

## 1<sup>ST</sup> CONSTITUTION BANCORP TO ACQUIRE SHORE COMMUNITY BANK

CRANBURY, N.J., June 24, 2019 – 1<sup>ST</sup> Constitution Bancorp (Nasdaq: FCCY) (“1<sup>ST</sup> Constitution”), the holding company for 1<sup>ST</sup> Constitution Bank, and Shore Community Bank (OTC PINK: SHRC) (“Shore”) jointly announced today that they have entered into a definitive agreement and plan of merger pursuant to which 1<sup>ST</sup> Constitution will acquire Shore in a stock and cash transaction valued at \$16.54 per share, or approximately \$53.1 million in total consideration. Upon the closing of the transaction, Shore will merge with and into 1<sup>ST</sup> Constitution Bank. The merger has been unanimously approved by the boards of directors of both institutions, and is anticipated to be completed during the fourth quarter of 2019. The transaction is subject to approval by the shareholders of Shore, as well as regulatory approvals, and other customary closing conditions.

Under the terms of the merger agreement, Shore shareholders will receive 0.8786 of a share of 1<sup>ST</sup> Constitution common stock, \$16.50 in cash, or a combination of 1<sup>ST</sup> Constitution common stock and cash, subject to adjustment as set forth in the merger agreement, for each share of Shore common stock that they own. 1<sup>ST</sup> Constitution expects to issue 1,509,348 new shares of common stock in this transaction and the mix of the consideration will be approximately 55% stock and 45% cash.

This deal value equates to approximately 166.8% of Shore’s tangible book value as of March 31, 2019 and 13.3 times its net income for the last twelve months. The merger is anticipated to be 17.6% accretive to 1<sup>ST</sup> Constitution’s earnings per share for 2020.

Shore operates five banking offices in northern and central Ocean County, is headquartered in Toms River, New Jersey, and serves its customers and communities through five full-service locations in Toms River (3), Jackson and Manahawkin, New Jersey. Shore has assets of \$274 million, loans of \$212 million and deposits of \$240 million as of March 31, 2019. Following consummation of the merger, 1<sup>ST</sup> Constitution will have approximately \$1.5 billion in assets, \$1.1 billion of loans and \$1.2 billion of deposits, with 26 full-service banking offices located in Bergen, Middlesex, Monmouth, Mercer, Ocean and Somerset Counties, New Jersey.

“We are pleased to be combining with Shore Community Bank and expanding our presence into several new markets in Ocean County. Northern and Central Ocean County represent attractive markets with desirable demographic characteristics and growth opportunities,” said Robert F. Mangano, 1<sup>ST</sup> Constitution Bancorp’s President and Chief Executive Officer. Mr. Mangano added, “Shore is a high performing community bank with strong core deposits and solid loan growth. The merger has strategic and financial merit and will generate a number of benefits to both our existing shareholders, and our new shareholders from Shore Community Bank.”

Robert T. English, President and Chief Executive Officer of Shore Community Bank, said, “Our board considers this merger to be an excellent opportunity and partnership which will benefit our shareholders through ownership in a growing financial institution with shares that trade on a national exchange. Our customers and the community will benefit from the enhanced products and services offered by 1<sup>ST</sup> Constitution, its financial strength and its strong commitment to its customers and the communities it serves.”

D.A. Davidson & Co. is serving as financial advisor to 1<sup>ST</sup> Constitution Bancorp and Day Pitney LLP is providing legal counsel to 1<sup>ST</sup> Constitution Bancorp in connection with the transaction. Raymond James is representing Shore Community Bank as financial advisor, and Windels Marx Lane & Mittendorf, LLP is serving as its legal counsel.

### **About 1<sup>ST</sup> Constitution Bancorp**

1<sup>ST</sup> Constitution Bancorp, through its primary subsidiary, 1<sup>ST</sup> Constitution Bank, has approximately \$1.2 billion of assets and operates 21 branch banking offices in Asbury Park, Cranbury (2), Fair Haven, Fort Lee, Freehold, Hamilton, Hightstown, Hillsborough, Hopewell, Jamesburg, Lawrenceville, Little Silver, Long Branch, Neptune City, Perth Amboy, Plainsboro, Princeton, Rocky Hill, Rumson and Shrewsbury, New Jersey.

1<sup>ST</sup> Constitution Bancorp is traded on the Nasdaq Global Select Market under the trading symbol “FCCY” and information about the Company can be accessed through the Internet at [www.1stconstitution.com](http://www.1stconstitution.com)

### **About Shore Community Bank**

Shore Community Bank is a state-chartered commercial bank headquartered in Toms River, New Jersey. The bank was founded in 1997 and operates five full-service banking offices in Ocean County, New Jersey. The bank provides traditional commercial and retail banking services to small businesses and consumers. Information about the bank can be accessed through the internet at [www.shorecommunity.bank](http://www.shorecommunity.bank)

### **Cautionary Language Concerning Forward-Looking Statements**

Information set forth in this communication, including financial estimates and statements as to the expected timing, completion and effects of the proposed merger between 1<sup>ST</sup> Constitution Bank (the “Bank”), a wholly-owned subsidiary of 1<sup>ST</sup> Constitution Bancorp (the “Company”), and Shore Community Bank (“Shore”) (the “Merger”), constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the rules, regulations and releases of the Securities and Exchange Commission (the “Commission”). Such forward-looking statements include, but are not limited to, statements about the benefits of the Merger, including future financial and operating results, and the combined company’s plans, objectives, expectations and intentions. Any statements that are not statements of historical fact, including statements containing such words as “will,” “could,” “plans,” “intends,” “expect,” “believe,” “view,” “opportunity,” “allow,” “continues,” “reflects,” “typically,” “anticipate,” “estimated,” or similar expressions, should also be considered forward-looking statements, although not all forward-looking statements contain these identifying words. Readers should not place undue influence on these forward-looking statements, which are based upon the current beliefs and expectations of the management of the Company and Shore. These forward-looking statements are subject to risks and uncertainties, and actual results might differ materially from those discussed in, or implied by, the forward-looking statements.

Among the risks and uncertainties that could cause actual results to differ from those described in the forward-looking statements include, but are not limited to, the following: (1) the occurrence of

any event, change or other circumstances that could give rise to the termination of the Agreement and Plan of Merger, dated as of June 23, 2019, by and among the Company, the Bank and Shore (the “Merger Agreement”); (2) the risk that Shore’s shareholders may not adopt the Merger Agreement; (3) the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated; (4) delays in closing the Merger or other risks that any of the closing conditions to the Merger may not be satisfied in a timely manner; (5) the inability to realize expected cost savings and synergies from the Merger in the amounts or in the timeframe anticipated; (6) the diversion of management’s time from ongoing business operations due to issues relating to the Merger; (7) costs or difficulties relating to integration matters might be greater than expected; (8) material adverse changes in the Company’s or Shore’s operations or earnings; (9) potential litigation in connection with the Merger; (10) a decrease in the common stock price of the Company under certain circumstances which could give Shore the right to terminate the Merger Agreement; and (11) the inability to retain Shore’s customers and employees. There are important, additional factors that could cause actual results or events to differ materially from those indicated by such forward looking statements, including the factors described in the Company’s Annual Report on Form 10-K, which was filed with the Commission on March 15, 2019. Although management has taken certain steps to mitigate any negative effect of the aforementioned items, significant unfavorable changes could severely impact the assumptions used and could have an adverse effect on profitability.

The Company undertakes no obligation to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise.

### **No Offer or Solicitation**

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

### **Additional Information and Where to Find It**

In connection with the proposed Merger, the Company intends to file a registration statement on Form S-4 with the Commission. The Company may file other documents with the Commission regarding the proposed Merger. A definitive proxy statement/prospectus will be mailed to the shareholders of Shore. **INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE, AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE COMMISSION, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO SUCH DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Investors and security holders may obtain a free copy of the registration statement (when available), including the proxy statement/prospectus, and other documents containing information about the Company at the Commission’s website at [www.sec.gov](http://www.sec.gov). Copies of these documents may also be obtained from the Company (when available) by directing a request to Robert F. Mangano, President and Chief Executive Officer, 1<sup>ST</sup>

Constitution Bancorp, at 2650 Route 130 North, P.O. Box 634, Cranbury, New Jersey 08512, telephone (609) 655-4500.

### **Certain Information Regarding Participants**

The Company, Shore, their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies from Shore's shareholders in respect of the proposed Merger. Information regarding the directors and executive officers of the Company may be found in its definitive proxy statement relating to its 2019 Annual Meeting of Shareholders, which was filed with the Commission on April 19, 2019 and can be obtained free of charge from the Commission's website at [www.sec.gov](http://www.sec.gov) or from the Company by directing a request to Robert F. Mangano, President and Chief Executive Officer, 1<sup>ST</sup> Constitution Bancorp, at 2650 Route 130 North, P.O. Box 634, Cranbury, New Jersey 08512, telephone (609) 655-4500. Information regarding the directors and executive officers of Shore may be found in its proxy statement relating to its 2019 Annual Meeting of Shareholders, which can be obtained free of charge from Robert T. English, President and Chief Executive Officer, Shore Community Bank, at 1012 Hooper Avenue, Toms River, New Jersey 08753, telephone (732) 240-5800. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the Commission when they become available.

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President and Chief Executive Officer  
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[rfm@1stconstitution.com](mailto:rfm@1stconstitution.com)

Robert T. English  
President and Chief Executive Officer  
Shore Community Bank  
(732) 240-5800  
[renglish@shorecommunity.bank](mailto:renglish@shorecommunity.bank)



**Announces the Acquisition of:**



**June 24, 2019**

# Forward Looking Statements and Safe Harbor

## Cautionary Language Concerning Forward-Looking Statements

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Among the risks and uncertainties that could cause actual results to differ from those described in the forward-looking statements include, but are not limited to, the following: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the Agreement and Plan of Merger, dated as of June 23, 2019, by and among the Company, the Bank and SHRC (the “Merger Agreement”); (2) the risk that SHRC’s shareholders may not adopt the Merger Agreement; (3) the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated; (4) delays in closing the Merger or other risks that any of the closing conditions to the Merger may not be satisfied in a timely manner; (5) the inability to realize expected cost savings and synergies from the Merger in the amounts or in the timeframe anticipated; (6) the diversion of management’s time from ongoing business operations due to issues relating to the Merger; (7) costs or difficulties relating to integration matters might be greater than expected; (8) material adverse changes in the Company’s or SHRC’s operations or earnings; (9) potential litigation in connection with the Merger; (10) a decrease in the common stock price of the Company, under certain circumstances, could give SHRC the right to terminate the Merger Agreement; (11) the inability to retain SHRC’s customers and employees; and (12) the potential change in Federal tax law that could have a negative impact on the Company’s tax benefit from the Merger. There are important, additional factors that could cause actual results or events to differ materially from those indicated by such forward looking statements, including the factors described in the Company’s Annual Report on Form 10-K, which was filed with the Commission on March 15, 2019. Although management has taken certain steps to mitigate any negative effect of the aforementioned items, significant unfavorable changes could severely impact the assumptions used and could have an adverse effect on profitability.

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# Transaction Overview

## Per Share Consideration

\$16.50 per share cash or 0.8786 shares of FCCY

## Transaction Value<sup>1,2</sup>

\$53.1 million

## Consideration Mix

55% stock / 45% cash<sup>3</sup>

## Shares to be Issued

1,509,348 shares of FCCY common stock

## Board Representation

FCCY will appoint 1 SHRC director to its corporate and bank boards

## Required Approvals

Customary regulatory approvals (FDIC and State of New Jersey)  
SHRC shareholder approval

## Due Diligence

Conducted comprehensive due diligence

## Expected Closing

Fourth Quarter of 2019

## Pricing Ratios

Price / March 31, 2019 TBV: 166.8%  
Premium to SHRC Closing Price<sup>4</sup>: 11.0%  
Price to March 31, 2019 LTM Earnings: 13.3x  
Price / 2020 Pro Forma Net Income<sup>5</sup>: 10.0x

1) Based on a FCCY's 6/21/19 closing price of \$18.87.

2) Based on 3,123,456 shares of SHRC common stock outstanding and the cash out of 189,809 in-the-money options at \$16.50 per share (less exercise cost).

3) Subject to adjustment, as provided in the merger agreement. Stock consideration is capped at 1,509,348 shares of FCCY common stock.

4) Based on SHRC's 6/21/19 closing price of \$14.90.

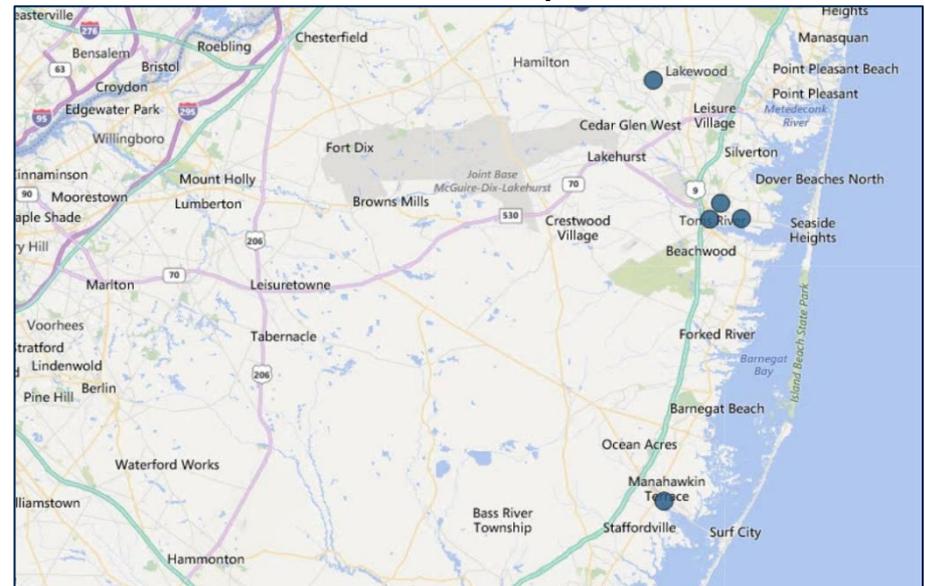
5) Includes full impact of integration of operations in the first quarter of 2020 and accounting adjustments.

# Overview of Shore Community Bank

Total Assets:	\$273.9 million
Gross Loans:	\$211.7 million
Total Deposits:	\$240.3 million
Total Equity:	\$31.8 million
LTM Net Income:	\$4.0 million
Tangible Book Value / Share:	\$10.19
LTM ROAA:	1.45%
LTM ROAE:	13.2%
LTM Efficiency Ratio:	53.2%
NPAs / Assets:	0.62%
NPAs excluding Performing TDRs/ Assets:	0.52%

Ticker:	SHRC
Price:	\$14.90
Market Capitalization:	\$46.5 million
52-Week High / Low:	\$16.25 / \$11.87
52 Week Avg. Daily Volume:	2,468
Market Price / TBV:	146.2%

## Branch Map



Source: S&P Global Market Intelligence. Financial information as of March 31, 2019; market data as of June 21, 2019.

# Transaction Rationale

## Strategic Rationale

- Extending FCCY's branch presence into northern Ocean County – an excellent geographic fit
  - Ocean County provides attractive demographic and growth characteristics – largest population gain in the state between 2017 and 2018
- SHRC is a high quality community banking franchise in a market with few community bank options
- FCCY and SHRC share a strong emphasis on credit and a focus on customer service
- SHRC has:
  - Complimentary business focus
  - Available balance sheet liquidity – loan to deposit ratio is 88.12%
  - A highly attractive core deposit franchise with a cost of deposits equal to 0.84%
  - Strong profitability
    - ROAA of 1.45%<sup>1</sup>
    - ROAE of 13.20%<sup>1</sup>
- Compelling projected pro forma financial effects for FCCY, which enhances enterprise value
- Operational capacity to support increased operations
- Leverages FCCY management's demonstrated M&A capabilities
- Combination creates attractive impact on estimated pro forma EPS (17.6% accretive in 2020 and 21.1% accretive in 2021)<sup>2</sup>

Source: S&P Global Market Intelligence. As of or for the quarter ended 3/31/2019.

1) For the LTM ended 3/31/19.

2) Based on S&P Global Market Intelligence average consensus EPS estimates for FCCY of \$1.58 for 2019 and \$1.60 for 2020.

# Valuation and Deal Overview

## Pricing Ratios

Price / March 31, 2019 TBV: 166.8%  
Premium to SHRC Closing Price<sup>1</sup>: 11.0%  
Price to March 31, 2019 LTM Earnings: 13.3x  
Price / 2020 Pro Forma Net Income<sup>2</sup>: 10.0x

## EPS Impact<sup>3</sup>

\$0.28 per share or 17.6% accretive to 2020E EPS and \$0.35 per share or 21.1% accretive to 2021E EPS

## TBV Per Share Impact<sup>3</sup>

\$1.97 per share or 13.1% of dilution with crossover earn back of 4.7 years

## Internal Rate of Return

IRR in excess of 18%

## Anticipated Cost Savings

\$2.8 million or 42.3%, pre-tax

## Gross Credit Mark

\$5.6 million, pre-tax (2.6% of gross loans)

## Core Deposit Intangible

2.00% amortized sum of the years digits over 10 years

## One-time Expenses

\$4.0 million, pre-tax; \$2.9 million, after-tax

## TCE / TA at Closing<sup>3,4</sup>

Approximately 9.0% at closing

## Pro Forma Regulatory Capital Ratios

Meet or exceed standards to remain “well-capitalized”

- 1) Based on SHRC's 6/21/2019 closing price of \$14.90.
- 2) Includes full impact of integration of operations in the first quarter of 2020 and accounting adjustments.
- 3) Based on S&P Global Market Intelligence average consensus EPS estimates of \$1.58 for 2019 and \$1.60 for 2020.
- 4) Defined as tangible common equity as a percentage of tangible assets.

# Pro Forma Branch Map

## Summary Pro Forma Information<sup>1</sup>

Total Assets: \$1,465 million

Gross Loans: \$1,087 million

Total Deposits: \$1,235 million

Market Capitalization<sup>2</sup>: \$191.2 million

Branches: 26

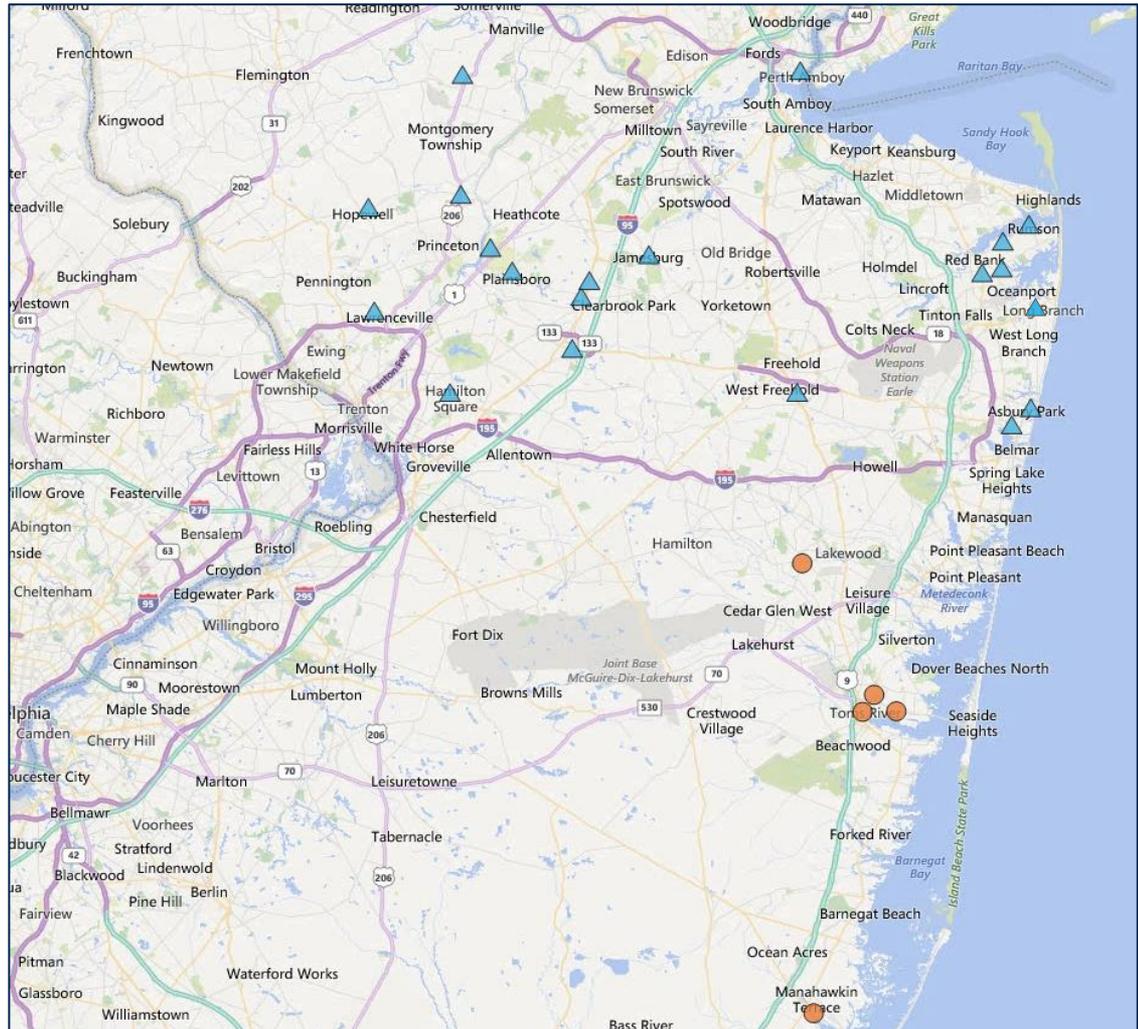
Counties Served: 6

### (FCCY) 1st Constitution Bancorp

▲ US Branches: Current

### (SHRC) Shore Community Bank

● US Branches: Current



1) As of March 31, 2019; does not include purchase accounting adjustments.

2) Based on FCCY's 6/21/19 stock price of \$18.87 per share.

Source: S&P Global Market Intelligence.

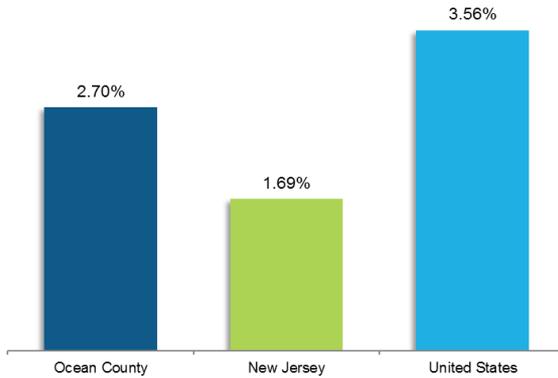
# Market Demographics

County	Market Rank	# of Branches	Deposits in Market (\$000s)	Deposit Market Share (%)	2019 Total Pop.	2010-2019 Pop. Change (%)	2019-2024 Projected Pop. Change (%)	2019 Median Household Income (\$)	2019-2024 Projected HH Income Change (%)
<b>New Jersey (NJ)</b>									
<b>Shore Community Bank</b>									
Ocean	14	5	250,646	1.59	603,743	4.71	2.70	68,024	6.17
<b>1st Constitution Bancorp</b>									
Middlesex	15	6	420,904	1.20	847,762	4.68	2.25	90,068	9.98
Monmouth	18	8	245,082	1.01	625,511	(0.77)	0.30	97,759	9.05
Somerset	12	2	169,121	1.27	337,300	4.28	2.15	115,325	10.06
Mercer	15	4	94,007	0.60	376,021	2.59	1.54	83,451	7.16
Bergen	44	1	28,064	0.05	956,674	5.70	2.76	100,667	8.87

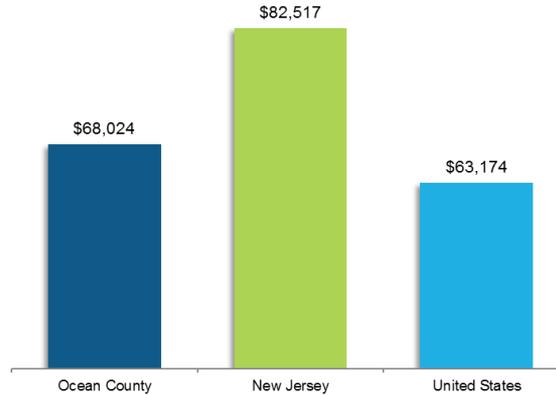
Source: S&P Global Market Intelligence. Deposits as of 6/30/2018.

# Compelling Demographic Profile

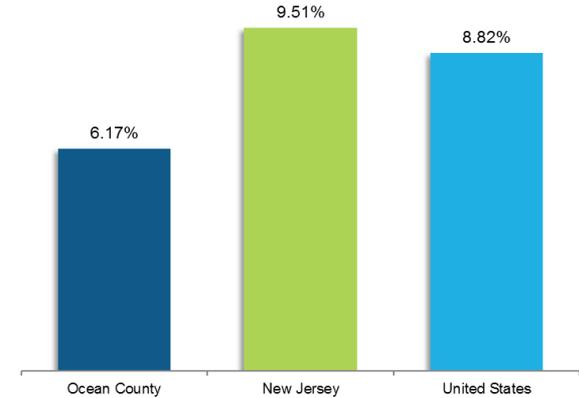
## Proj. 5-Year Population Growth



## Median HHI



## Proj. 5-Year Median HHI Growth



## Median Family Income by Branch Area (1)

Branch Address, Town	Estimated 2018 Median Family Income
1012 Hooper Ave., Toms River	\$79,451
201 Main Street, Toms River	\$99,083
1216 Route 37 E., Toms River	\$114,793
1130 E. Veterans Hwy., Jackson	\$106,813
280 Route 72 E., Manahawkin	\$91,923

## Key Commentary

- The acquisition of Shore Community Bank serves as a great entry into northern Ocean County.
- Ocean County was one of only two counties in New Jersey to experience positive net migration since 2010.
- Between 2017 and 2018, Ocean County had the largest population gain in the state with over 6,000 people moving into the county.
- Manahawkin, home to Shore Community Bank's largest branch by deposits, is situated at the sole roadway onto Long Beach Island, a popular vacation region for families from New Jersey, New York and Pennsylvania.

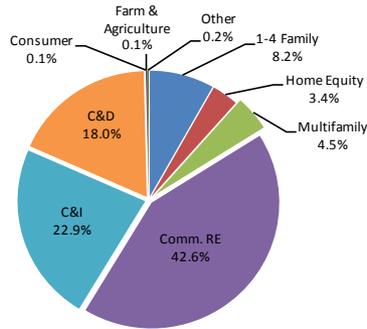
Source: S&P Global Market Intelligence and the Federal Financial Institutions Examination Council.

1) 2018 median family income is based off the U.S. Census Tract area in which the branch resides.

# Pro Forma Loan & Deposit Composition

## Loan Composition as of March 31, 2019 (\$000s)

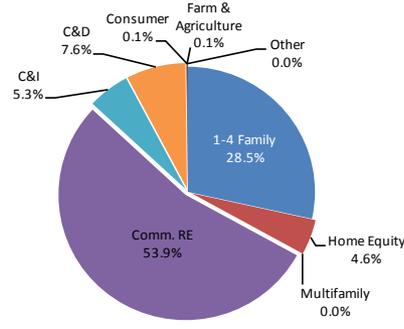
### 1st Constitution Bancorp (1)



Total Loans = \$875,502

Average Yield = 5.55%

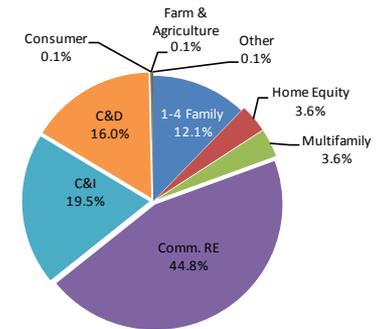
### Shore Community Bank (2)



Total Loans = \$211,745

Average Yield = 5.25%

### Pro Forma

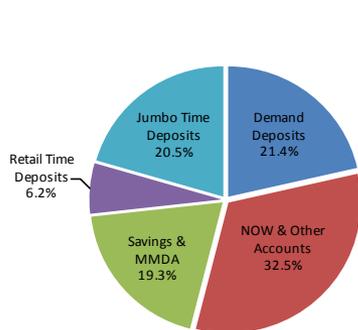


Total Loans = \$1,087,247

Average Yield = 5.49%

## Deposit Composition as of March 31, 2019 (\$000s) (1)

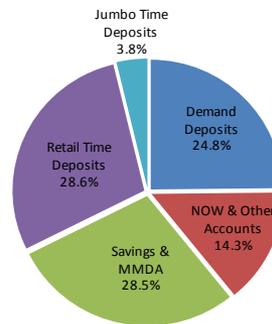
### 1st Constitution Bancorp (1)



Total Deposits = \$995,205

Cost of Deposits = 0.97%

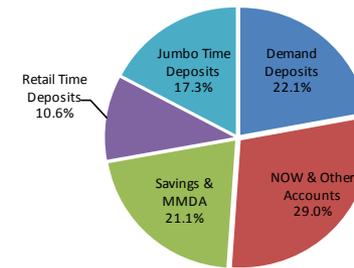
### Shore Community Bank (2)



Total Deposits = \$240,292

Cost of Deposits = 0.84%

### Pro Forma



Total Deposits = \$1,235,497

Cost of Deposits = 0.94%

1) Based on bank holding company financial statements

2) Based on SHRC internal financials

Source: S&P Global Market Intelligence.

# Conclusions

- Opportunity to acquire a high performing community bank operating in an attractive and stable market
- Strategic acquisition that improves franchise value of FCCY's strong footprint in central New Jersey
- Builds upon FCCY's 2014 acquisition of Rumson-Fair Haven Bank & Trust Company and FCCY's 2018 acquisition of New Jersey Community Bank in Monmouth county
- Provides significant loan and deposit growth opportunities and revenue expansion opportunities
- Expected to be significantly accretive to EPS per share
  - \$0.28 per share or 17.6% accretive to 2020E EPS<sup>1</sup>
  - \$0.35 per share or 21.1% accretive to 2021E EPS<sup>1</sup>
- Projected IRR over 18%

1) Based on S&P Global Market Intelligence average consensus EPS estimates of \$1.58 for 2019 and \$1.60 for 2020.