

REGULATION BB
COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

TABLE OF CONTENTS

Institution Rating	
Institution's CRA Rating.....	BB1
Summary of Major Factors Supporting Rating.....	BB1
Institution	
Description of Institution	BB2
Description of Assessment Area	BB2
Scope of Examination	BB3
Performance Context.....	BB4
Conclusions With Respect to Performance Tests	BB7
Fair Lending or Other Illegal Credit Practices Review.....	BB18
Exhibits	
Exhibit I: Assessment Area Demographics.....	BB6
Exhibit II: Lending Inside and Outside Assessment Area	BB8
Exhibit III: Summary of Lending Activity.....	BB8
Exhibit IV: Loan Distribution Table	BB10
Exhibit V: Summary of Community Development Lending	BB14
Exhibit VI: Summary of Qualified Investments	BB15
Exhibit VII: Summary of Community Development Services	BB18
CRA Appendices	
CRA Appendix A: Glossary.....	BB19
CRA Appendix B: Assessment Area Map	BB22

INSTITUTION RATING

Peapack-Gladstone Bank (“Peapack”) is rated “Satisfactory.” The following table indicates the performance level of the institution with respect to the lending, investment and service tests:

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending * Test	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

The major factors supporting the institution’s rating follow:

- Lending activity levels reflect good responsiveness to assessment area credit needs.
- A high percentage of loans are made in Peapack’s assessment area.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered, good penetration among customers of different income levels and businesses of different sizes.
- Peapack is a leader in making community development loans.
- Peapack made a significant level of qualified community development investments and grants, particularly those not routinely provided by private investors, occasionally in a leadership position.
- Peapack provides an adequate level of community development services to its assessment area and delivery systems are reasonably accessible to the bank’s geographies and individuals of different income levels in its assessment area.

DESCRIPTION OF INSTITUTION

Headquartered in Bedminster, NJ, Peapack is the sole bank subsidiary of Peapack-Gladstone Financial Corporation. Peapack is a full-service commercial bank. As of December 31, 2013, Peapack operated 23 branches in northern and central New Jersey, and reported total assets of \$2.0 billion, net loans and leases of \$1.6 billion, total deposits of \$1.7 billion, and total real estate loans of \$1.5 billion. Of the total dollar amount of real estate loans, 40% (\$604 million) were secured by one- to four-family residential properties.

Peapack's business lines consist of consumer lending, retail deposit services, personal trust and investment services. Consumer products include purchase and refinance residential mortgages, home equity loans and lines, and auto and personal loans. Peapack also offers business services, such as commercial and small business lending, business checking, and cash flow management.

Peapack has no financial or legal factors that would prevent it from fulfilling its responsibilities under CRA. Peapack received a rating of Satisfactory at its previous CRA examination as of January 9, 2012.

DESCRIPTION OF ASSESSMENT AREA

Peapack has one assessment area, which is part of MSA 35620 (New York-Northern New Jersey-Long Island, NY-NJ-PA). Peapack's assessment area consists of a total of 256 census tracts, of which three are low-income tracts, 23 are moderate-income tracts, 80 are middle-income, and 150 are upper-income. The assessment area includes the following:

- MD 20764 (Edison-New Brunswick, NJ), which includes all of Somerset County and a portion of Middlesex County in New Jersey; and
- MD 35084 (Newark-Union, NJ-PA), which includes portions of Essex, Hunterdon, Morris, and Union Counties in New Jersey.

Peapack has not changed its assessment area since the prior examination. However, changes to Peapack's assessment area have resulted from demographic changes reported in the 2010 Census compared to the 2000 Census. Based on the 2010 Census, Peapack's total combined assessment area has increased by seven census tracts, with low-income tracts increasing from two to three and moderate-income tracts increasing from 21 to 23. Peapack's assessment area is in compliance with the requirements of 12 CFR §228.41 of Regulation BB and does not arbitrarily exclude low- and moderate-income ("LMI") geographies. Additional assessment area data can be found in Exhibit I. A map illustrating Peapack's assessment areas is located in Appendix B.

SCOPE OF EXAMINATION

Peapack's CRA performance was evaluated using the Federal Financial Institutions Examination Council's *Interagency CRA Procedures for Large Retail Financial Institutions*. Home purchase, refinance, home improvement, small business and other loans qualifying as community development loans were evaluated. Home Mortgage Disclosure Act ("HMDA")-related and CRA-reportable small business loans originated between January 1, 2011 and December 31, 2013 were considered in the evaluation. Examiners also reviewed community development loans, investments and services as well as activities pertaining to the service test made between January 1, 2012 and March 31, 2014.

The mortgage loans evaluated were reported under HMDA and the small business loans evaluated were reported under the CRA. Examiners verified the integrity of HMDA-related and small business loan data reported by the bank in 2011, 2012 and 2013.

Lending Analysis

Only loans in Peapack's assessment area were evaluated in the analysis of geographic and borrower distribution. To evaluate geographic distribution of lending, the proportion of HMDA loan originations was compared to the proportion of owner-occupied housing units located in LMI and non-LMI geographies. For small business loans, the analysis compared the proportion of loan originations to the proportion of businesses located in LMI and non-LMI geographies, as reported by Dun and Bradstreet.

In order to analyze the borrower characteristics of HMDA-related lending, the proportion of originations to LMI borrowers was compared with the proportion of LMI families in the assessment area. Income estimates from the U.S. Department of Housing and Urban Development ("HUD") were used to categorize borrower income. HUD-adjusted median family income figures for 2011 were used to categorize borrower income level on 2011 loans; 2012 - adjusted median family income estimates were used to categorize 2012 loans; and 2013 HUD-adjusted median family income estimates were used to categorize 2013 loans. For small business lending, Peapack's percentage of loans to businesses with gross annual revenues ("GAR") of \$1 million or less was compared to the percentage of all such businesses located in the assessment area, as reported by Dun and Bradstreet. The size of the small business loan was also used as a proxy to identify lending to businesses with GAR of \$1 million or less.

Borrower and geographic distribution analyses compared Peapack's 2012 performance to the 2012 performance data for the aggregate of all loan reporters in the assessment areas. The 2012 aggregate data was the most recent aggregate performance data publicly available at the time of this evaluation. Peapack's performance in 2011 was also compared to 2011 aggregate data and Peapack's performance in 2013 was also compared to preliminary 2013 aggregate data to determine consistency with performance in 2012.

Deriving Overall Conclusions

Before reaching a conclusion about the overall performance regarding geographic distribution and borrower characteristics in the assessment area, examiners weighted loan products by the total retail lending volume in order to determine the influence of performance on the overall conclusion. Peer data was also used for the analysis of community development loans and qualified investments. Local peer banks were selected based on their amounts of assets, deposits and branches and their presence within the assessment area.

Examiners also conducted interviews with representatives of three community development organizations in order to gain an understanding of local credit needs.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include U.S. Department of Commerce's Bureau of the Census (2010), the U.S. Department of Labor, HUD, the New Jersey Department of Labor, Dun and Bradstreet, and the New Jersey Realtors Association.

Demographic Characteristics

According to the 2010 Census, the total population of Peapack's assessment area is 1,258,115, which represents a 6% increase compared to the population at the time of the previous examination. The assessment area has 441,055 households, of which 73% are families. Approximately one percent of the population resides in low-income geographies, while 8% reside in moderate-income geographies, and 91% reside in middle- and upper-income geographies.

Income Characteristics

According to 2010 Census data, the assessment area has 13% of families that are low-income, 14% of families that are moderate-income, and 3% of families living below the poverty level. The assessment area is a high-income area with a significant majority of census tracts and families in the upper-income category. HUD estimated that the 2013 median family income levels for the assessment area range from a low of \$89,100 in Essex, Morris and Union Counties, to a high of \$103,900 in Somerset, Middlesex, and Hunterdon Counties, compared to the State of New Jersey's median family income of \$87,600. According to the Federal Reserve Bank of New York's district profiles, Hunterdon and Somerset counties are among the most affluent counties in New Jersey, as measured by median household income.

Housing Characteristics

The 2010 Census indicates that the assessment area has 465,296 housing units, of which 72% are owner-occupied, 23% are rental, and 5% are vacant. Less than one percent of owner-occupied units are located in low-income geographies. Community contacts indicate that affordable housing for LMI borrowers continues to be a challenge and reduces lending opportunities.

Housing costs are relatively expensive in the assessment area, although prices continue to decline. The National Association of Realtors reported that the 2012 median sales price of a single family home in MD 20764 was \$298,200, compared to \$345,400 during the last examination. For MD 35084, the 2012 median sales price of a single family home was \$369,700, compared to \$379,200 during the last examination. Housing costs are very expensive for LMI families, with the median housing costs ranging from about six to eight times the median family income of a low-income borrower and about four to five times the income of a moderate-income borrower.

Labor, Employment and Economic Characteristics

According to the 2010 Dun and Bradstreet data, there are 79,626 businesses operating within the assessment area, of which approximately 1% (678) are located in low-income areas, 7% (5,770) are located in moderate-income areas, 27% (21,749) are located in middle-income areas, and 65% are in upper-income areas. Of the total number of businesses in the assessment area, 70,117 (88%) are small businesses with GAR of \$1 million or less.

Between 2010 and 2013, unemployment within the assessment area, as well as throughout the State of New Jersey, decreased as the economy emerged out of the recession experienced in the region and throughout the country. According to the New Jersey Department of Labor, the 2013 unemployment rate for MD 20764 and MD 35084 were 7.5% and 8.1%, respectively, compared to the New Jersey State average of 8.2%. At the end of the last examination, the 2010 unemployment rates for MD 20764 and MD 35084 were 8.8% and 9.3%, respectively, compared to the New Jersey State average of 9.5%.

According to the Federal Reserve Bank of New York District Profiles, key industries for Essex County include air transportation and insurance. The key industries in other counties in Peapack's assessment area include pharmaceuticals, telecommunication, insurance, data processing, financial services, and scientific and technical services.

Exhibit I Assessment Area Demographics

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	3	1.2	2,944	0.9	729	24.8	42,742	13.2
Moderate-income	23	9.0	23,289	7.2	1,861	8.0	44,500	13.8
Middle-income	80	31.3	95,314	29.5	2,787	2.9	62,422	19.3
Upper-income	150	58.6	201,275	62.3	3,301	1.6	173,158	53.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	256	100.0	322,822	100.0	8,678	2.7	322,822	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	5,356	1,022	0.3	19.1	3,753	70.1	581	10.8
Moderate-income	39,609	15,987	4.8	40.4	19,463	49.1	4,159	10.5
Middle-income	145,213	90,569	27.1	62.4	46,445	32.0	8,199	5.6
Upper-income	275,118	226,688	67.8	82.4	37,128	13.5	11,302	4.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	465,296	334,266	100.0	71.8	106,789	23.0	24,241	5.2
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	678	0.9	608	0.9	27	0.4	43	1.5
Moderate-income	5,770	7.2	4,922	7.0	559	8.5	289	10.0
Middle-income	21,749	27.3	18,776	26.8	2,087	31.6	886	30.5
Upper-income	51,429	64.6	45,811	65.3	3,935	59.5	1,683	58.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	79,626	100.0	70,117	100.0	6,608	100.0	2,901	100.0
Percentage of Total Businesses:				88.1		8.3		3.6

Based on 2010 Dunn and Bradstreet information according to 2010 ACS Boundaries

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Peapack's performance under the lending test is rated high satisfactory. Peapack's lending activity, geographic and borrower distributions were good and Peapack is a leader in making community development loans.

Lending Activity

Peapack's lending levels reflect good responsiveness to assessment area credit needs. Since the prior examination, Peapack increased its HMDA and small business lending within its assessment area by 32%. In comparison, the aggregate's lending within the assessment area decreased by 3%. Peapack was ranked 1st among the aggregate lenders for home purchase, refinance, home improvement, and small business originations in 2012.

In terms of deposit market share, Peapack had 1.4% of the deposit market share in the combined Counties of Essex, Hunterdon, Middlesex, Morris, Somerset, and Union as of June 30, 2013, with \$1.5 billion in deposits. In terms of deposits, the bank ranked 14th out of 77 banks operating in these counties.

Among five similarly-situated peer banks, Peapack's lending activity was generally stronger. Peapack ranked 1st in terms of the total HMDA and small business loans per million dollars of deposits, 1st for HMDA loans per million dollars of deposits, and 1st for small business loans per million dollars of deposits.

Peapack's "Affordable Housing Loan Program," was found to be responsive to the assessment area's needs by providing flexible terms to assist LMI individuals and individuals residing in LMI geographies with obtaining credit. During the examination period, the bank made 286 home mortgage loans through this program.

Assessment Area Concentration

A high percentage of Peapack's total lending was originated within the assessment area. Peapack extended 78% of its total loans, by number, to individuals residing and businesses operating in the assessment area. In particular, 75% of HMDA loans and 89% of small business loans, by number, were made in Peapack's assessment area. Lending within the assessment area decreased slightly since the prior examination when 86% of Peapack's total loans were made inside the assessment area. Peapack's total HMDA and small business loans, by number, originated within the bank's assessment area increases to 81% when multifamily loans are removed from consideration.

In 2013, Peapack implemented a strategy to increase the volume of its multifamily lending to increase asset size and revenue. The majority of the multifamily loans were made outside

Peapack's assessment area. See exhibit II and III below for additional details relating to Peapack's 2011-2013 lending activity inside and outside of the assessment area.

Exhibit II Lending Inside and Outside the Assessment Area January 1, 2010 through December 31, 2013								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	204	83.3	\$45,509	82.1	41	16.7	\$9,906	17.9
Home Purchase - Conventional	392	80.3	\$101,099	76.2	96	19.7	\$31,519	23.8
Home Purchase - FHA	4	100.0	\$776	100.0	0	0.0	\$0	0.0
Multi-Family Housing	16	9.6	\$39,636	7.9	150	90.4	\$461,552	92.1
Refinancing	1,090	79.6	\$345,059	78.5	279	20.4	\$94,334	21.5
Total HMDA related	1,706	75.1	\$532,079	47.1	566	24.9	\$597,311	52.9
Small Business	510	89.0	\$90,033	82.9	63	11.0	\$18,551	17.1
Total Small Bus. related	510	89.0	\$90,033	82.9	63	11.0	\$18,551	17.1
Small Farm	1	100.0	\$19	100.0	0	0.0	\$0	0.0
Total Small Farm related	1	100.0	\$19	100.0	0	0.0	\$0	0.0
TOTAL LOANS	2,217	77.9	\$622,131	50.3	629	22.1	\$615,862	49.7

Exhibit III Summary of Lending Activity				
Loan Type	#	%	\$(000s)	%
Total Consumer related	0	0	\$0	0
Home Improvement	245	--	\$55,415	--
Home Purchase	492	--	\$133,394	--
Multi-Family Housing	166	--	\$501,188	--
Refinancing	1,369	--	\$439,393	--
Total HMDA related	2,272	80	\$1,129,390	91
Small Business	573	--	\$108,584	--
Total Small Business related	573	20	\$108,584	9
Small Farm	1	--	\$19	--
Total Small Farm related	1	0	\$19	0
TOTAL LOANS	2,846	100	\$1,237,993	100

Geographic Distribution of Loans

Peapack's overall geographic distribution of loans reflects good penetration throughout the assessment area. This conclusion takes into account the low number of LMI tracts in Peapack's assessment area and the limited opportunities for loan originations within these tracts, as well as Peapack's size and competition in the assessment area. An analysis of the lending distribution in each loan category follows:

Home Purchase Loans

Peapack's distribution of home purchase loans in LMI geographies was good. While Peapack did not originate any home purchase loans in low-income tracts in 2012, the aggregate originated only 39, less than 1%, of its home purchase loans in low-income tracts. Opportunities to lend in low-income tracts, however, were very limited, since less than 1%, or only 1,022, of the owner-occupied units are located in these geographies.

In 2012, Peapack originated 3% of its home purchase loans in moderate-income census tracts, compared to 5% of owner-occupied housing units located in moderate-income geographies. Peapack's performance in moderate-income geographies was below the aggregate, which made 4% of its home purchase loans in moderate-income geographies.

Peapack's home purchase lending performance in 2011 and 2013, when compared to the level of owner-occupied housing units and to the 2011 and 2013 aggregate performance, respectively, was similar to its 2012 performance.

Refinance Loans

Peapack's overall distribution of refinance loans was adequate. Opportunities to make refinance loans in low-income tracts were very limited, since less than 1% of the owner-occupied units are located in these geographies. In 2012, Peapack originated one refinance loan in low-income tracts, compared to the aggregate, which made 57, less than 1%, of its refinance loans in low-income tracts.

In 2012, Peapack originated 3% of its refinance loans in moderate-income tracts, compared to the demographics, which show that 5% of owner-occupied housing units are located in moderate-income geographies. Peapack's refinance lending in moderate-income geographies was slightly above the aggregate, which made less than 3% of its refinance loans in moderate-income geographies.

Peapack's refinance lending performance in LMI geographies in 2011, when compared to the level of owner-occupied housing units and to the 2011 aggregate performance, was slightly stronger than its 2012 performance. However, Peapack's refinance lending performance in LMI geographies in 2013, when compared to the level of owner-occupied housing units and to the 2013 aggregate performance, was weaker than its 2012 performance.

Exhibit IV
2012 Aggregate Comparison Loan Distribution Table
Assessment Area/Group: MSA 35620

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	Bank %	Aggregate % \$ (000s)	Bank %	Aggregate % \$ (000s)	#	Bank %	Aggregate % \$ (000s)	Bank %	Aggregate % \$ (000s)
Home Purchase										
Low	0	0.0%	0.0%	0.3%	0.1%	21	17.8%	8.7%	3.8%	1.5%
Moderate	3	2.5%	1.3%	3.9%	2.1%	27	22.9%	14.8%	15.2%	8.9%
Middle	19	16.1%	12.2%	25.0%	17.5%	20	16.9%	17.5%	21.4%	17.1%
Upper	96	81.4%	86.5%	70.9%	80.3%	47	39.8%	56.9%	50.4%	64.2%
Unknown	0	0.0%	0.0%	0.0%	0.0%	3	2.5%	2.1%	9.1%	8.3%
Total	118	100.0%	100.0%	100.0%	100.0%	118	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	1	0.2%	0.1%	0.1%	0.1%	12	2.6%	0.8%	2.8%	1.4%
Moderate	14	3.1%	1.8%	2.5%	1.7%	47	10.4%	4.8%	9.2%	5.5%
Middle	33	7.3%	4.7%	20.9%	15.7%	74	16.3%	11.2%	19.4%	15.0%
Upper	406	89.4%	93.4%	76.4%	82.5%	312	68.7%	81.7%	57.0%	66.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	9	2.0%	1.5%	11.7%	11.7%
Total	454	100.0%	100.0%	100.0%	100.0%	454	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	0	0.0%	0.0%	0.4%	0.3%	2	2.6%	1.3%	5.0%	1.6%
Moderate	2	2.6%	1.8%	2.9%	1.5%	11	14.5%	6.6%	12.8%	6.4%
Middle	8	10.5%	7.8%	22.3%	13.4%	16	21.1%	13.2%	22.6%	15.9%
Upper	66	86.8%	90.4%	74.3%	84.8%	44	57.9%	76.0%	55.1%	70.5%
Unknown	0	0.0%	0.0%	0.0%	0.0%	3	3.9%	3.0%	4.6%	5.6%
Total	76	100.0%	100.0%	100.0%	100.0%	76	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	1	50.0%	59.4%	5.9%	5.3%	0	0.0%	0.0%	0.0%	0.0%
Moderate	1	50.0%	40.6%	27.1%	17.8%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	38.8%	46.9%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	28.2%	30.1%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	100.0%	100.0%	100.0%	100.0%
Total	2	100.0%	100.0%	100.0%	100.0%	2	100.0%	100.0%	100.0%	100.0%
HMDA Totals										
Low	2	0.3%	2.2%	0.2%	0.2%	35	5.4%	2.0%	3.1%	1.4%
Moderate	20	3.1%	3.1%	2.9%	2.1%	85	13.1%	6.3%	10.5%	6.2%
Middle	60	9.2%	6.0%	21.8%	16.5%	110	16.9%	11.9%	19.9%	15.3%
Upper	568	87.4%	88.8%	75.2%	81.2%	403	62.0%	74.5%	55.5%	64.9%
Unknown	0	0.0%	0.0%	0.0%	0.0%	17	2.6%	5.2%	11.1%	12.3%
Total	650	100.0%	100.0%	100.0%	100.0%	650	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
	#	Bank %	Aggregate % \$ (000s)	Bank %	Aggregate % \$ (000s)					
Low	1	0.6%	0.0%	0.4%	0.4%					
Moderate	18	10.1%	3.0%	5.8%	7.1%					
Middle	23	12.8%	15.3%	25.3%	26.8%					
Upper	137	76.5%	81.7%	67.6%	65.2%					
Unknown	0	0.0%	0.0%	0.0%	0.0%					
Tract Unknown	0	0.0%	0.0%	0.9%	0.6%					
Total	179	100.0%	100.0%	100.0%	100.0%					
By Revenue										
\$1 Million or Less	99	55.3%	31.9%	39.6%	28.8%					
By Loan Size										
\$100,000 or less	117	65.4%	17.3%	94.6%	40.2%					
\$100,001-\$250,000	29	16.2%	20.0%	2.5%	12.8%					
\$250,001-\$1 Million	33	18.4%	62.7%	2.9%	47.0%					
Total	179	100.0%	100.0%	100.0%	100.0%					

Originations and Purchases

Home Improvement Loans

Peapack's overall distribution of home improvement loans was adequate. Opportunities to make home improvement loans in low-income tracts were very limited, since less than 1% of the owner-occupied units are located in these geographies. In 2012, Peapack did not make any home improvement loans in low-income tracts, and the aggregate originated only 6, less than 1%, of its home improvement loans in low-income tracts.

In 2012, Peapack originated 3% of its home improvement loans in moderate-income tracts, compared to 5% owner-occupied housing units located in moderate-income geographies. Peapack's home improvement lending in moderate-income geographies was similar to the aggregate, which also made 3% of its home improvement loans in moderate-income geographies.

Peapack's home improvement lending performance in 2011 and 2013, when compared to the level of owner-occupied housing units and to the 2011 and 2013 aggregate performance, respectively, was similar to its 2012 performance.

Small Business Loans

Peapack's overall distribution of small business loans was excellent. Peapack originated one small business loan in low-income tracts in 2012. Opportunities to make small business loans in low-income tracts were very limited, since less than 1% of businesses in the assessment area are located in the low-income geographies. Peapack's small business lending performance in low-income geographies was below the aggregate, which made less than 1% of small business loans in low-income geographies.

Peapack originated 10% of its small business loans in moderate-income census tracts in 2010, compared to 7% of businesses in the area located in moderate-income geographies. Peapack's small business lending performance was significantly above the aggregate, which made 6% of its small business loans in moderate-income geographies.

Peapack's small business lending performance in low-income tracts in 2011, when compared to the proportion of business in low-income geographies and 2011 aggregate performance, was stronger than 2012 performance. However, small business lending performance in low-income tracts in 2013, when compared to the proportion of business in low-income geographies and 2013 aggregate performance, was weaker than 2012 performance. Peapack's 2011 and 2013 small business lending performance in moderate-income tracts was comparable to Peapack's 2012 performance.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Peapack's overall distribution of loans among borrowers of different income levels (including LMI individuals) and businesses of different sizes reflects good performance. In making this conclusion, consideration was given to the high cost of housing in the assessment area. The following summarizes Peapack's borrower distribution performance for each loan product.

Home Purchase Loans

Peapack's overall distribution of home purchase loans to LMI borrowers was excellent. In 2012, Peapack originated 18% of its home purchase loans to low-income borrowers, compared to 13% of low-income families residing in the assessment area. Peapack's home purchase lending to low-income borrowers was significantly above the aggregate, which originated 4% of its home purchase loans to low-income borrowers.

Peapack originated 23% of its home purchase loans to moderate-income borrowers in 2012, compared to 14% of moderate-income families residing in the area. Home purchase lending to moderate-income borrowers was significantly above the aggregate, which originated 15% of its home purchase loans to moderate-income borrowers.

Peapack's home purchase lending performance to LMI borrowers in 2011 and 2013, when compared to the level of LMI families residing in the area and to the 2011 and 2012 aggregate performance, respectively, was comparable to its 2012 performance.

Refinance Loans

Peapack's overall distribution of refinance loans to LMI borrowers was good. In 2012, Peapack originated 3% of its refinance loans to low-income borrowers, compared to 13% of low-income families residing in the assessment area. Peapack's refinance lending to low-income borrowers was similar to the aggregate, which originated 3% of its refinance loans to low-income borrowers.

Peapack made 10% of its refinance loans to moderate-income borrowers, compared to 14% of moderate-income families residing in the area. Peapack's refinance lending to moderate-income borrowers was slightly above the aggregate, which originated 9% of its refinance loans to moderate-income borrowers.

Peapack's refinance lending performance to LMI borrowers in 2011 and 2013, when compared to the level of LMI families residing in the area and to the 2011 and 2013 aggregate performance, respectively, was comparable to its 2012 performance.

Home Improvement Loans

Peapack's overall distribution of home improvement loans to LMI borrowers was good. In 2012, Peapack originated 2, or 3%, of its home improvement loans to low-income borrowers, compared to 13% of low-income families residing in the assessment area. While Peapack originated only two home improvement loans, the aggregate originated only 77, or 5%, of its home improvement loans in low-income tracts.

Peapack made 14% of its home improvement loans to moderate-income borrowers, compared to 14% of moderate-income families residing in the area. Peapack's home improvement lending to moderate-income borrowers was slightly above the aggregate, which originated 13% of its home improvement loans to moderate-income borrowers.

Peapack's home improvement lending performance to LMI borrowers in 2011 and 2013, when compared to the level of LMI families residing in the area and to the 2011 and 2013 aggregate performance, respectively, was similar to its 2012 performance.

Lending to Businesses of Different Sizes

Peapack's overall distribution of loans to businesses of different sizes was good. In 2012, Peapack made 55% of its business loans to businesses with GAR of \$1 million or less, compared to 89% of such businesses in the assessment area. Peapack's small business lending performance was above the aggregate, which made 40% of its loans to businesses with GAR of \$1 million or less. Of the small business loans originated by Peapack, 65% were in amounts of \$100,000 or less, compared to the aggregate, which originated 95% of its small business loans in amounts of \$100,000 or less.

Peapack's small business lending performance in 2011 and 2012, when compared to the proportion of businesses with GAR of \$1 million or less in the assessment area and to the 2011 and 2012 aggregate performance, respectively, was similar to its 2012 performance.

Community Development Lending

Peapack was a leader in making community development loans. Peapack made \$362.2 million in community development loans, which represents 18% of Peapack's total assets. On an annualized basis, Peapack's community development lending increased significantly since the prior evaluation period, when Peapack originated \$22.4 million in community development loans. Almost all of Peapack's community development loans consisted of loans to refinance multifamily units in LMI census tracts, mostly (89%) outside Peapack's assessment area. As noted in the section on Lending Activity, this was part of Peapack's growth strategy to increase its asset size and revenues.

A total of \$346.4 million, or 96%, of Peapack's community development loans made during this review period were new commitments, compared to the prior examination when 74% of

Peapack’s community development loans represented new commitments. Of the total community development loans extended, 11% were inside the assessment area. Peapack received credit for qualified community development loans made outside of its assessment area because under the CRA, if a bank has been responsive to the community development needs and opportunities in its assessment area, then consideration can be given to community development loans that benefit the broader statewide or regional area that includes the bank’s assessment area.

Exhibit V										
Community Development Loans										
January 1, 2012 - March 31, 2014										
	Affordable Housing		Economic Development		Community Services		Revitalize and Stabilize		Combined Totals	
	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)
TOTALS	77	\$209,240	2	\$200	1	\$100	57	\$152,666	137	\$362,206
Percentage of Total	56%	58%	1%	<1%	1%	<1%	42%	42%	100%	100%

In terms of dollar volume, loans for affordable housing represented 58% of total community development lending. Community contacts identified affordable housing as a primary community need for LMI individuals, making these loans particularly responsive to the assessment area’s needs.

Peapack’s level of total annualized community development lending as a percentage of average assets and assessment area deposits, ranked first when compared to six similarly-situation banks.

Community development loans include:

- A \$2.7 million commercial mortgage loan to finance 56 affordable rental units in a housing development in Plainfield, New Jersey.
- A \$4.1 million commercial mortgage to finance an apartment building with 84 rental units in a low-income geography of Morris County.
- A \$13 million commercial mortgage to finance the acquisition of a 272 unit affordable housing project in a middle-income tract in Union County, outside of Peapack’s assessment area, but part of the larger regional or state-wide area that includes Peapack’s assessment area.
- Two \$100 thousand commercial lines of credit to an organization that provides technical assistance to women business owners.

INVESTMENT TEST

Peapack’s performance under the investment test is rated high satisfactory based on an good level of qualified community development investments and grants made in Peapack’s assessment area. Peapack’s community development investment activity exhibited good responsiveness in light of the limited opportunities for qualified community development investments in its assessment area. Peapack’s assessment area is a relatively high income area, which makes it challenging for Peapack to find qualified investment opportunities. During the examination period, Peapack made a total of \$13.1 million in qualified investments. On an annualized basis, Peapack’s level of qualified investments increased by 227% since the prior examination, when Peapack made \$5.4 million in qualified investments.

A total of \$11.4 million, or 87%, of Peapack’s qualified investments were new investments made since the prior examination, compared to the prior examination, when 76% were new investments. Of the total new investments, \$190 thousand were grants and/or donations to organizations providing community development services throughout Peapack’s assessment area. Additionally, 78% of Peapack’s qualified investments were dedicated inside of the assessment area. Peapack received credit for qualified investments made outside of its assessment area because under the CRA, if a bank has been responsive to community development needs and opportunities in its assessment area, then consideration can be given to qualified investments that benefit the broader statewide or regional area that includes the assessment area.

Community development investments were primarily dedicated to affordable housing, which is a prominent need in the assessment area, as identified by local community contacts.

Exhibit VI										
Community Development Investments										
January 1, 2012 - March 31, 2014										
	Affordable Housing		Economic Development		Community Services		Revitalize and Stabilize		Combined Totals	
	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)
TOTALS	36	\$6,248	11	\$2,189	44	\$73	6	\$4,606	97	\$13,116
Percentage of Total	37%	48%	11%	<1%	45%	<1%	6%	35%	100%	100%

Peapack made occasional use of complex investments to support community development initiatives. In terms of dollar volume, 39% of Peapack’s total qualified investments consisted of mortgage-backed securities and 45% consist of Bond Anticipation Notes most of which were to revitalize areas impacted by Superstorm Sandy. While mortgage-backed securities are qualified investments that provide some liquidity to the market, they are viewed qualitatively as less responsive to community development needs of LMI communities than direct investments.

Peapack's level of total annualized qualified investments as a percentage of average assets and assessment area deposits, ranked second when compared to six similarly-situation banks.

Community development investments included:

- Three bonds totaling \$3.7 million to revitalize a town impacted by Super storm Sandy.
- A \$1.6 million mortgage-backed security that consists of underlying mortgages to low and moderate-income borrowers.
- A \$195 thousand bond that revitalizes a low-income tract through the construction of facilities to protect drinking water.
- A \$250 thousand investment in a CRA qualified investment fund SBA pool located in the broader statewide or regional area that includes the bank's assessment area.

SERVICE TEST

Peapack's performance under the service test is rated low satisfactory. Peapack provides an adequate level of retail and community development services.

Retail Services

Peapack's delivery systems are reasonably accessible to essentially all geographies and individuals of various income levels in its assessment area. During the examination period, Peapack operated 23 branches, all of which are located in middle- or upper-income census tracts. While all of Peapack's branches are located in middle- or upper-income census tracts, four branches (or 17% of total branches) are located in close proximity to moderate-income census tracts, providing some access to those residing in LMI areas. In comparison, 9% of the assessment area population resides in LMI areas, based on the 2010 Census data.

Peapack's record of opening and closing branches generally did not adversely affect the accessibility of Peapack's delivery systems to LMI geographies and LMI individuals. Peapack did not open or close any branches during the examination period.

All branch offices provide similar products and services, and branch hours do not vary in a way that inconveniences any portion of the assessment area. At 21 of the 23 branches, extended and/or Saturday hours are available.

Alternative delivery systems did not materially impact the accessibility of Peapack's services for LMI individuals or geographies. Peapack has ATMs at 22 of its 23 branch locations as well as three off-site ATMs located in Hunterdon and Somerset Counties. Peapack offers Internet, telephone, and bank-by-mail services.

In addition, in November 2013 Peapack started offering the First Home Club savings product to its customers. The First Home Club provides financial incentives to LMI people toward the

purchase of a new home through down payment and closing cost assistance. In addition, the program requires members to complete an approved homeownership counseling program.

Community Development Services

Peapack provides an adequate level of community development services to its assessment area. During the examination period, Peapack conducted 25 financially-related community development service events, which consisted of a financial literacy seminar, residential mortgage and first-time homebuyers counseling seminars, as well as the provision of technical assistance to small businesses. During the last examination period, Peapack reported 27 financially-related community development service events. .

Examples of the community development services provided by Peapack include:

- On four occasions, Peapack staff provided financial information to LMI first time home buyers through the Step-by-Step Home Ownership Seminar, including one seminar presented in Spanish.
- Peapack staff participated in a ‘How to take control of Your Money- A Day in the Life of Your Finances,’ a seminar to assist LMI people in managing their finances.
- A Peapack staff member provided residential mortgage consulting to an organization that rehabilitates abandoned and foreclosed homes utilizing National Stabilization Program funds.
- Peapack staff offer a series of electronic package seminars for small business borrowers at Peapack branches. The seminars provided information about Peapack’s electronic account products and services to facilitate the management of small businesses.

Exhibit VII	
Community Development Technical Services	
January 1, 2010 through March 31, 2014	
Activity Type	Current Examination Total
1st Time Home Buying	10
Community Development Services	2
Financial Literacy	1
Residential Mortgage Counseling	3
Small Business Technical Assistance	9
TOTAL	25

Ten bank representatives participated on the board or as committee members of eleven community development organizations on an on-going basis, compared with eight such organizations identified at the last examination. These community development organizations include:

- A Peapack branch manager and Assistant Vice President are on the finance committee of a housing facility for low-income senior citizens.
- A Peapack branch manager and Vice President is a on the Board of an organization that is a consortium of public, private, and community leaders who work in partnership to promote economic development for Somerset County. This organization provides services related to economic and community development, small business, and workforce needs of the community.
- A Peapack Vice President is the Treasurer of an organization that supports policies and legislation that increases affordable housing to LMI people in northern New Jersey.
- A Peapack Senior Vice President is a Board member of an organization that is a non-profit economic development corporation that fosters job creation in the bank's assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Peapack is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No evidence of discriminatory or other illegal credit practices was identified as being inconsistent with helping to meet the credit needs of the assessment area.

CRA APPENDIX A

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small, relatively permanent statistical subdivision of a county or statistically equivalent entity delineated for data presentation purposes by a local group of census data users or the geographic staff of a regional census center in accordance with Census Bureau guidelines. Designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time they are established, census tracts generally contain between 1,000 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries are delineated with the intention of being stable over many decades, so they generally follow relatively permanent visible features. However, they may follow governmental unit boundaries and other invisible features in some instances; the boundary of a state or county (or statistically equivalent entity) is always a census tract boundary.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies; or loans, investments or services that (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301c of the Housing and Economic Recovery Act of 2008 ("HERA"), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program ("NSP"); (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; (iii) Benefit low-, moderate- and middle-income individuals and geographies in the bank's assessment area(s) or geographies outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or

b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: A family is a group of two or more people related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: A household consists of all the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household. The count of households excludes group quarters.

Low-income: Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

Metropolitan Statistical Area (“MSA”): A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core.

Metropolitan Division: A county or group of counties within a **Metropolitan Statistical Area** that contains a population of at least 2.5 million and represents an employment center(s) associated through commuting ties.

Middle-income: Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

Moderate-income: Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

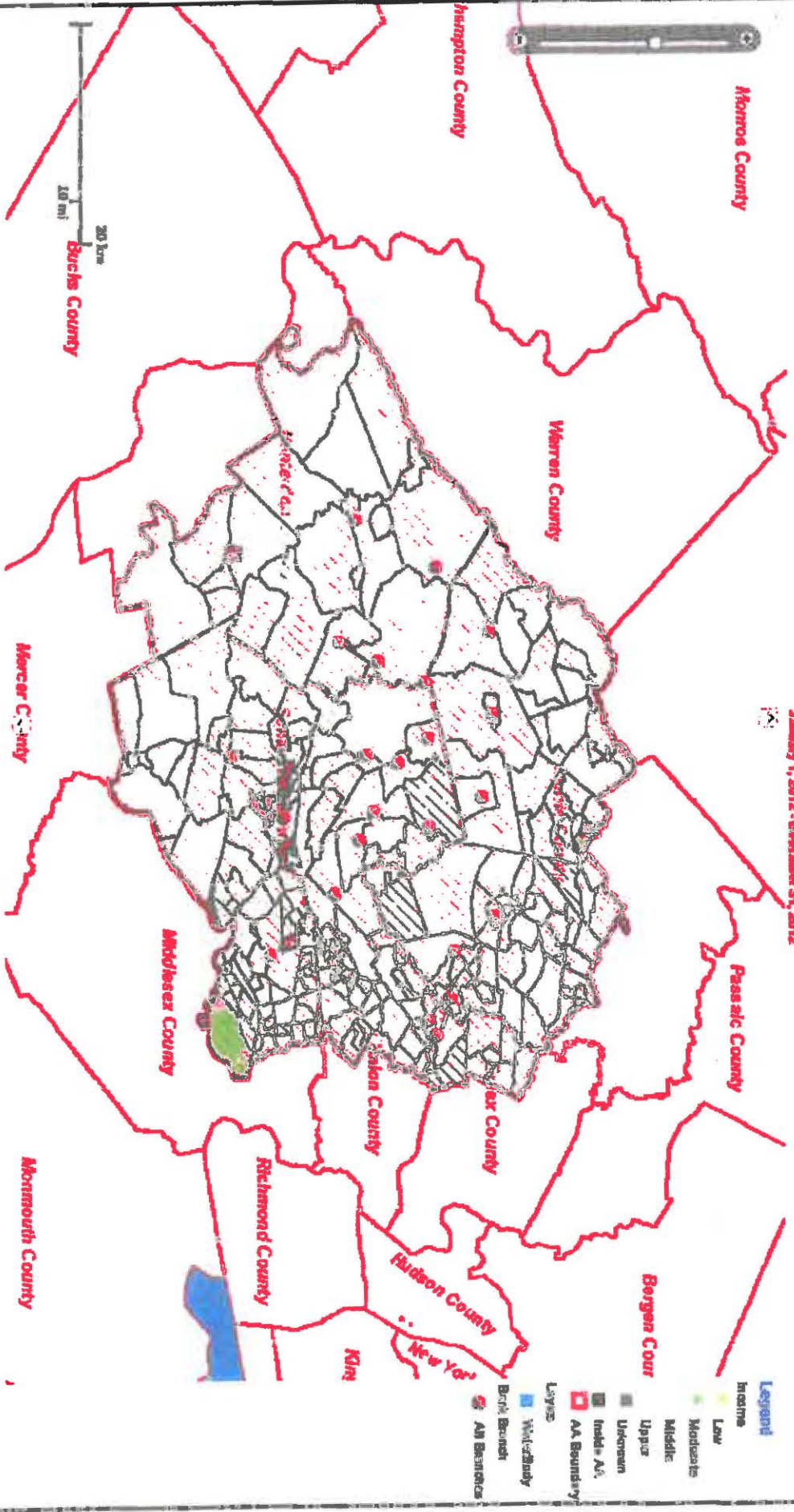
Small loan(s) to business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report") and the Thrift Financial Reporting ("TFR") instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Upper-income: Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.

Peapack-Gladstone Bank

Assessment Area

January 1, 2012 - December 31, 2012



Legend

- Income
 - Low
 - Moderate
 - Middle
 - Upper
 - Unknown
 - Indist. A/C
- Layers
 - Waterbody
 - Bank Branch
 - All Branches
- AA Boundary