

Peak Performance

2005 ANNUAL REPORT



Letter to Shareholders

We are pleased to report net income of \$280,000 for 2005, a significant improvement over the loss of (\$45,000) a year ago. Excluding securities transactions, the Bank's operating earnings were \$481,000 for the full year as compared with operating earnings of \$91,000 a year ago. These securities transaction losses were primarily the result of selling all of the publicly traded short-term bond



funds which the Bank purchased in our earlier years with surplus cash. The proceeds from the sale of these low-yielding securities were used to reposition the investment portfolio for a higher interest rate environment and to provide funding for the loan portfolio. On a basic per share basis, net income amounted to \$.16 in 2005 and compared with a loss of (\$.03) for 2004. Fully diluted earnings per share were \$.15 for 2005 and compared with a loss of (\$.03) a year ago. Total assets at year-end 2005 amounted to \$107 Million, an increase of \$5 Million over the prior year while deposits increased to \$94 Million. Stockholders' Equity ended the year at \$11.2 Million equating to a book value of \$6.49 per share.

In July 2003, the Bank decided to emphasize commercial lending. Since that date, the loan portfolio has increased \$41 Million, nearly doubling, and, as importantly, the loan mix has also changed resulting in a higher yielding, more diversified portfolio. At year-end 2005 commercial loans amounted to \$49 Million, representing 56 percent of total loans, which compares with \$4 Million or less than ten percent of total loans in July 2003. The expansion of the loan portfolio, under Mr. Davis' direction with contributions from the entire lending team as well as the Advisory Board, has contributed significantly to the Bank's earnings. During 2005, as a reflection of continued strong quarterly performance, we continued our policy of paying stock dividends with the payment of a ten percent stock dividend on May 31, 2005.

As the Bank grows it is also adding new products. During 2005 a new "Small Business Line of Credit" was created to meet the needs of our local retail establishments. And, in response to requests from several of our consumers using internet banking and bill pay, we offered an interface to "Quicken".

In 2006 we will continue to offer new products and services such as "Escrow Manager" and the ability for customers to view images of their paid checks through the internet. Our newest branch, to be located at 500 Broad Street in Shrewsbury, is planned to open during the third quarter.

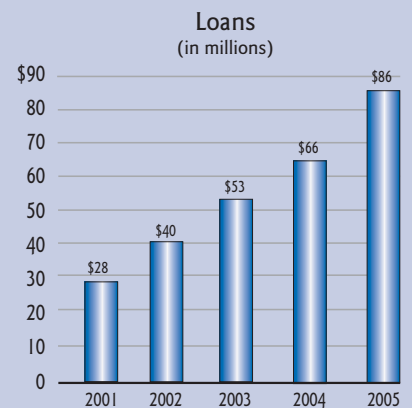
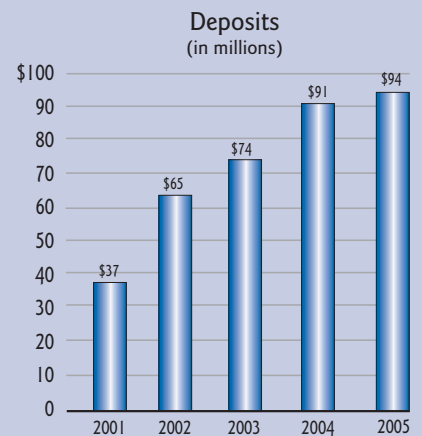
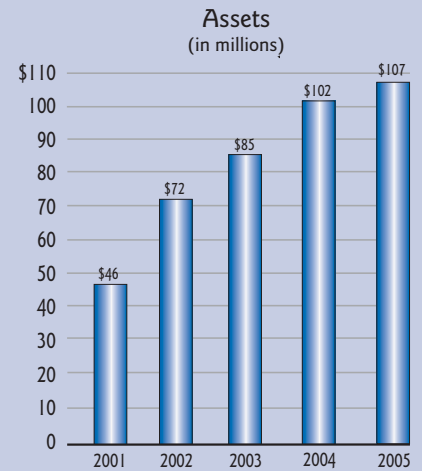
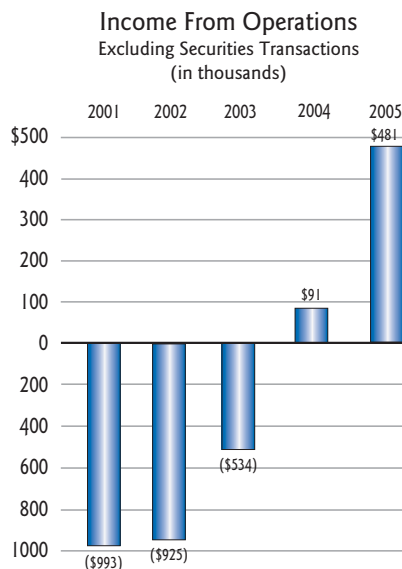
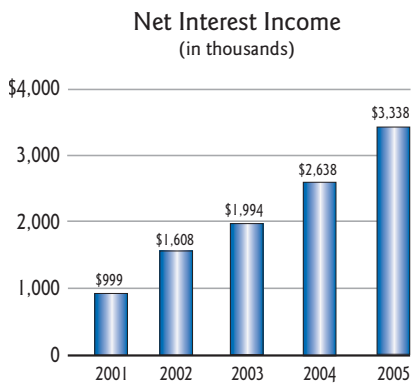
The current interest rate environment continues to present a challenge for all banks. Attracting new deposits and retaining existing deposits is putting significant pressure on net interest income. The Bank has responded by increasing interest rates for existing customers,

notably the savings account product, and promoting both interest checking accounts and certificates of deposit. Despite the increase in the cost of funding, the Bank's net interest spread and margin continue to improve due to our ability to expand the loan portfolio. As we enter 2006, it does not appear that these challenges will diminish. The Bank however, continues to maintain strong capital ratios and has increased the allowance for loan losses to one percent, although the loan portfolio is in excellent condition with no loans past due more than 60 days and there are no non-accrual loans. Our strong financial position will enable the Bank to address these challenges and continue to expand.

2006 will be another exciting year for your Bank and we look forward to introducing new products, opening our new branch and continuing to report growth in our net income. As always, we appreciate the continued loyalty of customers, employees and shareholders and look forward to meeting with you at our April 27, 2006 annual meeting at the Salt Creek Grille in Rumson, New Jersey.

William J. Barrett
Chairman of the Board

Robert E. Davis, Jr.
President and
Chief Executive Officer



People

The Bank's mission statement states that Rumson-Fair Haven Bank & Trust is "to be a high performing community bank, providing quality products, particularly commercial lending, with a continuous commitment to customer service". In the sections that follow, we discuss how the Bank is responding to this goal.



Senior Management (l to r)

Raymond Leahy, Senior Vice President and Senior Loan Officer, Dennis J. Flanagan, Executive Vice President and Chief Financial Officer, Robert E. Davis, Jr., President and Chief Executive Officer, Thomas Sannelli, Senior Vice President, Business Development

The staff of Rumson-Fair Haven Bank & Trust is a group of talented, dedicated people who drive the Bank's success. The senior management team, comprised of Robert E. Davis Jr., President and Chief Executive Officer, Dennis J. Flanagan, Executive Vice President and Chief Financial Officer, Raymond C. Leahy, Senior Vice President and Senior Loan Officer, and Thomas Sannelli, Senior Vice President, Business Development, combined bring nearly a century of banking experience to the Bank. Tom Sannelli was the most recent addition to the team, and he has served the community through his employment with several local financial institutions and not-for-profit organizations over the past 25 years. Ray Leahy starts his third year with the Bank and his performance earned him a promotion to his current position as Senior Loan Officer. These individuals, supported by the rest of the staff, are committed to making customer service their highest priority.

As the majority of our customers interact with our two branches it is also noteworthy to point out that the Branch Managers, Lillian Palumbo at Fair Haven and Alexandra Smith at Rumson, have been with the Bank since its opening in 2000. The customer service repre-



Branch Operations (l to r)

Alexandra Smith, Branch Manager, Rumson Office, Lillian Palumbo, Branch Manager, Fair Haven Office, Thomas Sannelli, Senior Vice President, Branch Operations

sentatives are a capable, experienced staff who, with the Branch Managers, bring personalized services to our customers in a friendly, cordial atmosphere.

Product

During 2005 the staff has demonstrated its capabilities and creativity in the products offered by the Bank. Under Ray Leahy's supervision the Bank introduced a "Small Business Line of Credit" product for our commercial customers. This unsecured line of credit, accessible by check and with a line up to \$25,000, provides our commercial customers with ready access to short-term financing to meet their everyday cash flow needs. The Bank also introduced a "Business Debit Card" and provided an



Commercial Lending (l to r)

Matthew C. LeFebvre, Vice President, Commercial Lending, Edward Gough, Credit Analyst, Raymond Leahy, Senior Vice President and Senior Loan Officer, Robert E. Davis, Jr., President and Chief Executive Officer

interface for internet banking customers to download their account information via "Quicken". Other new products and services, such as "Escrow Manager" which provides attorneys and others with an automated bookkeeping service, and a new service allowing internet banking customers to view images of their checks online, are on the drawing board for introduction in 2006.

Service

As a community bank we understand the value that customers place on our products and services. Consistently, since its opening in 2000, the Bank's deposit rates have always been in the top tier as compared with our competitors. Our "Signature Savings Account" introduced in



Finance and Operations (l to r)
 Diane McCormick, Vice President, Information Technology,
 Dennis J. Flanagan, Executive Vice President and Chief
 Financial Officer, Karen McCormick, Vice President, Operations

early 2005 had one of, if not the highest rates offered for a savings product, and the rate was not for a limited time. Subsequent to its offering, the rate was recently raised to 3.00 percent which, again, is one of the highest rates offered for a savings product. The Bank continues to offer many other services free of charge such as internet banking and bill pay. The Bank remains committed to offering value in addition to products and services to the communities in which it operates.

Place

As the Bank introduces new products and services, customers are reminded of the accessibility provided by the Bank. In addition to 8:00 AM to 6:00 PM branch hours, Monday through Friday and Saturday AM hours, the Bank also offers internet banking, an online bill payment capability and automated teller machines which can be accessed virtually 24 hours a day, seven days a week. The Bank will be opening its third branch, to be located at 500 Broad Street in Shrewsbury, during the third quarter.



Rumson Branch (l to r)
 Michelle Smith-Tibbetts, Customer Service Representative,
 Barbara Malave, Head Teller, Nancy Singer, Executive
 Assistant, Alexis Miranti, Customer Service Representative,
 Alexandra Smith, Branch Manager



Fair Haven Branch (l to r)
 Matthew Mulligan, Customer Service Representative, Sue
 Rapoza, Head Teller/Customer Service Representative, Kristyn
 Marano, Customer Service Representative, Lillian Palumbo,
 Branch Manager

Statements of Condition (in thousands, except share amounts)

	December 31,	
	2005	2004
ASSETS		
Cash and due from banks	\$ 1,344	\$ 1,055
Federal funds sold	-	6,625
Investment securities available for sale	19,382	20,708
Investment securities held to maturity (market value: \$7,159)	-	7,142
Loans	86,120	65,657
Less allowance for loan losses	(860)	(596)
Loans, net	85,260	65,061
Premises and equipment, net	726	825
Other assets	763	509
Total assets	<u>\$107,475</u>	<u>\$101,925</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	\$ 16,461	\$ 18,681
Savings	42,620	52,621
Time	35,009	19,374
Total deposits	94,090	90,676
Borrowed funds	1,676	-
Accrued expenses and other liabilities	559	408
Total liabilities	96,325	91,084
Stockholders' equity:		
Common stock, par value \$5.00 per share		
Authorized: 2,500,000 shares		
Issued and outstanding: 1,718,623 and 1,553,981 shares		
at December 31, 2005 and 2004, respectively	8,593	7,770
Additional paid-in capital	5,926	6,661
Accumulated deficit	(2,992)	(3,272)
Accumulated other comprehensive loss	(377)	(318)
Total stockholders' equity	11,150	10,841
Total liabilities and stockholders' equity	<u>\$107,475</u>	<u>\$101,925</u>

Statements of Operations (in thousands, except per share amounts)

	Year Ended December 31,	
	<u>2005</u>	<u>2004</u>
INTEREST INCOME		
Interest and fees on loans	\$ 4,708	\$ 3,092
Interest on Federal funds sold	76	61
Interest on investment securities available for sale	822	871
Interest on investment securities held to maturity	-	209
Total interest income	<u>5,606</u>	<u>4,233</u>
INTEREST EXPENSE		
Interest on deposits	2,252	1,593
Interest on borrowed funds	16	2
Total interest expense	<u>2,268</u>	<u>1,595</u>
NET INTEREST INCOME	3,338	2,638
Provision for loan losses	<u>264</u>	<u>135</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,074	2,503
OTHER INCOME		
Service charges on deposit accounts	61	71
Loss on sale of investment securities available for sale	(201)	(136)
Other	82	86
Total other (loss) income	<u>(58)</u>	<u>21</u>
OTHER EXPENSES		
Salaries and employee benefits	1,306	1,229
Occupancy	352	342
Data processing	308	287
Professional fees	170	148
Furniture and equipment	155	159
Advertising	67	40
Insurance	57	63
Other	294	300
Total other expenses	<u>2,709</u>	<u>2,568</u>
Income (loss) before income taxes	307	(44)
Income tax expense	27	1
NET INCOME (LOSS)	<u>\$ 280</u>	<u>\$ (45)</u>
Net income (loss) per share - basic	<u>\$ 0.16</u>	<u>\$ (0.03)</u>
Net income (loss) per share - diluted	<u>\$ 0.15</u>	<u>\$ (0.03)</u>

Statements of Changes in Stockholders' Equity (in thousands, except share amounts)

	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2003	\$6,996	\$7,296	\$(3,227)	\$ (178)	\$10,887
Net loss			(45)		(45)
Unrealized loss on securities available for sale				(276)	
Less reclassification adjustment for securities losses included in net income				<u>136</u>	
Net unrealized loss on securities available for sale arising during the period				(140)	<u>(140)</u>
Total comprehensive loss					(185)
Common stock issued	73	66			139
10% Common stock distribution, 140,172 shares	<u>701</u>	<u>(701)</u>			
Balance at December 31, 2004	<u>7,770</u>	<u>6,661</u>	<u>(3,272)</u>	<u>(318)</u>	<u>10,841</u>
Net income.....			280		280
Unrealized loss on securities available for sale				(260)	
Less reclassification adjustment for securities losses included in net income				<u>201</u>	
Net unrealized loss on securities available for sale arising during the period				(59)	<u>(59)</u>
Total comprehensive income					221
Common stock issued	46	42			88
10% Common stock distribution, 155,392 shares	<u>777</u>	<u>(777)</u>			-
Balance at December 31, 2005	<u>\$8,593</u>	<u>\$5,926</u>	<u>\$(2,992)</u>	<u>\$ (377)</u>	<u>\$11,150</u>

Statements of Cash Flows (in thousands)

	Year Ended December 31,	
	2005	2004
OPERATING ACTIVITIES		
Net income (loss)	\$ 280	\$ (45)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for loan losses	264	135
Depreciation, amortization and accretion, net	196	220
Loss on sale of investment securities	201	136
Increase in other assets	(254)	(194)
Increase (decrease) in accrued expenses and other liabilities	151	(48)
Net cash provided by operating activities	<u>838</u>	<u>204</u>
INVESTING ACTIVITIES		
Purchase of investment securities available for sale	(206)	(19,604)
Proceeds from maturities, paydowns and calls of investment securities available for sale	2,832	3,544
Sales and redemptions of investment securities	5,557	17,819
Purchase of investment securities held to maturity	-	(7,139)
Net increase in loans	(20,463)	(13,087)
Purchases of premises and equipment	(72)	(32)
Net cash used in investing activities	<u>(12,352)</u>	<u>(18,499)</u>
FINANCING ACTIVITIES		
Net increase in deposits	3,414	16,988
Net increase in borrowed funds	1,676	-
Net proceeds from issuance of common stock	88	139
Net cash provided by financing activities	<u>5,178</u>	<u>17,127</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(6,336)	(1,168)
Cash and cash equivalents at beginning of year	<u>7,680</u>	<u>8,848</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,344</u>	<u>\$ 7,680</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 2,182	\$ 1,652
Income taxes	3	2
Non-cash transfers:		
Investment securities held to maturity transferred to investment securities available for sale	7,150	-

See accompanying notes to financial statements.

Notes to Financial Statements December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Rumson-Fair Haven Bank & Trust Company (the "Bank") is a New Jersey state-chartered bank with two branches located in the Boroughs of Rumson and Fair Haven, New Jersey. Since we commenced business on July 17, 2000, we have served these communities and surrounding cities and towns, including Red Bank, Middletown and Little Silver, New Jersey.

The basic business of the Bank is to provide deposit and lending services for individuals, small to medium-sized businesses and professional practices in our market area.

As a community bank, the Bank's emphasis involves providing a broad range of financial products and services. The Bank offers the traditional range of retail and commercial banking services to its customers, including checking accounts, savings accounts, certificates of deposit, installment loans, commercial loans, traveler's checks, safe deposit boxes, night depository and automated teller services, as well as internet banking, including electronic bill payment. Through our affiliation with a local mortgage company, a broad array of residential mortgage alternatives is available to our customers. The retail banking services offered by the Bank are designed to provide deposit and loan products that meet our customers' needs. The Bank also offers trust and investment services through an affiliation with a New Jersey based financial institution.

The Bank is subject to Federal and New Jersey statutes applicable to banks chartered under the New Jersey banking laws. The Bank's deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC"). Accordingly, the Bank is subject to regulation, supervision and examination by the New Jersey State Department of Banking and Insurance and the FDIC.

Basis of Financial Statement Presentation

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and results of operations for the period indicated. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses. While management uses available information to recognize estimated losses on loans, future additions may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for losses on loans. Such agencies may require the Bank to recognize additions to the allowance based on their judgements of information available to them at the time of their examination.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks and Federal funds sold. Federal funds sold are generally sold for one-day periods.

Investment Securities

Securities to be held for indefinite periods of time and not intended to be held to maturity, including all equity securities, are classified as available for sale. Securities available for sale include securities that management intends to use as part of its asset/liability management strategy and that may be sold in response to changes in interest rates, asset mix and other factors related to interest rate and resultant pre-

payment risk changes. Securities available for sale are carried at estimated fair value adjusted for amortization of premiums and accretion of discount using a method that approximates a level yield. Unrealized holding gains and losses on such securities are excluded from earnings and reported as a separate component of stockholders' equity. Gains and losses on sales of individual securities are calculated using the specific identification method. Gains and losses on the sale or redemption of the bond funds is based on the weighted average cost of the specific bond fund.

Investment securities held to maturity comprise debt securities that the Bank has the positive intent and ability to hold to maturity. Such securities are stated at cost, adjusted for amortization of premiums and accretion of discounts using a method that approximates a level yield.

Loans

Loans are stated at unpaid principal balance outstanding. Interest on loans is credited to operations based upon the principal amount outstanding. Loan fees and certain direct loan origination costs are deferred and the net fee or cost is recognized in interest income over the life of the loan as an adjustment to the loan's yield.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows, or, as a practical expedient, at the loan's observable market price, or the fair value of the underlying collateral, if the loan is collateral dependent. Conforming residential mortgage loans, home equity and second mortgages, and loans to individuals are excluded from the definition of impaired loans as they are characterized as smaller balance, homogeneous loans and are collectively evaluated.

The accrual of income on loans including impaired loans, is generally discontinued when a loan becomes 90 days past due as to principal or interest or when other circumstances indicate that collection is questionable, unless the loan is well secured and in the process of collection. Income on non-accrual loans, including impaired loans, is recognized only in the period in which it is collected, and only if management determines that the loan principal is fully collectible. Loans are returned to an accrual status when a loan is brought current as to principal and interest and reasons indicating doubtful collection no longer exist.

The allowance for loan losses is based on management's evaluation of the adequacy of the allowance based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions. Additions to the allowance arise from charges to operations through the provision for loan losses or from the recovery of amounts previously charged off. The allowance is reduced by charge-offs. Management believes that the allowance for loan losses is adequate.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is charged to operations on a straight-line basis over the estimated useful lives of the assets or, in the case of leasehold improvements, the lease period, if shorter. Gains or losses on dispositions are reflected in current operations. Maintenance and repairs are charged to expense as incurred.

Income Taxes

Income taxes are accounted for under the asset and liability method. Current income taxes are calculated based upon amounts estimated

to be currently payable, for both Federal and state income taxes. Deferred Federal and state tax assets and liabilities are recognized for the expected future tax consequences of existing differences between financial statement and tax basis of existing assets and liabilities. Deferred tax assets are recognized for future deductible temporary differences and tax loss carryforwards if their realization is "more likely than not". The effect of a change in the tax rate on deferred taxes is recognized in the period of the enactment date.

Stockholders' Equity

On May 31, 2005 and July 23, 2004, the Bank issued stock distributions, each in the form of ten ("10") percent stock dividends. If the Bank had accumulated profits (retained earnings), the Bank would have transferred the fair market value of the shares issued from retained earnings to common stock and additional paid-in capital. Since the Bank currently has an accumulated deficit, it transferred the par value of the shares issued from additional paid-in capital to common stock. All share and per share data for 2005 and 2004 have been retroactively adjusted to reflect each of the ten percent stock distributions.

On October 31, 2003, the Bank issued 477,722 units at a price of \$9.09 per unit with each unit consisting of one share of the Bank's common stock, \$.00 par value per share, and one warrant to purchase one-half share of the Bank's common stock. The number of units and price per unit were adjusted to reflect each of the ten percent stock distributions. Each warrant has a five-year term and is exercisable at \$4.96 per one-half share (\$9.92 per full share) until October 31, 2008. Proceeds to the Bank, net of direct costs of \$76,000 incurred from the offering, amounted to \$4,267,000.

Stock-Based Compensation

Stock-based compensation is accounted for under the intrinsic value based method as prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees". Included in the table below are the pro forma disclosures required by SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", which assumes the fair value based method of accounting had been adopted (in thousands, except share amounts):

	<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Net income (loss) as reported	\$ 280	\$ (45)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards ..	(178)	(12)
Pro forma net income (loss)	<u>\$ 102</u>	<u>\$ (57)</u>
Income (loss) per share:		
As reported - basic	\$.16	\$ (.03)
- diluted15	(.03)
Pro forma - basic06	(.04)
- diluted06	(.04)

The fair value of the stock options granted by the Bank was estimated through the use of the Black-Scholes option pricing model by applying the following weighted average assumptions at grant date: risk free interest rate of 4.06% in 2005 and 3.31% in 2004; expected volatility of 10% in 2005 and 5% in 2004; expected option life of three years in 2005 and 2004 and an expected dividend yield of 0% in both years. The weighted average fair value at grant date for the options awarded was \$2.27 in 2005 and \$1.62 in 2004.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and net unrealized gains (losses) on securities available for sale and is presented in the statements of changes in stockholders' equity.

Net Income (Loss) Per Share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding during the year. Diluted income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares of common stock and common stock equivalents outstanding decreased by the number of common shares that are assumed to be repurchased with the proceeds from the exercise of the common stock equivalents (treasury stock method) along with the assumed tax benefit from the exercise of non-qualified options. These purchases were assumed to have been made at the average market price of the common stock. For 2004 calculations of loss per share, shares issuable under the Bank's various stock option plans and the outstanding warrants were not considered in presenting net loss per share as such options and warrants would have been anti-dilutive. The following table shows the calculation of both basic and diluted earnings (loss) per share. All share and per share data have been retroactively adjusted to reflect each of the aforementioned ten percent stock distributions. (in thousands, except share amounts)

	<u>Years Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Net income (loss)	\$ 280	\$ (45)
Basic weighted average shares outstanding	1,712,402	1,699,679
Plus: Common stock equivalents	129,220	N/A
Diluted weighted average number of shares outstanding	<u>1,841,622</u>	<u>1,699,679</u>
Earnings (loss) per share:		
Basic	\$.16	\$ (.03)
Diluted15	(.03)

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment". This Statement is a revision of SFAS No.123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees", and its related guidance. SFAS No. 123 (revised 2004) established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. This Statement establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees, except for equity instruments held by employee share ownership plans. This Statement is effective for non-public entities at the beginning of the first interim or annual reporting period that begins after December 15, 2005. The initial adoption of SFAS No. 123 (revised 2004) will not have a material affect on our financial condition or results of operations.

The FASB issued SFAS 154, "Accounting Changes and Error Corrections", which replaced APB No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Changes in Interim Financial

Statements". This Statement changes the accounting for, and reporting of, a change in accounting principle. Statement 154 requires retrospective application to prior period's financial statements of voluntary changes in accounting standards when the standard does not

include specific transition provisions, unless it is impracticable to do so. Statement 154 is effective for accounting changes and corrections of errors in fiscal years beginning after December 15, 2005.

NOTE 2 - INVESTMENT SECURITIES AVAILABLE FOR SALE

The amortized cost, gross unrealized gains and losses, and estimated market value of investment securities available for sale at December 31, 2005 and 2004 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
2005				
U.S. Government				
sponsored agencies	\$17,212	\$ -	\$ (303)	\$16,909
Mortgage-backed securities	2,300	-	(74)	2,226
Equity securities	247	-	-	247
Total	<u>\$19,759</u>	<u>\$ -</u>	<u>\$ (377)</u>	<u>\$19,382</u>
2004				
U.S. Government				
sponsored agencies	\$11,570	\$ -	\$ (104)	\$11,466
Mortgage-backed securities	3,343	-	(35)	3,308
Other debt securities	5,681	-	(179)	5,502
Equity securities	432	-	-	432
Total	<u>\$21,026</u>	<u>\$ -</u>	<u>\$ (318)</u>	<u>\$20,708</u>

The amortized cost and estimated market value of investment securities available for sale at December 31, 2005, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. (in thousands)

	Amortized Cost	Estimated Market Value
Due in less than one year	\$ 3,247	\$ 3,204
Due after one through five years	8,512	8,334
Due after five through ten years	7,583	7,432
After ten years	170	165
Total	<u>\$ 19,512</u>	<u>\$19,135</u>

At December 31, 2005 securities having an approximate carrying value of \$250,000 were pledged to secure public funds.

The following tables identify those investment securities available for sale which had an unrealized loss at December 31, 2005 and 2004, respectively (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2005						
U.S. Government						
sponsored agencies	\$ 7,045	\$ (101)	\$ 9,864	\$ (202)	\$16,909	\$ (303)
Mortgage-backed securities	-	-	2,226	(74)	2,226	(74)
Total temporarily impaired securities	<u>\$ 7,045</u>	<u>\$ (101)</u>	<u>\$ 12,090</u>	<u>\$ (276)</u>	<u>\$19,135</u>	<u>\$ (377)</u>
2004						
U.S. Government						
sponsored agencies	\$ 10,471	\$ (102)	\$ 995	\$ (2)	\$11,466	\$ (104)
Mortgage-backed securities	502	(3)	2,806	(32)	3,308	(35)
Other securities	2,297	(68)	3,205	(111)	5,502	(179)
Total temporarily impaired securities	<u>\$ 13,270</u>	<u>\$ (173)</u>	<u>\$ 7,006</u>	<u>\$ (145)</u>	<u>\$20,276</u>	<u>\$ (318)</u>

Management has determined that these unrealized losses are temporary and due to interest rate fluctuations and volatility rather than the credit ratings of the securities. The Bank has the intent and ability to hold these securities for the time necessary to recover the amortized cost.

NOTE 3 - INVESTMENT SECURITIES HELD TO MATURITY

There were no securities classified as held to maturity at December 31, 2005. The amortized cost, gross unrealized gains and losses, and estimated market value of investment securities held to maturity at December 31, 2004 are set forth below (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
2004				
U.S. Government sponsored agencies	\$ 7,142	\$ 17	\$ -	\$ 7,159
Total	<u>\$ 7,142</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 7,159</u>

Effective June 30, 2005, investment securities held to maturity were transferred to investment securities available for sale in the amount of \$7,150,000. During 2005, the Bank changed it's intent to hold these securities to maturity. Accordingly, unable to support the held to maturity assertion, the securities were reclassified to available for sale.

NOTE 4 - LOANS

Loans are summarized as follows (in thousands):

	December 31,	
	2005	2004
Commercial loans.....	\$ 48,560	\$ 24,523
Real estate loans – residential	19,490	22,869
Home equity and second mortgages	17,892	17,919
Consumer loans	178	346
Total loans.....	86,120	65,657
Less allowance for loan losses.....	(860)	(596)
Net loans.....	<u>\$ 85,260</u>	<u>\$ 65,061</u>

A portion of the Bank's loan portfolio is secured by real estate located in New Jersey, primarily in Monmouth County. Accordingly, as with most financial institutions in the market area, the ultimate collectibility of a substantial portion of the Bank's loan portfolio is susceptible to changes in market conditions in these areas.

The Bank has entered into lending transactions in the ordinary course of business with directors, executive officers, principal stockholders and affiliates of such persons on the same terms as those prevailing for comparable transactions with other borrowers. These loans at December 31, 2005 were current as to principal and interest payments, and did not involve more than normal risk of collectibility. At December 31, 2005 and 2004, loans to related parties amounted to \$1,370,000 and \$2,133,000, respectively. New loans to related parties totaled \$1,218,000 during 2005 and repayments totaled \$1,981,000.

Activity in the allowance for loan losses is summarized as follows (in thousands):

	December 31,	
	2005	2004
Balance, beginning of year.....	\$596	\$471
Provision for loan losses.....	264	135
Loans charged-off.....	-	(10)
Balance, end of year	<u>\$860</u>	<u>\$596</u>

At December 31, 2005 the Bank had no loans classified as non-accrual or impaired.

The Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include unused lines of credit and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. The contract or notional amounts of these instruments express the extent of involvement the Bank has in each category of financial instruments.

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

The contract or notional amount of financial instruments whose contract amounts represent credit risk at December 31, 2005 is as follows (in thousands):

Outstanding loan and credit line commitments.....\$30,465

Outstanding loan commitments represent the unused portion of loan commitments available to individuals and companies as long as there is no violation of any condition established in the contract. Outstanding loan commitments generally have a fixed expiration date of one year or less, except for home equity loan commitments which generally have an expiration date of up to 20 years. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Bank upon extension of credit is based upon management's credit evaluation of the customer. Various types of collateral may be held, including property and marketable securities. The credit risk involved in these financial instruments is essentially the same as that involved in extending loan facilities to customers.

NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows (in thousands):

	December 31	
	2005	2004
Leasehold improvements	\$ 886	\$ 887
Equipment	529	593
	1,415	1,480
Accumulated depreciation and amortization	(689)	(655)
Premises and equipment, net	<u>\$ 726</u>	<u>\$ 825</u>

Depreciation and amortization expense amounted to \$171,000 and \$170,000 in 2005 and 2004, respectively.

NOTE 6 - DEPOSITS

The aggregate amount of time deposits in denominations of \$100,000 or more as of December 31, 2005 and 2004 was \$19,228,000 and \$7,399,000, respectively. Interest expense on time deposits of \$100,000 or more amounted to \$425,000 and \$144,000 for the years ended December 31, 2005 and 2004, respectively.

The scheduled maturities of all time deposits are as follows (in thousands):

Year	Amount
2006	\$ 25,586
2007	6,136
2008	2,718
2009	3
2010	566
Total time deposits	<u>\$ 35,009</u>

NOTE 7 - BORROWED FUNDS

The Bank is a member in the Federal Home Loan Bank of New York. The Bank has an approved borrowing capacity of \$20,300,000 based on collateral provided by the Bank. In addition, the Bank has unsecured Federal funds credit lines totaling \$4,500,000 with its correspondent banks. At December 31, 2005 the Bank had advances outstanding from the Federal Home Loan Bank of New York amounting to \$1,700,000 at a rate of 4.30 percent.

NOTE 8 - INCOME TAXES

The components of income taxes (benefit) are summarized as follows (in thousands):

	December 31,	
	2005	2004
Current tax expense		
Federal	\$ -	\$ -
State	27	1
	<u>27</u>	<u>1</u>
Deferred tax benefit		
Federal	-	-
State	-	-
	<u>-</u>	<u>-</u>
	<u>\$ 27</u>	<u>\$ 1</u>

A reconciliation between the effective income tax expense for the years ended December 31, 2005 and 2004 and the amount computed using the applicable statutory Federal tax rate of 34% is as follows (in thousands):

	December 31,	
	2005	2004
Federal income tax benefit	\$ 104	\$ (15)
Increase in taxes resulting from:		
State income taxes net of Federal tax effect	16	2
Valuation reserve	(99)	10
Nondeductible expenses	6	4
Total income tax expense	<u>\$ 27</u>	<u>\$ 1</u>

At December 31, 2005, the Bank had Federal and state income tax loss carryforwards of approximately \$2,000,000 which expire in 2011 for state purposes and \$1,700,000 which expire in 2024 for

Federal purposes. For Federal purposes, net operating losses may be carried forward 20 years and state losses may be carried forward seven years. In addition, the Bank sold securities in 2005 and 2004 which resulted in capital losses of \$201,000 and \$222,000, respectively. These capital losses may be carried forward and used to offset capital gains through 2010 for the 2005 loss and through 2009 for the 2004 loss.

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset at December 31, 2005 and 2004 are as follows (in thousands):

	December 31,	
	2005	2004
Deferred tax assets:		
Allowance for loan losses	\$ 326	\$ 221
Organization and start-up costs	-	16
Charitable contribution carryover	11	11
Contingency reserve	14	10
Net operating loss carryforwards	708	1,042
Capital loss carryover	171	2
Unrealized losses on available for sale securities ..	151	127
Depreciation	88	63
Gross deferred tax assets	1,469	1,492
Less - valuation allowance	1,346	1,425
Deferred tax assets, net	<u>123</u>	<u>67</u>
Deferred tax liabilities:		
Deferred loan costs	34	18
Accrued interest receivable and other accrued expenses	87	48
Discount accretion	2	1
Deferred tax liabilities, net	123	67
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The valuation allowance for deferred taxes as of December 31, 2005 and 2004 was \$1,346,000 and \$1,425,000, respectively.

NOTE 9 - STOCK OPTION PLANS

The Bank has four stock option plans which are administered by the Bank's Personnel and Compensation Committee, comprised of members of the Bank's Board of Directors ("The Committee"). To date, the exercise price for all of the grants under the various stock option plans have been based on the fair market value on the grant date. The Bank's Non-Qualified Stock Option Plan permits grants with an exercise price of at least 85% of the fair market value of the Bank's stock on the grant date. Stock options for all plans have a ten year term. All share amounts within this note reflect the ten percent stock distributions paid May 31, 2005 and July 23, 2004.

The Bank's 2000 Incentive Stock Option Plan grants options intended to qualify as "incentive stock options" under the Internal Revenue Code of 1986, as amended. Under this plan, officers and key employees of the Bank may receive grants of options which may vest over a period of years. There are 121,536 shares of the Bank's common stock

reserved for issuance under this plan. Currently, options to purchase 99,005 shares of the Bank's common stock are outstanding.

The Bank's 2000 Non-Qualified Stock Option Plan grants options that are not intended to qualify as "incentive stock options" under the Internal Revenue Code. Under this plan, officers and key employees of the Bank may receive grants of options with vesting periods as determined at the discretion of The Committee. There are 60,767 shares of the Bank's common stock reserved for issuance under this plan. Currently, options to purchase 37,750 shares of the Bank's common stock are outstanding.

The Bank's 2000 and 2005 Stock Option Plans for Non-Employee Directors grants options to directors who are not employees of the Bank. Options granted under these plans vest immediately and terminate upon a director's removal for cause. There are 104,767 shares of the Bank's common stock reserved for issuance for these plans. Currently, options to purchase 100,790 shares of the Bank's

common stock are outstanding.

Changes in options outstanding for all plans are as follows:

	Shares	Option Price Per Share	
Balance, December 31, 2003.....	190,575	\$ 7.93	- \$ 10.75
Granted during 2004.....	28,600	14.64	- 20.77
Exercised during 2004.....	(15,488)	8.28	- 10.14
Forfeited during 2004.....	(18,392)	8.28	- 9.15
Balance, December 31, 2004.....	185,295	7.93	- 20.77
Granted during 2005.....	57,250	16.00	- 17.70
Exercised during 2005.....	(5,000)	9.21	- 9.21
Balance, December 31, 2005.....	<u>237,545</u>	<u>\$ 7.93</u>	<u>- \$ 20.77</u>

At December 31, 2005 and 2004, the number of options exercisable were 196,220 shares and 130,801 shares and the weighted average exercise price of those options was \$11.00 and \$8.79 with a remaining contractual life of 7 years and 6.7 years, respectively.

The following table summarizes information about stock options outstanding at December 31, 2005:

Year	Options Outstanding		Options Exercisable	
	Number Outstanding	Range of Exercise Price	Number Exercisable	Weighted Average Exercise Price
2000.....	50,215	\$ 8.37 - \$ 8.37	50,215	\$ 8.37
2001.....	32,510	8.68 - 9.21	32,510	9.11
2002.....	9,680	10.75 - 10.75	9,680	10.75
2003.....	59,290	7.93 - 9.25	46,827	8.94
2004.....	28,600	14.64 - 20.77	9,438	14.88
2005.....	57,250	16.00 - 17.70	47,550	16.36
	<u>237,545</u>	<u>\$ 7.93 - \$ 20.77</u>	<u>196,220</u>	<u>\$ 11.00</u>

NOTE 10 - BENEFITS

The Bank maintains a 401K employee savings plan to provide for defined contributions. All full-time employees, and part-time employees working at least 20 hours per week, are eligible to participate. The Bank's contribution to the plan is to match 100 percent of the employee's first three percent of the employee's salary and 50 percent of the next two percent of the employee's salary. The Bank's maximum contribution is four percent of an employee's salary. For 2005 and 2004, employer contributions amounted to \$34,000 and \$30,000, respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

At December 31, 2005 the Bank was obligated under non-cancelable leases for premises, including the lease for the new branch in Shrewsbury executed in 2005 and effective September 2006. Future minimum rental payments are as follows (in thousands):

2006.....	\$ 180
2007.....	77
2008.....	68
2009.....	68
2010.....	68
Thereafter.....	<u>1,913</u>
Total.....	<u>\$ 2,374</u>

Total rent expense, net of rental income, included in occupancy expense was \$157,000 and \$155,000 for the year ended December 31, 2005 and 2004, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Bank entered into a lease agreement for the Rumson branch office with a company of which a director of the Bank is an owner. The negotiations with respect to this lease were conducted at arm's-length and the Board of Directors of the Bank believes, based on an opinion of an independent appraiser, that the terms and conditions of the lease are comparable to terms that would have been available to the Bank by an unaffiliated third party. Rental payments for 2005 amounted to \$135,000.

A company, of which two directors are principal shareholders, leases space in the Bank's Fair Haven branch. The Chairman of the Board of the Bank is one of the two aforementioned directors. The rent payable for the space is based on the fair rental value for comparable rental space in the community, less a credit for the portion of time the Chairman devotes to Bank business. The rental payments are not considered material.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments". The estimated fair value amounts have been determined by the Bank using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Furthermore, certain tax implications related to the realization of the unrealized gains and losses could have a significant impact on these fair value estimates and have not been incorporated into many of the estimates.

The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments:

- For cash and cash equivalents, the carrying amount approximates fair value.
- For securities, fair values are based on quoted market prices.
- For loans, the fair value was estimated using discounted cash flow analyses, at interest rates currently offered for loans with similar terms to borrowers of similar credit quality.
- Fair values for demand deposits, savings accounts and certain money market deposits are, by definition, equal to the amount payable on demand at the repricing date (i.e., their carrying amounts). Fair values of certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturity of deposits.
- For borrowed funds, the fair value is estimated to be the amount payable at the reporting date.
- The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The fair value of these commitments was deemed immaterial and is not presented in the accompanying table.

The estimated fair values of the Bank's financial instruments as of December 31, 2005 and 2004 are as follows (in thousands):

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents				
	\$ 1,344	\$ 1,344	\$ 7,680	\$ 7,680
Investment securities				
available for sale	19,382	19,382	20,708	20,708
Investment securities held to maturity	-	-	7,142	7,159
Loans, net	85,260	85,103	65,061	65,573
Financial liabilities:				
Deposits	\$ 94,090	\$ 93,640	\$ 90,676	\$ 90,759
Borrowed funds	1,676	1,676	-	-

NOTE 14 - REGULATORY MATTERS

Subject to applicable law, the Board of Directors of the Bank may provide for the payment of dividends. New Jersey law provides that no dividend may be paid unless, after the payment of such dividend, the capital stock of the Bank will not be impaired and either the Bank will have a statutory surplus of not less than 50 percent of its capital stock or the payment of such dividend will not reduce the statutory surplus of the Bank.

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

The prompt corrective action regulations define specific capital categories based on an institution's capital ratios. The capital categories, in declining order, are well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. To be considered well capitalized, an institution must generally have a leverage ratio (Tier 1 capital to total quarterly average assets), as defined, of at least five percent, a Tier 1 risk-based capital ratio, as defined, of at least six percent, and a total risk-based capital ratio, as defined, of at least ten percent. Management believes that, as of December 31, 2005, the Bank meets all capital adequacy requirements of the FDIC.

As of December 31, 2005, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following is a summary of the Bank's actual capital amounts and ratios as of December 31, 2005 and 2004 compared to the FDIC minimum capital adequacy requirements and the FDIC requirements for classification as a well capitalized institution (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2005						
Tier I capital to average assets.....	\$ 11,527	10.52%	\$ 4,382	4.00%	\$ 5,477	5.00%
Tier I to risk weighted assets.....	11,527	13.53%	3,407	4.00%	5,110	6.00%
Total capital to risk weighted assets.....	12,387	14.54%	6,814	8.00%	8,517	10.00%
2004						
Tier I capital to average assets	10,980	10.63%	4,131	4.00%	5,164	5.00%
Tier I to risk weighted assets	10,980	16.43%	2,673	4.00%	4,010	6.00%
Total capital to risk weighted assets.....	11,576	17.32%	5,346	8.00%	6,683	10.00%

Independent Auditor's Report

The Board of Directors
Rumson-Fair Haven Bank & Trust Company:

We have audited the accompanying statements of condition of Rumson-Fair Haven Bank & Trust Company as of December 31, 2005 and 2004, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rumson-Fair Haven Bank & Trust Company as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Short Hills, New Jersey
March 3, 2006

Personal Banking Products

Interest Checking

No minimum balance requirements
Open your account with \$50 or more
Free ATM/Debit card*
Free on-line banking and bill-payment services
We also offer non-interest bearing Personal Checking, as well as CD's and IRA CD accounts

When you open an additional account with us

we'll pay a premium rate on Money Market, Certificate of Deposit, and Statement Savings accounts.

If your combined balances exceed \$25,000, we'll give you these additional benefits**:

We'll waive the cost of our standard RFH Bank checks
Traveler's Cheques fees are waived.
Cashier's Check fees are waived.
Wire transfer fees are waived.

And...

We'll pay our highest rate on Money Market, Statement Savings, and Certificate of Deposit accounts.

ATM Services

- Deposit, withdraw, transfer funds or obtain balance information from checking, savings or money market account
- Free from transaction fees at Rumson-Fair Haven Bank ATM locations

Debit Card

- Check card with "MasterCard" logo
- Ability to make purchases at all Point of Sale locations with convenience of automatically deducting payment from primary checking account

Unlock your home equity with a low-cost fixed or floating rate loan...

Choose from a variety of terms and pay principal and interest in equal monthly payments.

or...

Enjoy the flexibility of a home equity credit line. Pay down your principal balance at any time without penalty.

Apply for free, no closing costs...

A Full Range of Services to Meet Your Personal Banking Needs

Overdraft Credit Line

- Credit line used to guarantee payment of checks up to approved limit
- Advances in increments of \$100
- No application or per transaction fees
- Quick application and approval process

Direct Deposit

- Offers the convenience of immediate availability of funds into your account for items including payroll and social security benefits

Safe Deposit Boxes

- Available for yearly rental at the Rumson Branch
- Rental fee automatically deducted from checking account
- Accessible during branch hours

**Surcharges may be imposed by other financial institutions when using their ATMs*

***Combined balance refers to the sum of checking, savings, money market and CDs to determine interest rates paid.*

All accounts shown are for personal use only.

See your deposit account disclosure for additional details.

Business Banking Products

Business Checking Accounts

Unlimited check writing with no per-check fees
Minimum daily balance requirement of \$1,000 will avoid a \$20 monthly service charge
\$100 minimum deposit to open account

Insured Business Money Market

Attractive rates with the ability to write three (3) checks per month
Tiered interest rates depending on daily balance maintained
Minimum daily balance requirement of \$1,000 to earn interest and avoid a \$10 monthly service charge

Business Term Loans

Purchase or improvement of equipment or fixed assets, provide long term working capital
Enable acquisitions, partner or shareholder buyouts
Secured or unsecured loans depending on circumstances and credit strength
Flexible and customized terms provided
U.S. Government agency assistance may be available

Lines of Credit

Provide short-term working capital for inventory, purchases and receivable collection
Solution for seasonal cash flow
Provide financing for business opportunity
Variable interest rate with monthly interest only payments

Small Business Line of Credit

Up to \$25,000
Convenient two page application with quick decision
Readily accessible by check, \$1,000 minimum
Up to three year term available
Low monthly principal payment requirement
Variable interest rate

Commercial Mortgages

Purchase for expansion, site acquisition, renovation or improvements
Used by retail, professional, manufacturing or warehouse
Competitive fixed rates available
Flexible and customized terms provided
U.S. Government agency assistance may be available

Construction

Acquisition and improvement
For projects up to two (2) years
Permanent mortgage financing options available
Flexible and customized terms provided

Additional Services

Business ATM/Debit Card
Automated Clearing House (ACH)
Internet Banking with download capability
Bill Payment Services
Letters of Credit
Merchant services
Deposit Sweep Accounts

Business and Personal clients banking with Rumson-Fair Haven Bank & Trust benefit from an experienced and knowledgeable staff. With both our deposit and loan products, the Bank has the right product for you.

Corporate Information

Main Office:

20 Bingham Avenue
Rumson, New Jersey 07760
732-933-4445
732-345-1842 (Fax)

Branch Location:

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732-933-4445
732-933-1535 (Fax)

Internet Site:

www.RFHBANK.com

Auditor:

KPMG LLP
150 JFK Parkway
Short Hills, New Jersey 07078
973-912-6100

Transfer Agent:

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016-3572
800-368-5948

Market Makers:

C.E. Unterberg, Towbin
350 Madison Avenue, 11th Floor
New York, NY 10017
212-389-8017

Hill, Thompson, Magid & Co., Inc.

15 Exchange Place
Jersey City, NJ 07302
866-291-6316

Monroe Securities, Inc.

47 State Street
Rochester, NY 14614
800-766-5560

Ryan, Beck & Co.

220 South Orange Avenue
Livingston, NJ 07039-5817
800-342-2325

Stock Symbol:

RFHB

Annual Shareholders Meeting

Thursday, April 27, 2006, 6:00 p.m.
Salt Creek Grille
4 Bingham Avenue
Rumson, New Jersey 07760

Directors

William J. Barrett

Chairman of the Board
Rumson-Fair Haven Bank & Trust Company
President, Barrett-Gardner Associates, Inc.

Judith Stanley Coleman

Chairman, Visiting Nurse Association
of Central New Jersey

Robert E. Davis, Jr.

President and Chief Executive Officer

Jason M. Elsas, Jr.

Retired

Dennis J. Flanagan

Executive Vice President and
Chief Financial Officer

Herbert M. Gardner

Executive Vice President,
Barrett-Gardner Associates, Inc.

Nancy B. Mulheren

President and Chief Executive Officer
Rumson Management Company, Inc., LLC

Gregory E. Sacco, Jr.

Retired

Ronald Shiftan

Vice Chairman
Lifetime Brands, Inc.

Stephen A. Tyler

Retired

Thomas I. Unterberg

Chairman
C.E. Unterberg, Towbin

R. Van Whisnand

Managing Partner,
Osprey Partners Investment Management

Officers

Robert E. Davis, Jr.

President and Chief Executive Officer

Dennis J. Flanagan

Executive Vice President and Chief Financial Officer

Raymond C. Leahy

Senior Vice President and Senior Loan Officer

Thomas Sannelli

Senior Vice President,
Business Development/Branch Operations

Matthew C. LeFebvre

Vice President, Commercial Lending

Diane McCormick

Vice President, Information Technology

Karen M. McCormick

Vice President, Operations

Lillian Palumbo

Branch Manager

Alexandra Smith

Branch Manager

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Schulmans, Wolfson, Puzzi & Abruzzo

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W.S. Beebe & Assoc., PC

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C.H. Kauffman & Associates

Louis A. Pistilli, CPA
Pistilli & Co.

Judith A. Rose
Cooper, Rose & English, LLP

Craig Sulaitis
Transportation Advantage Systems



In Rumson:
20 Bingham Avenue



Monmouth County

In Fair Haven:
636 River Road



 **Rumson-Fair Haven**
bank & trust

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