due from TBOP are not timely paid or provided by TBOP, such amounts and benefits shall be paid or provided by the Company.

(a) **Base Compensation.** During the Term, TBOP shall pay to the EMPLOYEE annual base compensation at a rate not less than **\$250,000** ("Annual Salary"). The Board of Directors of TBOP or the Joint Compensation/HR Committee of the Board of Directors shall periodically review the EMPLOYEE'S employment performance, in accordance with policies generally in effect from time to time, for possible merit or cost-of-living increases, and any and all such increases shall be deemed to constitute amendments to this Section 4(a) to reflect the increased amounts, effective as of the date established for such increases. Except for a reduction which is proportionate to a bank-wide reduction in officer pay, the annual base compensation paid to the EMPLOYEE in any period shall not be less his Annual Salary as of the Effective Date. The frequency and manner of payment of the EMPLOYEE'S Annual Salary shall be in accordance with TBOP's payroll practices from time to time in effect. Nothing herein shall be construed as precluding the EMPLOYEE from entering into any salary reduction or deferral plan or arrangement during the Term. The amounts set forth in the first sentence of this subparagraph (a) shall be pro-rated to the extent such period is less than a year.

(b) **Incentive Compensation.** During the Term, the EMPLOYEE shall be eligible to participate in all incentive plans, equity plans, and similar arrangements maintained by TBOP for its executive officers on a basis and at award levels consistent and commensurate with the EMPLOYEE'S position and duties hereunder.

(c) Employee Benefit Plans and Other Plans or Arrangements.

The EMPLOYEE shall be eligible to participate in all Employee Benefit Plans of TBOP on the same basis as other executive officers of TBOP. In addition, the EMPLOYEE shall be eligible to participate in and enjoy any other plans and arrangements which provide for sick leave, vacation, sabbatical, or personal days, club memberships and dues, education payment or reimbursement, business-related seminars, and similar fringe benefits provided to or for the executive officers of TBOP from time to time.

(d) **Expenses.** During the Term, the EMPLOYEE shall be entitled to receive prompt reimbursement for all reasonable and customary expenses, including transportation expenses, incurred by him in performing services hereunder in accordance with the general policies and procedures established by TBOP.

5. Termination By Reason of Disability.

(a) **In General.** In the event the EMPLOYEE becomes unable to perform his duties on a full-time basis by reason of the occurrence of his Disability and, within 30 days after a Notice of Termination is given, he shall not have returned to the full-time performance of such duties, his employment may be terminated by TBOP or the Company, provided, however, that, if EMPLOYEE'S Disability occurs after EMPLOYEE delivers a Notice of Termination for Good Reason, EMPLOYEE shall nevertheless be absolutely entitled to receive all of the compensation and benefits provided in Section 9 hereof.

(b) **Compensation and Benefits upon Expiration of Remaining Term.** This Agreement shall terminate following the EMPLOYEE'S termination for Disability, provided, however, the EMPLOYEE shall be entitled to receive the compensation and benefits provided under the terms of any long-term disability plan of TBOP in effect on the Date of Termination.

6. Termination By Reason of Death. This Agreement shall terminate in the event of the EMPLOYEE 's death during the Term, provided, however, the EMPLOYEE'S beneficiary(ies) shall be entitled to such benefits as otherwise provided by TBOP as are effective on the date of his death, provided, however, that, if the EMPLOYEE dies after EMPLOYEE delivers a Notice of Termination for Good Reason, the EMPLOYEE'S estate shall nevertheless be absolutely entitled to receive all of the compensation and benefits provided in Section 9 hereof.

7. Termination by TBOP or the Company for Cause.

(a) **In General.** In the event TBOP or the Company terminates the EMPLOYEE'S employment for Cause, TBOP or the Company shall deliver a Notice of Termination to the EMPLOYEE which specifies a Date of Termination which, in the employer's discretion, may be the same date as the Notice of Termination.

(b) **Compensation.** On and after the Date of Termination, EMPLOYEE shall have no further rights under this Agreement, except that at the end of the payroll period after the EMPLOYEE'S termination under Subparagraph (a), TBOP shall pay him, in one lump sum, his accrued but unpaid base compensation and vacation compensation earned through the Date of Termination.

8. Termination by the EMPLOYEE without Good Reason.

(a) **In General.** In the event the EMPLOYEE terminates his employment without Good Reason, the EMPLOYEE shall deliver a Notice of Termination to TBOP and the Company which specifies a Date of Termination not less than 30 days following the date of such notice.

(b) **Compensation.** On and after the Date of Termination, the EMPLOYEE shall have no further rights under this Agreement, except that at the end of the payroll period after the EMPLOYEE'S termination under Subparagraph (a), TBOP shall pay him, in one lump sum, his accrued but unpaid base compensation and vacation time/paid time off earned through the Date of Termination.

9. Involuntary Termination without Disability or Cause or Voluntary Termination by the EMPLOYEE for Good Reason.

(a) **In General.** In the event TBOP or the Company terminates the EMPLOYEE'S employment for any reason other than Disability or Cause, TBOP or the Company shall deliver a Notice of Termination to the EMPLOYEE which specifies a Date of Termination not less than 30 days following the date of such notice. In the event that the EMPLOYEE intends to terminate his employment for Good Reason, then at the option of the EMPLOYEE, exercisable by him within ninety (90) days after the occurrence of the condition constituting Good Reason, the EMPLOYEE may resign from employment under this Agreement by delivering a Notice of Termination to TBOP, the Company or the successor to TBOP or the Company which specifies a Date of Termination not less than 30 days following the date of such notice, provided, however, that TBOP, Company or the successor to TBOP or the Company shall be given thirty (30) days from the day it receives the Notice of Termination to remedy such condition.

(b) **Compensation and Benefits after Termination.** In the event of the termination of EMPLOYEE 's employment under Subparagraph (a), the EMPLOYEE shall be entitled to receive the following payments and benefits.

(i) The EMPLOYEE shall receive a lump sum payment equal to one (1) times EMPLOYEE'S Annual Salary then in effect (two (2) times if the termination occurs within twenty-four (24) months of a Change in Control). A portion of the severance payment received in connection with a Change in Control which is classified as a payment of reasonable compensation for purposes of Section 280G of the Code shall be allocated to the restrictive covenants noted of Section 13.

(ii) In addition to the cash payment provided under subparagraph (b)(i) of this Section 9, the EMPLOYEE and his eligible dependents shall be entitled to continue to participate at the same aggregate benefit levels for eighteen (18) months and at no out-of-pocket or tax cost to the EMPLOYEE, in the medical benefit plan in which the EMPLOYEE was a participant immediately prior to the Date of Termination, to the extent permitted under the terms of such plans and applicable law. To the extent TBOP is unable to provide for continued participation in the medical benefit plan, it shall provide an equivalent benefit directly at no out-of-pocket or tax cost to the EMPLOYEE. For purposes of the preceding two sentences, TBOP shall be deemed to have provided a benefit at no tax cost to the EMPLOYEE if it pays an additional amount to the EMPLOYEE or on his behalf, with respect to those benefits which would otherwise be nontaxable to the EMPLOYEE.

(c) **Earlier Cessation of Medical Benefits.** Notwithstanding the provisions of Subparagraph 9(b), TBOP shall not be required to provide, at its cost, the medical benefits covered by Subparagraph 9(b)(ii) after the later of (i) the attainment by the EMPLOYEE and his spouse (if any) of age 65, or (ii) the date specified in the relevant plan document for benefit termination (assuming that he was employed until the normal retirement date, if any, specified in such document).

(d) **Death during Remaining Period of Payment.** In the event the EMPLOYEE dies during the period of payment following the Date of Termination without Disability or Cause and the EMPLOYEE is survived by his spouse, the compensation and benefits required to be paid and provided under Subparagraph (b) shall be unaffected by his death and shall be paid and provided to the EMPLOYEE'S spouse or on her behalf; provided that TBOP shall not be required to provide continued medical benefits with respect to her deceased husband; and provided further, that in no event shall TBOP be required to provide, at its cost, the medical benefits described in Subparagraph 9(b)(ii) to such spouse and her eligible dependents after the earlier of (x) her death, or (y) the later of (I) her attainment of age 65, or (II) the date specified in the relevant plan document for benefit termination (assuming that the EMPLOYEE was employed until the normal retirement date, if any, specified in the document).

10. **Limitations on Payments.** Notwithstanding anything in this Agreement to the contrary, in the event the payments and benefits payable hereunder to or on behalf of the EMPLOYEE (which the parties agree will not include any portion of payments allocated to the non-compete provisions of Section 13 which are classified as payments of reasonable compensation for purposes of Section 280G of the Code), when added to all other amounts and benefits payable to or on behalf of the EMPLOYEE, would result in the imposition of an excise tax under Section 4999 of the IRC, the amounts and benefits payable hereunder shall be reduced to such extent as may be necessary to avoid such imposition. All calculations required to be made under this subsection will be made by TBOP's independent public accountants, subject to the right of the EMPLOYEE'S representative to review the same. The parties recognize that the actual implementation of the provisions of this subsection are complex and agree to deal with each other in good faith to resolve any questions or disagreements arising hereunder.

11. **Withholding Taxes.** All compensation and benefits provided for herein shall, to the extent required by law, be subject to federal, state, and local tax withholding.

12. **Confidential Information.** The EMPLOYEE agrees that during and subsequent to his employment with TBOP and the Company, he will not, at any time, communicate or disclose to any unauthorized person, without the written consent of TBOP and the Company, any proprietary or other confidential information concerning TBOP, the Company or any Subsidiary or affiliate thereof; provided, however, that the obligations under this paragraph shall not apply to the extent that such matters (a) are disclosed in circumstances where the EMPLOYEE is legally obligated to do so, or (b) become generally known to and available for use by the public otherwise than by his wrongful act or omission; and provided further, that he may disclose any knowledge of insurance, financial, legal and economic principles, concepts and ideas which are not solely and exclusively derived from the business plans and activities of TBOP and the Company.

13. Covenants Not to Compete or to Solicit.

(a) **Noncompetition.** During the Term and for a period of 6 months after the Date of Termination (the "Noncompetition Period"), the EMPLOYEE shall not, without the written consent in writing of the Board of Directors, become an officer, employee, agent, partner, consultant, member, director, or a four and nine-tenths percent or greater shareholder or equity owner of any entity engaged in the banking or lending business within any county in which TBOP or the Company has a branch or loan production office. If at the time of the enforcement of this paragraph a court holds that the duration, scope, or area restrictions stated herein are unreasonable under the circumstances then existing and, thus, unenforceable, TBOP, the Company and the EMPLOYEE agree that the maximum duration, scope, or area reasonable under such circumstances shall be substituted for the stated duration, scope, or area.

(b) **Nonsolicitation.** During his employment and the Noncompetition Period, the EMPLOYEE shall not, whether on his own behalf or on behalf of any other individual or business entity, solicit, endeavor to entice away from TBOP, the Company, a Subsidiary or any affiliated company, or otherwise interfere with the relationship of TBOP, the Company, a Subsidiary, or any affiliated company with any person who is, or was within the then most recent 12 month period, an employee or associate thereof.

(c) **Extension of Noncompetition Period.** The Noncompetition Period shall be automatically extended by the length of time (if any) in which the EMPLOYEE is in violation of any of the terms of this Paragraph 13.

14. **Additional Equitable Remedy.** The EMPLOYEE acknowledges and agrees that TBOP's remedy at law for a breach or a threatened breach of the provisions of Paragraphs 12 and 13 would be inadequate; and, in recognition of this fact, in the event of such a breach or threatened breach by him, it is agreed that TBOP shall be entitled to request equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy which may then be available. Nothing in this paragraph shall be construed as prohibiting TBOP from pursuing any other remedy available under this Agreement for such a breach or threatened breach.

15. **Legal Fees.** TBOP shall reimburse the EMPLOYEE for all reasonable legal fees and expenses he may incur in seeking to obtain or enforce any right or benefit provided by this Agreement, but only with respect to such claim or claims upon which EMPLOYEE prevails. Such payments shall be made within fourteen (14) days after delivery of EMPLOYEE's written request for payment accompanied with such evidence of fees and expenses incurred as TBOP may reasonably require.

16. **Related Agreements.** Except as may otherwise be provided herein, to the extent that any provision of any other agreement between TBOP, the Company and the EMPLOYEE shall limit, qualify, duplicate, or be inconsistent with any provision of this Agreement, the provision in this Agreement shall control and such provision of such other agreement shall be deemed to have been superseded, and to be of no force or effect, as if such other agreement had been formally amended to the extent necessary to accomplish such purpose.

17. **Exclusive Rights and Remedy.** Except for any explicit rights and remedies the EMPLOYEE may have under any other contract, plan or arrangement with TBOP and the Company, the compensation and benefits payable hereunder and the remedy for enforcement thereof shall constitute his exclusive rights and remedy in the event of his termination of employment.

18. **Director and Officer Liability Insurance; Indemnification.** TBOP and the Company shall provide the EMPLOYEE (including his heirs, executors, and administrators) with the maximum coverage permitted under its directors' and officers' liability insurance policy, at TBOP's expense, and shall indemnify him (and his heirs, executors, and administrators) as an employee and/or officer of TBOP and the Company to the fullest extent permitted under Federal, Pennsylvania and New Jersey law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit, or proceeding in which he may be involved by reason of his having been an employee and/or officer of TBOP, the Company or any Subsidiary or affiliated company (whether or not he continues to be such an officer at the time of incurring such expenses or liabilities). Such expenses and liabilities shall include, but not be limited to, judgments, court costs, and attorneys' fees, and the costs of reasonable settlements.

19. **Cooperation and Non-Disparagement.** EMPLOYEE agrees that he shall not make any disparaging, negative or critical comments regarding TBOP, the Company or any Subsidiary or affiliated company either during his employment by TBOP or the Company, or thereafter. The EMPLOYEE agrees to cooperate fully with TBOP and the Company in connection with any claims, suits, charges or causes of action that have been brought, or may be brought in the future, against TBOP or the Company in which EMPLOYEE possesses information relevant to such claims, suits, charges or causes of action, which shall include, but not be limited to, making himself available, within reason, for interviews, depositions and testimony, as needed or requested by TBOP or the Company.

20. **Notices.** Any notice required or permitted under this Agreement shall be sufficient if it is in writing and shall be deemed given (i) at the time of personal delivery to the addressee, or (ii) at the time sent certified mail, with return receipt requested, addressed as follows:

If to the EMPLOYEE: The address provided in the personnel
file of TBOP.

If to TBOP: The Bank of Princeton
183 Bayard Lane
Princeton, NJ 08540
Attention: Chair, Board of Directors

If to the Company: Princeton Bancorp, Inc.
183 Bayard Lane
Princeton, NJ 08540
Attention: Chair, Board of Directors

The name or address of any addressee may be changed at any time and from time to time by notice similarly given.

21. **No Waiver.** The failure by any party to this Agreement at any time or times hereafter to require strict performance by any other party of any of the provisions, terms, or conditions contained in this Agreement shall not waive, affect, or diminish any right of the first party at any time or times thereafter to demand strict performance therewith and with any other provision, term, or condition contained in this Agreement. Any actual waiver of a provision, term, or condition contained in this Agreement shall not constitute a waiver of any other provision, term, or condition herein, whether prior or subsequent to such actual waiver and whether of the same or a different type. The failure of TBOP or the Company to promptly terminate the EMPLOYEE'S employment for Cause or the EMPLOYEE to promptly terminate his employment for Good Reason shall not be construed as a waiver of the right of termination, and such right may be exercised at any time following the occurrence of the event giving rise to such right.

22. **Survival.** Notwithstanding the nominal termination of this Agreement and the EMPLOYEE'S employment hereunder, the provisions hereof which specify continuing obligations, compensation and benefits, and rights (including the otherwise applicable term hereof) shall remain in effect until such time as all such obligations are discharged, all such compensation and benefits are received, and no party or beneficiary has any remaining actual or contingent rights hereunder.

23. **Severability.** In the event any provision in this Agreement shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining provisions hereof, and this Agreement shall be construed, administered and enforced as though such illegal or invalid provision were not contained herein.

24. **Binding Effect and Benefit.** The provisions of this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of TBOP and the Company and the executors, personal representatives, surviving spouse, heirs, devisees, and legatees of the EMPLOYEE. TBOP or the Company may assign this Agreement in the event of a sale, merger, consolidation or transfer of all or substantially all of its business and assets.

25. **Entire Agreement.** This Agreement embodies the entire agreement among the parties with respect to the subject matter hereof, and it supersedes and replaces any prior written or oral agreements between the parties to this Agreement.

26. **Captions.** The captions of the several paragraphs and subparagraphs of this Agreement have been inserted for convenience of reference only. They constitute no part of this Agreement and are not to be considered in the construction hereof.

27. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed one and the same instrument which may be sufficiently evidenced by any one counterpart.

28. **Applicable Law.** Except to the extent preempted by federal law, the provisions of this Agreement shall be construed, administered, and enforced in accordance with the domestic internal law of the State of New Jersey without reference to its laws regarding conflict of laws. Each party hereby agrees that the forum and venue for any legal or equitable action or proceeding arising out of, or in connection with, this Agreement will lie in the appropriate federal or state courts or arbitration proceeding in the State of New Jersey and specifically waives any and all objections to such jurisdiction and venue.

29. **Regulatory Matters.** The obligations of TBOP under this Agreement shall in all events be subject to any required limitations or restrictions imposed by or pursuant to the Federal Deposit Insurance Act as the same may be amended from time to time. For the avoidance of doubt, any payments made to EMPLOYEE pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with 12 U.S.C. §1828(k) and FDIC regulation 12 C.F.R. Part 359, Golden Parachute and Indemnification Payments.

30. **Code Section 409A.**

(a) Anything in this Agreement to the contrary notwithstanding, if at the time of the EMPLOYEE'S separation from service within the meaning of Section 409A of the IRC, TBOP's stock is publicly traded on an established securities market or otherwise and TBOP determines that the EMPLOYEE is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the IRC, then to the extent any payment or benefit that the EMPLOYEE becomes entitled to under this Agreement on account of the EMPLOYEE'S separation from service would be considered deferred compensation subject to the 20% additional tax imposed pursuant to Section 409A(a) of the IRC as a result of the application of Section 409A(a)(2)(B)(i) of the IRC, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (i) six months and one day after the EMPLOYEE'S separation from service, or (ii) the EMPLOYEE'S death. The first installment payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule. Any such delayed cash payment shall earn interest at an annual rate equal to the applicable federal short-term rate published by the Internal Revenue Service for the month in which the date of separation from service occurs, from such date of separation from service until the payment. To the extent that the foregoing applies to the provision of any ongoing medical benefits to the EMPLOYEE that would not be required to be delayed if the premiums therefore were paid by the EMPLOYEE, the EMPLOYEE shall pay the full costs of premiums for such medical benefits during the six-month period and TBOP shall pay the EMPLOYEE an amount equal to the amount of such premiums paid by the EMPLOYEE during the six-month period within ten (10) days after the conclusion of such period.

(b) Solely for purposes of Section 409A of the IRC, each installment payment of severance is considered a separate payment.

(c) All in-kind benefits provided and expenses eligible for reimbursement under this Agreement shall be provided by TBOP or incurred by the EMPLOYEE during the time periods set forth in this Agreement. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year. Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(d) To the extent that any payment or benefit described in this Agreement constitutes "non-qualified deferred compensation" under Section 409A of the IRC, and to the extent that such payment or benefit is payable upon the EMPLOYEE'S termination of employment, then such payments or benefits shall be payable only upon the EMPLOYEE'S "separation from service." The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation § 1.409A-1(h).

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Agreement, or caused it to be executed, as of the Effective Date.

/s/ George Rapp

GEORGE RAPP

THE BANK OF PRINCETON

By: /s/ Richard Gillespie

PRINCETON BANCORP, INC.

By: /s/ Richard Gillespie

GLOSSARY

“Board of Directors” or **“Board”** means collectively the boards of directors of TBOP and the Company.

“Cause” means (i) a documented repeated and willful failure by the EMPLOYEE to perform his duties, but only after written demand, (ii) his final conviction of a felony, (iii) conduct by him which constitutes moral turpitude which is directly and materially injurious to TBOP or any Subsidiary or affiliated company, including but not limited to the Company (iv) willful material violation of corporate policy, or (v) the issuance by the regulator of TBOP or any Subsidiary or affiliated company, including but not limited to the Company, of an unappealable order to the effect that he be permanently discharged.

For purposes of this definition, no act or failure to act on the part of the EMPLOYEE shall be considered “willful” unless done or omitted not in good faith and without reasonable belief that the action or omission was in the best interest of TBOP or any of their Subsidiaries or affiliated companies, including but not limited to the Company.

“Change in Control” means the occurrence of any of the following events:

(a) if any Person is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more (the **“CIC Percentage”**) of the combined voting power of the Company's then-outstanding securities; provided, however, that if such Person first obtains the approval of the Company board of directors to acquire the CIC Percentage, then no Change in Control shall be deemed to have occurred unless and until such Person obtains a CIC Percentage ownership of the combined voting power of the Company's then-outstanding securities without having first obtained the approval of the Company board of directors; or

(b) if any Person is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing greater than 50% of the combined voting power of the Company's then-outstanding securities, whether or not the Company board of directors shall have first given its approval to such acquisition; or

(c) during any period of two consecutive years, individuals who at the beginning of such period constitute the Company board of directors (the **“Incumbent Directors”**) cease for any reason to constitute a majority of the Company board of directors; provided, however, that any new directors whose election, nomination for election by the Company's stockholders or appointment was approved by a vote of at least one-half of the directors then still in office who either were directors at the beginning of the period or whose election, nomination or appointment was previously so approved shall be considered Incumbent Directors; and further provided, however, that no individual shall be considered an Incumbent Director if such individual's election, nomination or appointment to the Company board of directors was in connection with an actual or threatened “election contest” (as described in Rule 14a-12(c) under the Exchange Act) with respect to the election or removal of directors (an **“Election Contest”**) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Company board of directors (a **“Proxy Contest”**) including by reason of any agreement intended to avoid or settle any such Election Contest or Proxy Contest; or

(d) the consummation of a merger or consolidation of the Company with any other corporation; provided, however, a Change in Control shall not be deemed to have occurred: (i) if such merger or consolidation would result in all or a portion of the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) either directly or indirectly more than 50% of the combined voting power of the securities of the Company or such surviving entity outstanding immediately after such merger or consolidation in substantially the same proportion as their ownership immediately prior to the merger or consolidation, or (ii) if the corporate existence of the Company is not affected and following the merger or consolidation, the directors of the Company prior to such merger or consolidation constitute at least a majority of the board of directors of the Company or the entity that directly or indirectly controls the Company after such merger or consolidation; or

(e) the sale or disposition by the Company of all or substantially all the Company's assets provided, however, that in no event shall a reorganization of the Company or TBOP solely within its corporate structure constitute a Change in Control.

“Date of Termination” means:

(a) if the EMPLOYEE'S employment is terminated for Disability, 30 days after the Notice of Termination is given (provided that he shall not have returned to the performance of his duties on a full-time basis during such 30-day period);

(b) if the EMPLOYEE'S employment terminates by reason of his death, the date of his death;

(c) if the EMPLOYEE'S employment is terminated involuntarily for Cause, the date of termination specified in the Notice of Termination and determined in accordance with Paragraph 8(a);

(d) if the EMPLOYEE'S employment is terminated by him, the date of termination specified in the Notice of Termination and determined in accordance with Paragraph 9(a); provided, however that the Date of Termination shall mean the actual date of termination in the event the parties mutually agree to a date other than that described above.

“Disability” has the meaning ascribed to the term “permanent and total disability” in Section 22(e)(3) of the IRC.

“Employee Benefit Plan” has the meaning ascribed to such term in Section 3(3) of ERISA.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and as the same may be amended from time to time.

"Good Reason" the EMPLOYEE'S separation from service within two (2) years following the initial existence of one or more of the following conditions arising without the consent of the EMPLOYEE:

(a) A material diminution in the EMPLOYEE'S base compensation;

(b) A material diminution in the EMPLOYEE'S authority, duties, or responsibilities;

(c) A material diminution in the authority, duties, or responsibilities of the supervisor to whom the EMPLOYEE is required to report, including a requirement that the EMPLOYEE report to a corporate officer or employee instead of reporting directly to the board of directors of a corporation (or similar governing body with respect to an entity other than a corporation); and

(d) A material diminution in the budget over which the EMPLOYEE retains authority; or

(e) A relocation of the EMPLOYEE'S principal office to a location more than 50 miles away from the location at which the EMPLOYEE must perform the services.

"Incumbent Board" means the Board of Directors of TBOP as constituted at any relevant time.

"IRC" or the "Code" means the Internal Revenue Code of 1986, as amended and as the same may be amended from time to time.

"Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the EMPLOYEE'S employment under the provision so indicated, and (iii) gives the required advance notice of termination.

"Person" has the same meaning as such term has for purposes of Sections 13(d) and 14(d) of the 1934 Act.

"Subsidiary" means any business entity of which a majority of its voting power or its equity securities or equity interests is owned, directly or indirectly by TBOP.

AMENDED AND RESTATED CHANGE IN CONTROL AGREEMENT

THIS CHANGE IN CONTROL AGREEMENT (this "Agreement") was originally entered into on the 24th day of June, 2021, by and between **The Bank of Princeton** ("Employer" or "TBoP"), a banking corporation organized under the laws of the state of New Jersey with its principal office at 183 Bayard Lane, Princeton, NJ 08540; and **Jeffrey T. Hanuscin**, ("Employee"). This Agreement is hereby amended and restated effective June 21, 2023 ("Effective Date") to add Princeton Bancorp, Inc., parent bank holding company of TBoP (the "Company"), as a party to this Agreement. As of the Effective Date the term "Employer" shall also include the Company.

BACKGROUND

WHEREAS, Employee, as of the Effective Date, is employed by Employer; and

WHEREAS, to continue to encourage Employee's dedication to his assigned duties in the face of potential distractions arising from the prospect of a Change in Control, the Employer wishes to provide certain payments in the event Employee is terminated involuntarily without Cause or voluntarily for Good Reason within twelve (12) months of a Change in Control.

NOW, THEREFORE, for good and valuable consideration, which the parties to this Agreement acknowledge to be legally sufficient, Employer and Employee, intending to be legally bound, agree as follows:

1. Definitions.

(a) Cause. For purposes of this Agreement, "Cause", with respect to the termination by Employer of Employee's employment shall mean (i) the willful and continued failure by Employee to perform his or her duties for Employer under this Agreement after at least one warning in writing from the Board or its designee identifying specifically any such failure; (ii) willful misconduct of any type by Employee, including, but not limited to, the disclosure or improper use of Employer's confidential information or proprietary data, which causes or may cause material injury to Employer, as specified in a written notice to Employee from the Board or its designee; (iii) Employee's conviction of, or plea of guilty or *nolo contendere* to, a crime (other than a traffic violation); or (iv) Employee's material violation of any published policy of Employer including, but not limited to, those policies which pertain to the use, possession, or being under the influence, of illegal drugs, alcohol, or any prescription drug which was not prescribed to Employee. No act or failure to act on the part of Employee shall be considered to have been willful for purposes of clause (i) or (ii) of this Section 1(a) unless done, or omitted to be done, by Employee without a reasonable belief that the action or omission was in the best interest of Employer.

(b) **Change in Control:** shall mean the occurrence of any of the following events:

(i) if any Person is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more (the "**CIC Percentage**") of the combined voting power of the Company's then-outstanding securities; provided, however, that if such Person first obtains the approval of the Company board of directors to acquire the CIC Percentage, then no Change in Control shall be deemed to have occurred unless and until such Person obtains a CIC Percentage ownership of the combined voting power of the Company's then-outstanding securities without having first obtained the approval of the Company board of directors; or

(ii) if any Person is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing greater than 50% of the combined voting power of the Company's then-outstanding securities, whether or not the Company board of directors shall have first given its approval to such acquisition; or

(iii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Company board of directors (the "**Incumbent Directors**") cease for any reason to constitute a majority of the Company board of directors; provided, however, that any new directors whose election, nomination for election by the Company's stockholders or appointment was approved by a vote of at least one-half of the directors then still in office who either were directors at the beginning of the period or whose election, nomination or appointment was previously so approved shall be considered Incumbent Directors; and further provided, however, that no individual shall be considered an Incumbent Director if such individual's election, nomination or appointment to the Company board of directors was in connection with an actual or threatened "election contest" (as described in Rule 14a-12(c) under the Exchange Act) with respect to the election or removal of directors (an "**Election Contest**") or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Company board of directors (a "**Proxy Contest**") including by reason of any agreement intended to avoid or settle any such Election Contest or Proxy Contest; or

(iv) the consummation of a merger or consolidation of the Company with any other corporation; provided, however, a Change in Control shall not be deemed to have occurred: (i) if such merger or consolidation would result in all or a portion of the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) either directly or indirectly more than 50% of the combined voting power of the securities of the Company or such surviving entity outstanding immediately after such merger or consolidation in substantially the same proportion as their ownership immediately prior to the merger or consolidation, or (ii) if the corporate existence of the Company is not affected and following the merger or consolidation, the directors of the Company prior to such merger or consolidation constitute at least a majority of the board of directors of the Company or the entity that directly or indirectly controls the Company after such merger or consolidation; or

(v) the sale or disposition by the Company of all or substantially all the Company's assets provided, however, that in no event shall a reorganization of the Company or TBOP solely within its corporate structure constitute a Change in Control.

(c) **Good Reason**: shall mean the occurrence of any of the following without the Employee's advance written consent —

- (i) a material diminution of the Employee's base compensation,
- (ii) a material diminution of the Employee's authority, duties, or responsibilities,
- (iii) a change by more than fifty (50) miles in the geographic location at which the Employee must perform services.

provided, however, that within ninety (90) days after the initial existence of such event, the Employer shall be given notice and an opportunity, not less than thirty (30) days, to effectuate a cure for such asserted "Good Reason" by the Employee. The Employee's resignation hereunder for Good Reason shall not occur later than sixty (60) days following the initial date on which the event the Employee claims constitutes Good Reason occurred.

2. Termination after a Change in Control.

(a) **Cash benefit**. Notwithstanding any other provisions in this Agreement, if the Employee's employment terminates involuntarily but without Cause (as defined in Section 1) or voluntarily but with Good Reason (as defined in Section 1), in either case within 12 months after a Change in Control, the Bank shall make a lump-sum cash payment equal to one (1) times the Employee's base salary in effect at the time of the Change in Control or if higher his base salary at the time the Employee terminates employment following a Change in Control. Unless delayed under paragraph (b) below, the payment required under this Section 2 shall be made within five (5) business days after the Employee's termination of employment.

(b) **Payment of the cash benefit**. If the Employee is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") at the time his employment terminates and the cash severance benefit under this Section is considered deferred compensation under Section 409A of the Code, and finally if an exemption from the six-month delay requirement of Section 409A(a)(2)(B)(i) of the Code is not available, payment of the benefit under this Section 2 shall be delayed and shall be made to the Employee in a single lump sum without interest on the first business day of the seventh (7th) month after the month in which the Employee's employment terminates.

3. Non-Disclosure of Confidential Information.

(a) **Non-Disclosure of Confidential Information**. Except in the course of his employment with Employer and in pursuit of the business of Employer, Employee shall, at all times during and following the term of this Agreement abide by all policies of Employer which prohibit or control the disclosure or use for any purpose of any confidential information or proprietary data of Employer or any of its subsidiaries or affiliates. Employee agrees that, among other things and without limiting the definition of confidential information or proprietary data, all information concerning the identity of, and Employer's relationships with, its customers, borrowers, and prospects is confidential and proprietary information.

(b) **Specific Performance.** Employee agrees that Employer does not have an adequate remedy at law for the breach of this section reiterating Employee's obligation to comply with all policies of Employer which prohibit or control the disclosure or use for any purpose of any confidential information or proprietary data of Employer or any of its subsidiaries or affiliates, and agrees that he shall be subject to injunctive relief and equitable remedies as a result of any breach of this section. The invalidity or unenforceability of any provision of this Agreement shall not affect the force and effect of the remaining valid portions.

(c) **Survival.** This Section 3 shall survive the termination of the Employee's employment hereunder, the expiration of this Agreement.

4. Term and Effect Prior to Change in Control.

(a) Except as otherwise provided herein, the term of this Agreement shall include: (i) the period commencing on the Effective Date and ending December 31, 2023, plus (ii) any and all extensions of the term made pursuant to paragraphs (b) and (c) of this Section 4 (the "Term").

(b) Beginning on December 31, 2023, and on each December 31st thereafter, the term of this Agreement shall be extended by one (1) year, so that, at the time of such extension, the term of the Agreement shall be for a period of two (2) years. Notwithstanding the foregoing, TBoP, the Company or the Employee may elect to terminate the automatic annual extension of the Term in this paragraph (b) by giving written notice of such election. Any notice given hereunder shall be effective as of the date such notice of nonrenewal is given and the Term shall be fixed at that time.

(c) Notwithstanding paragraph (b) of this Section 4, in the event of a Change in Control, the Term shall not end before the first anniversary of such Change of Control; provided, however, this sentence shall apply only to the first Change of Control to occur while this Agreement is in effect.

(d) Nothing in this Agreement shall mandate or prohibit a continuation of the Employee's employment following the expiration of the Term upon such terms and conditions as TBoP and the Employee may mutually agree.

(e) This Agreement shall not, in any respect, affect any rights of the Employer or the Employee prior to a Change in Control or any rights of the Employee granted in any other agreement, plan or arrangements. The rights, duties and benefits provided hereunder shall only become effective upon the occurrence of a Change in Control, as defined in this Agreement. Despite anything in this Agreement to the contrary, the Employee shall be entitled to no benefits under this Agreement if the Employee's employment terminates with Cause, if the Employee dies while actively employed by the Employer.

5. Section 280G. Notwithstanding any other provision of this Agreement to the contrary, if Employer determines in good faith that any payment or benefit received or to be received by Employee pursuant to this Agreement, or otherwise (with all such payments and benefits, including, without limitation, salary and bonus payments, being defined as "Total Payments") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code by reason of being considered to be "contingent on a change in ownership or control" of Employer within the

meaning of Section 280G of the Code, then such Total Payments shall be reduced in the manner reasonably determined by Employer, in its sole discretion, to the extent necessary so that the Total Payments will be one dollar (\$1.00) less than the amount which is three times Employee's "base amount" (as defined in Section 280G(b)(3) of the Code).

6. Release in Favor of Employer as a Condition Precedent. As a condition precedent to the actual payment by Employer to Employee of any amount otherwise payable under Section 2 of this Agreement, Employee must execute; deliver and, if applicable, not revoke a full release in favor of Employer and its affiliates and subsidiaries, and their respective officers and directors, which release shall (i) be in form and content which is fully compliant with all of those provisions of law to which the release pertains, and reasonably satisfactory to counsel to Employer; (ii) cover all actual or potential claims arising from Employee's employment by Employer and the termination of such employment; and (iii) be prepared, reviewed and executed in a manner which is consistent with all requirements of law, including if applicable the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act. Such release shall not affect (a) vested rights or interests; (b) claims arising under the release agreement, itself; or (c) claims not capable of release as a matter of law, including without limitation (i) workers compensation claims and (ii) claims for unemployment benefits.

7. Non-Solicitation. Employee agrees that for a period of six (6) months following his termination of employment he shall not (i) initiate contact so as to, or actually, solicit, induce, entice or persuade any actual, prospective or potential customer, client, or borrower of Employer to modify its, his relationship with Employer in any manner (including by termination) which is in any respect detrimental to Employer, or alter in any manner which is detrimental to Employer (including by termination) its, his or her course of dealing with Employer in anticipation of the establishment or expansion of a relationship with Employer, or (ii) solicit, entice or induce any person who, at any time during the one year period through such employment termination date was, or at any time during the period of six (6) months after such date is, either an employee of Employer in a senior managerial, operational or lending capacity, or a highly skilled employee with access to and responsibility for any confidential information, to become employed or engaged by Employee or any person, firm, company or association in which Employee has an interest; approach any such person for any such purpose; or authorize or knowingly approve the taking of such actions by any other person or entity. Employee acknowledges that the terms and conditions of this restrictive covenant are reasonable and necessary to protect Employer, and that Employer's tender of performance under this Agreement is fair, adequate and valid consideration in exchange for his promises and performance under this Section 7. Employee further acknowledges that his or her knowledge, skills and abilities are sufficient to permit him or her to earn a satisfactory livelihood without violating the provisions of this Section 7. Employee agrees that, should Employer reasonably conclude that Employee has failed to fully comply with all of the terms of this Section 7, Employer may apply to a court of competent jurisdiction for such equitable relief as Employer believes to be necessary and effective, and may pursue a claim against Employee for damages. Employee further agrees that Employee shall reimburse Employer for all legal fees incurred by Employer in (i) applying for and securing such equitable relief as is granted under the preceding sentence, and (ii) asserting and pursuing a claim for damages under the preceding sentence which is adjudicated wholly or partially in favor of Employer.

8. Severance Compensation and Benefits not in Derogation of Other Benefits. Subject only to those particular terms of this Agreement to the contrary, the payment or obligation to pay any monies, or the granting of any benefits, rights or privileges to Employee as provided in this Agreement shall not be in lieu or derogation of the rights and privileges that Employee now has or will have under any plans or programs of Employer including, but not limited to, any stock option plan, equity compensation plan, qualified retirement plan, 401(k) plan, or supplemental Employee retirement plan maintained by Employer.

9. Miscellaneous.

(a) **General.** This Agreement shall be the joint and several obligation of Employer and any acquiring entity which assumes Employer's obligations under this Agreement. The terms of this Agreement shall be governed by, and interpreted and construed in accordance with the provisions of, the laws of New Jersey and, to the extent applicable, Federal and Pennsylvania law. Except as specifically set forth in this Agreement, this Agreement supersedes all prior agreements and understandings with respect to the matters covered hereby. The amendment or termination of this Agreement may be made only in a writing executed by Employer and Employee, and no amendment or termination of this Agreement shall be effective unless and until made in such a writing. This Agreement shall be binding to the extent of its applicability upon any successor (whether direct or indirect, by purchase, merge, consolidation, liquidation or otherwise) to the business, or all or substantially all of the assets of Employer. This Agreement is personal to the Employee, and the Employee may not assign any of his rights or duties hereunder. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. Employer shall, as part of any Change in Control involving an acquiring entity or successor to Employer, obtain an enforceable assumption in writing by (i) the entity which is the acquiring entity or successor to Employer in the Change in Control and (ii) if the acquiring entity or successor to Employer is a bank, the holding company parent of the acquiring entity or successor, of this Agreement and the obligations of Employer under this Agreement, and shall provide a copy of such assumption to the Employee prior to, or contemporaneous with, any Change in Control.

(b) **Section 409A.** Notwithstanding anything herein to the contrary, (i) if at the time of Employee's termination of employment with Employer, Employee is a "specified employee" as defined in Section 409A of the Internal Revenue Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then Employer will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to Employee) until the date which is six months following the termination of Employee's employment with Employer (or the earliest date which is permitted under Section 409A of the Code), and (ii) if any other payments of money or other benefits due to Employee under this Agreement could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant

under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner which is determined by the Employer in consultation with Employer's professional advisers not to cause such an accelerated or additional tax. In the event that payments under this Agreement are deferred pursuant to this Section 9(b) in order to prevent any accelerated or additional tax under Section 409A of the Code, then such payments shall be paid at the time specified in this Section 9(b) without any interest. Employer shall consult with Employee in good faith regarding the implementation of this Section 9(b), PROVIDED, HOWEVER, that none of Employer, its directors, its employees or its advisors shall have any liability to Employee with respect to this paragraph (b).

(c) **Regulatory Limitations.** In no event shall the Employer be obligated to make any payment pursuant to this Agreement that is prohibited by Section 18(k) of the Federal Deposit Insurance Act (codified at 12 U.S.C. § 1828(k)), 12 C.F.R. Part 359, or any other applicable law.

10. This Agreement Is Not an Employment Contract. The parties hereto acknowledge and agree that (x) this Agreement is not a management or employment agreement and (y) nothing in this Agreement shall give the Employee any rights or impose any obligations to continued employment by the Employer or any subsidiary or successor of the Employer.

11. Withholding of Taxes. The Employer may withhold from any benefits payable under this Agreement all Federal, state, local or other taxes as may be required by law, governmental regulation, or ruling.

12. Captions and Counterparts. The headings and subheadings in this Agreement are included solely for convenience and shall not affect the interpretation of this Agreement. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement.

13. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, Employer caused this Amended and Restated Change in Control Agreement to be signed by its duly authorized representative pursuant to the authority of its Board of Directors, and Employee has personally executed this Agreement, all as of Effective Date.

/s/ Jeffrey T. Hanuscin
Jeffrey T. Hanuscin

THE BANK OF PRINCETON

By: /s/ Richard Gillespie

PRINCETON BANCORP, INC.

By: /s/ Richard Gillespie

**RULE 13A-14(a) CERTIFICATION
OF THE PRINCIPAL EXECUTIVE OFFICER**

I, Edward Dietzler, Chief Executive Officer and President of Princeton Bancorp, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Princeton Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, considering the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2023

/s/ Edward Dietzler

Edward Dietzler
Chief Executive Officer and President
(Principal Executive Officer)

**RULE 13A-14(a) CERTIFICATION
OF THE PRINCIPAL FINANCIAL OFFICER**

I, George Rapp, Executive Vice President and Chief Financial Officer of Princeton Bancorp, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Princeton Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2023

/s/ George Rapp

George Rapp
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report of Princeton Bancorp, Inc. on Form 10-Q for the period ended June 30, 2023 as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Princeton Bancorp, Inc.

/s/ Edward Dietzler

Edward Dietzler
Chief Executive Officer and President
(Principal Executive Officer)

/s/ George Rapp

George Rapp
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 14, 2023