

PUBLIC DISCLOSURE

July 17, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peapack-Gladstone Bank
RSSD No. 236706

500 Hills Drive, Suite 300
Bedminster Township, NJ 07921

Federal Reserve Bank of New York

33 Liberty Street
New York, NY 10045

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

INSTITUTION'S CRA RATING: Satisfactory

The following table indicates the performance level of Peapack-Gladstone Bank with respect to the lending, investment and service tests.

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

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors supporting the institution's rating include:

- Lending activity levels reflected adequate responsiveness to assessment area credit needs.
- An adequate percentage of loans were made in the bank's assessment area.
- The geographic distribution of loans reflected adequate penetration throughout the assessment area.
- The distribution of borrowers, given the product lines offered, reflected good penetration among customers of different income levels and businesses of different sizes.
- The bank made an adequate level of community development loans.
- The bank made an adequate level of qualified community development investments and grants.
- Delivery systems were reasonably accessible to geographies and individuals of all income levels in its assessment area.
- The bank provided an adequate level of community development services to its assessment area.

INSTITUTION

DESCRIPTION OF INSTITUTION

Headquartered in Bedminster, NJ, Peapack-Gladstone Bank ("Peapack") is a full-service commercial bank and the sole bank subsidiary of Peapack-Gladstone Financial Corporation. As of June 30, 2017, the bank had total assets of \$4.2 billion, net loans and leases of \$3.7 billion, total deposits of \$3.6 billion, and total real estate loans of \$3.3 billion.

Peapack operated 20 branches in northern and central New Jersey. Peapack's business lines consisted of consumer lending, retail deposit services, and personal trust and investment services. Consumer products included purchase and refinance residential mortgages, home equity loans and lines of credit, and auto and personal loans. Peapack also offered business services, such as commercial and small business lending, business checking, and cash flow

management. The bank had a significant multifamily lending portfolio compared to similarly-situated banks.

Peapack operated in a competitive banking market with large national banks, local community and state chartered banks, credit unions, mortgage companies and non-bank financial institutions. In terms of deposit market share, Peapack had 2.2% of the deposit market share in the assessment area as of June 30, 2017, with \$3.6 billion in deposits. The bank’s deposit level was ranked 12th out of 80 banks operating in Peapack’s assessment area. Competitors included large financial institutions, such as PNC Bank, Wells Fargo Bank, JP Morgan Chase, Bank of America and TD Bank and regional banks, such as Investors Bank, Valley National Bank and The Provident Bank.

Summary of Lending Activity January 1, 2014 - December 31, 2016				
Loan Type	#	%	\$(000s)	%
Home Purchase	491	29.4%	184,374	14.9%
Refinancing	371	22.2%	67,476	5.4%
Home Improvement	139	8.3%	280,485	22.6%
Multifamily	198	11.9%	565,909	45.6%
Total HMDA related	1,199	71.8%	1,098,244	88.5%
Total Small Business related	470	28.2%	142,855	11.5%
TOTAL LOANS	1,669	100%	1,241,099	100.0%

Peapack’s previous CRA evaluation was conducted as of March 31, 2014, using the Federal Financial Institutions Examination Council’s (“FFIEC”) CRA Interagency Procedures for Large Institutions. The prior evaluation resulted in an overall rating of “Satisfactory.” There were no financial or legal factors that prevented Peapack from fulfilling its responsibilities under CRA.

Peapack had one assessment area, MSA 35620 (New York-Newark-Jersey City, NY-NJ-PA), which consisted of the following:

- MD 35084 (Newark, NJ-PA), consisting of Essex, Hunterdon, Morris, Somerset and Union Counties, NJ
- MD 35614 (New York-Jersey City-White Plains, NY-NJ), consisting of Hudson and Middlesex Counties, NJ

Peapack’s assessment area changed significantly since the previous evaluation. At the previous evaluation, the bank’s assessment area consisted of 256 census tracts across Somerset County

and portions of Essex, Hunterdon, Middlesex, Morris and Union Counties in New Jersey. Of the 256 tracts comprising the assessment area at the previous evaluation, 3 were low-income, 23 were moderate-income, 80 were middle-income, and 150 were upper-income.

Peapack incrementally expanded its assessment area over the review period to include Essex, Hunterdon, Middlesex, Morris and Union Counties in their entirety and also added Hudson County in New Jersey. The number of total census tracts in the assessment area increased to 853, of which 105 were low-income, 191 were moderate-income, 205 were middle-income, and 349 were upper-income. Three census tracts had an unknown income designation.

SCOPE OF EXAMINATION

Procedures

Peapack's CRA performance was evaluated using the FFIEC's Interagency CRA Procedures for Large Institutions, which includes the lending test, investment test and service test. Examiners conducted a full-scope review of the bank's MSA 35620 (New York-Newark-Jersey City, NY-NJ-PA) assessment area.

Products

Examiners evaluated home purchase, refinance, home improvement and multifamily dwelling loans reported under the Home Mortgage Disclosure Act ("HMDA") and small business loans reportable under CRA. In addition, community development loans, investments, and services were reviewed. Examiners verified the integrity of 2014, 2015 and 2016 HMDA and small business data reported by Peapack.

Evaluation Period

HMDA-related and small business loans were evaluated from January 1, 2014, through December 31, 2016. Community development loans and qualified community development investments and services were evaluated from April 1, 2014 through March 31, 2017.

Lending Analysis

The borrower and geographic loan distribution analyses were based on loan activity in Peapack's assessment area. Peapack's performance during the evaluation period was compared to the U.S. Department of Commerce's Bureau of the Census ("2010 Census") and 2015 American Community Survey ("ACS") demographic data.

To evaluate geographic distribution of lending, the proportion of home purchase, refinance and home improvement lending was compared to the proportion of owner-occupied housing units located in low- and moderate-income (“LMI”) geographies. Multifamily loans were compared to the proportion of renter-occupied housing units located in LMI geographies. For small business loans, the analysis compared the proportion of loan originations to the proportion of businesses located in LMI geographies, as reported by Dun and Bradstreet (“D&B”).

To evaluate the borrower characteristics of home purchase, refinance and home improvement lending, the proportion of originations to LMI borrowers was compared to the proportion of LMI families residing in the assessment area. Income estimates from the FFIEC were used to categorize borrower income. Multifamily lending was not considered for an analysis of lending to borrowers of different income levels as borrower income is not reported. For small business lending, Peapack’s proportion of loans to businesses with gross annual revenues (“GAR”) of \$1 million or less, based on D&B data, was compared to the proportion of all such businesses located in the assessment area. The size of the small business loans was also used as a proxy to identify lending to businesses with GAR of \$1 million or less.

Borrower and geographic distribution analyses were also based on Peapack’s 2014, 2015, and 2016 performance compared to the 2014, 2015, and 2016 performance data for the aggregate of all loan reporters in the assessment areas.

Community Development Activity Analysis

Community development activities were reviewed to determine whether the activities had community development as a primary purpose and whether the community development activities were within the assessment area or the broader statewide or regional area, including the assessment area. The eligibility of a loan, investment, or service as a community development activity was based on demographic information at the time the community development activity was undertaken. Qualified community development activities were analyzed from both the quantitative and qualitative perspectives to understand the volume of activity impacting a particular assessment area, the innovativeness of those activities, and the responsiveness to local community development and credit needs. When appropriate, peer comparisons were conducted using annualized metrics to gauge the relative performance of the institution in a particular assessment area.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the 2010 Census, ACS, the U.S. Department of Labor (“DOL”), the U.S.

Department of Housing and Urban Development (“HUD”), the FFIEC, D&B, NJ.com (a local news website), and the National Association of Realtors (“NAR”).

Demographic Characteristics

According to the 2010 Census, Peapack’s assessment area consisted of 853 census tracts, of which 105 were low-income, 191 were moderate-income, and 205 were middle-income and 349 upper-income. There were three tracts in the assessment area with an unknown income designation. The majority of LMI census tracts are concentrated in the Essex and Union Counties where Newark and Jersey City are located.

The total population of Peapack’s assessment area was 3,708,661. Of the total population, 9.6% resided in low-income geographies, while 21.5% resided in moderate-income geographies. The assessment area had 1,317,609 households, of which 905,167 or 68.7% were families. Of the total families in the assessment area, 8.5% resided in low-income geographies, 20.0% in moderate-income geographies and 71.5% in middle- and upper-income geographies.

Major cities and municipalities in the assessment area included Newark in Essex County and Jersey City in Hudson County. The population of Newark was 277,140, according to 2010 Census data, which accounted for 35.3% of the Essex County population. The population of Jersey City was 247,597, according to the 2010 Census, which accounted for 39.0% of the Hudson County population.

Income Characteristics

According to 2010 Census data, of the 905,167 families living in the assessment area, 21.4% were considered low-income and 15.6% considered moderate-income. A total of 64,193 or 7.1% of families were living below the poverty level. The 2010 Census median family income level for the assessment area was \$71,228 and

FFIEC Median Family Incomes		
Area	2015	2016
MD 35084	\$97,900	\$95,100
MD 35614	\$71,300	\$72,600
<i>State of New Jersey</i>	<i>\$88,900</i>	<i>\$87,700</i>

ranged from a low of \$55,125 in Essex County to a high of \$100,980 in Hunterdon County. As represented in the table to the right, the FFIEC estimated that the median family income level in for MD 35084 declined in 2016 from the level for 2015. However for MD 35614, there was an opposite trend. FFIEC estimated the median family income levels for the assessment area range from a low of \$58,968 in Hudson County to a high of \$121,161 in Hunterdon County.

Housing Characteristics

According to the 2010 Census, there were 1,427,477 housing units in the assessment area, of which 54.7% were owner-occupied, 37.6% were rental and 7.7% were vacant. Of the total owner-occupied units in the assessment area, 3.1% were located in low-income geographies and 12.2% were located in moderate-income geographies. The low level of owner-occupied units in LMI geographies and the highly competitive market presented Peapack with challenges for residential mortgage lending.

Housing costs were relatively expensive in the assessment area and community contacts indicated that affordable housing for LMI borrowers continued to be a challenge. According to the NAR, the 2016 median sales price for single-family homes in MD 35084 Newark, NJ-PA and MD 35614 New York-Jersey City-White Plains, NY-NJ was \$374,800 and \$388,500, respectively, making housing unaffordable for low- and moderate-income borrowers. Across the assessment area, the median sales price of homes ranged from seven to twelve times the income of low-income borrowers and four to eight times the income of moderate-income borrowers.

Labor, Employment, and Economic Characteristics

According to 2016 D&B data, there were 166,209 businesses operating within the assessment area, of which 6.7% were located in low-income census geographies and 15.6% were located in moderate-income geographies. Of the total number of businesses in the assessment area, 88.7% were small businesses with GAR of \$1 million or less.

Between 2014 and 2016, unemployment within the assessment area, as well as throughout the State of New Jersey, decreased as the economy continued to recover from the Great Recession. According to the DOL Bureau of Labor Statistics, unemployment in the assessment area averaged 4.7% in 2016, compared to New Jersey State unemployment of 4.9%. At the end of the previous evaluation, unemployment rates were at 7.0% and 7.6% for the assessment area and New Jersey State, respectively. Within the assessment area, Hunterdon County had the lowest average unemployment rate in 2016 with 3.7%, while Essex County had the highest unemployment rate in the assessment area with an average of 5.9% in 2016.

According to an NJ.com article dated August 4, 2016, at least 15 manufacturers have left New Jersey in recent years due to declining profitability, consolidation or the pursuit of better economic incentives. While most of the departed companies were located within commutable areas outside of the assessment area, Middlesex County was also directly impacted. C&S Wholesalers, the nation's largest wholesale grocery supply company closed its facilities in Middlesex County, which resulted in the loss of 500 jobs. Schwan Cosmetics USA, a cosmetic supplier, relocated its facilities from Middlesex County and 111 employees lost their jobs. In

addition, Proctor & Gamble announced plans to close its Middlesex County plant by the end of 2018 with an anticipated impact of approximately 90 jobs lost.

Other closings and planned closings in neighboring counties also impacted residents within the assessment area who commute to those areas for work. Colgate-Palmolive closed its Morris County plant in 2016 and laid off 350 workers. Mercedes-Benz USA moved its headquarters from Bergen County, NJ to Atlanta, GA in 2017, which impacted 1,000 employees. In addition, General Mills announced plans to close its Progresso soup plant in Cumberland County in 2018, which is anticipated to impact approximately 370 jobs.

See the subsequent Combined Demographic Report for additional assessment area demographic detail.

Combined Demographics Report
MSA 35620 (New York-Newark-Jersey City, NY-NJ-PA) - 2016

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	105	12.3	77,204	8.5	19,143	24.8	193,856	21.4
Moderate-income	191	22.4	181,212	20	24,205	13.4	141,646	15.6
Middle-income	205	24	222,232	24.6	11,021	5	166,337	18.4
Upper-income	349	40.9	424,495	46.9	9,800	2.3	403,328	44.6
Unknown-income	3	0.4	24	0	24	100	0	0
Total Assessment Area	853	100.0	905,167	100	64,193	7.1	905,167	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	143,315	24,100	3.1	16.8	97,319	67.9	21,896	15.3
Moderate-income	310,368	94,911	12.2	30.6	182,359	58.8	33,098	10.7
Middle-income	360,555	206,967	26.5	57.4	129,180	35.8	24,408	6.8
Upper-income	613,215	454,477	58.2	74.1	128,272	20.9	30,466	5
Unknown-income	24	0	0	0	24	100	0	0
Total Assessment Area	1,427,477	780,455	100.0	54.7	537,154	37.6	109,868	7.7
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	11,196	6.7	9,922	6.7	1,197	6.8	77	6.3
Moderate-income	25,864	15.6	23,273	15.8	2,439	13.9	152	12.4
Middle-income	40,319	24.3	35,759	24.3	4,266	24.3	294	23.9
Upper-income	88,594	53.3	78,326	53.1	9,565	54.5	703	57.2
Unknown-income	236	0.1	144	0.1	89	0.5	3	0.2
Total Assessment Area	166,209	100.0	147,424	100.0	17,556	100.0	1,229	100.0
Percentage of Total Businesses:				88.7		10.6		.7
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	16	2	13	1.6	3	12.5	0	0
Moderate-income	42	5.1	41	5.2	1	4.2	0	0
Middle-income	175	21.4	169	21.3	5	20.8	1	100
Upper-income	584	71.5	569	71.8	15	62.5	0	0
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	817	100.0	792	100.0	24	100.0	1	100.0
Percentage of Total Farms:				96.9		2.9		.1

Community Contacts

Examiners also conducted interviews with representatives of two community development organizations to gain an understanding of local credit needs. One community contact was a representative of a nonprofit organization that served as an advocate for quality affordable housing and community development. The interviewee identified a need for more small business lending and flexibility in the different types of products offered for small businesses. In addition, the contact noted that there is a need for additional support in LMI areas, some of which do not have physical bank branches available.

The second community contact was a representative of a nonprofit organization that was also dedicated to affordable housing and development. The organization forms partnerships with corporations, government agencies, and other investors to provide funding to community development corporations. The contact noted community needs for affordable housing, as well as for financial education for LMI individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The lending test is rated low satisfactory due to Peapack's overall adequate performance under the criteria evaluated. Peapack originated an adequate percentage of its total loans within the assessment area and lending activity reflected adequate responsiveness to assessment area credit needs. The geographic distribution of loans was adequate, while the borrower distribution of loans was good. Peapack made an adequate level of community development loans.

Peapack's lending levels reflected an adequate responsiveness to assessment area credit needs. Since the prior evaluation, Peapack HMDA lending by number decreased within its assessment area by 41.2%, which was driven by a significant decrease in refinance loan volume. The bank's growth and lending strategy during the review period was focused on multifamily dwelling lending, which represented higher dollar amount loans when compared to 1-4 family dwelling loans. As a result, by dollar volume, the bank's HMDA-related lending only decreased 5.3%. Compared to the previous evaluation, multifamily dwelling lending during the review period increased 19.3% by volume and 12.3% by dollar amount. Peapack's small business lending activity within its assessment area decreased 22.4% by number but increased 19.4% by dollar amount.

Assessment Area Concentration

An adequate percentage of Peapack’s total lending was originated within the assessment area. Peapack extended 78.1% of its total loan by number but only 49.2% by dollar volume to individuals residing and businesses operating in the assessment area. For HMDA-related lending, 75.6% by number and 45.9% by dollar volume were made in Peapack’s assessment area. In contrast, 84.3% of small business loans by number and 75.2% by dollar volume were made in the assessment area.

In 2013, Peapack implemented a strategy to increase multifamily lending to increase asset size and revenue. While the bank expanded its assessment area, a number of multifamily loans were located in New York City, which was not included in the bank’s assessment area. Multifamily loans outside of the assessment area accounted for 73.2% of the total outside of assessment area dollar volume. See the Lending Inside and Outside the Assessment Area table for additional details related to Peapack’s 2014-2016 lending activity inside and outside of the assessment area.

Lending Inside and Outside the Assessment Area								
January 1, 2014 through December 31, 2016								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Home Purchase	379	77.2	102,559	55.6	112	22.8	81,815	44.4
Refinances	310	83.6	26,804	72.0	61	16.4	40,672	28.0
Home Improvement	127	91.4	269,587	71.1	12	8.6	10,898	28.9
Multifamily	91	46.0	104,681	36.9	107	54.0	461,228	63.1
Total HMDA	907	75.6	503,631	45.9	292	24.4	594,613	54.1
Small Business	396	84.3	107,471	75.2	74	15.7	35,384	24.8
All Loans	1,303	78.1	611,102	49.2	366	21.9	629,997	50.8

Geographic Distribution of Loans

Peapack’s overall geographic distribution of loans reflected adequate penetration throughout the assessment area, including LMI census tracts based on the aggregate analysis of penetration analysis, as well as the product geographic distribution analysis. This conclusion incorporated the expansion of Peapack’s assessment area during the evaluation period, as well as Peapack’s size and corresponding competition in the assessment area.

Penetration Analysis

Peapack’s penetration in its assessment area was adequate. Peapack’s assessment area incrementally expanded during the review period. The expansion reached its peak in 2016, when

the assessment area was changed to include Essex, Hudson, Middlesex and Union counties in their entirety. These counties contained the greatest concentration of LMI census tracts and rental units. Peapack's branching has remained concentrated in Hunterdon, Morris and Somerset counties, which are within the boundaries of its original assessment area.

During 2016, Peapack originated HMDA-related and small business loans in 27.1% of the census tracts within the assessment area. As shown in the table on the following page, penetration was relatively low in both low-income and moderate-income census tracts. However middle- and upper-income census tracts also had comparatively low penetration. Peapack's penetration in 2014 and 2015 was slightly lower when compared to its performance in 2016.

According to the 2010 Census data, approximately 8.5% of families reside in low-income tracts while 20.0% reside in moderate-income tracts. Only 10.0% of housing units are in low-income census tracts while 21.7% of housing units are in moderate-income tracts. Of the total number of owner-occupied units in the assessment area, 3.1% were located in low-income tracts and 12.2% were located in moderate-income tracts. Therefore, opportunities to originate 1-4 family residential loans in LMI tracts were limited.

However, there are opportunities to originate multifamily loans in LMI census tracts, which has been the bank's focus since 2013. Peapack's assessment area at the previous evaluation had 3,753 rental units in low-income census tracts and 19,463 rental units in moderate-income census tracts. With the 2016 assessment area expansion, the number of rental units increased to 97,319 in low-income census tracts and to 182,359 rental units in moderate-income census tracts. In the current assessment area, 67.9% of all housing units were rental units in low-income census tracts. In moderate-income census tracts, 58.8% of the housing units were rental units. For the review period, Peapack's penetration in LMI census tracts was the highest in 2016, with 17.1% of low-income tracts and 13.6% of moderate-income census tracts with lending.

There were performance context challenges for small business lending. According to D&B data, 6.7% of the business establishments were located in low-income census tracts and 15.6% were located in moderate-income tracts.

The tables on the next page detail the bank's penetration in low-, moderate-, middle-, and upper- and unknown-income census tracts.

MSA 35620 (New York-Newark-Jersey City, NY, NJ, PA)

Tract Income Levels	Number of Tracts	Tracts with no Loans	Penetration
2016			
Low	105	87	17.1%
Moderate	191	165	13.6%
Middle	205	155	24.4%
Upper	349	213	39.0%
Unknown Income	3	2	33.3%
Total Tracts	853	622	27.1%
2015			
Low	105	97	7.6%
Moderate	191	170	11.0%
Middle	205	172	16.1%
Upper	349	238	31.8%
Unknown Income	3	3	0.0%
Total Tracts	853	680	20.3%
2014			
Low	105	92	12.4%
Moderate	191	166	13.1%
Middle	205	167	18.5%
Upper	349	238	31.8%
Unknown Income	3	2	0.0%
Total Tracts	853	665	22.0%

See the Aggregate Comparison Loan Distribution tables in CRA Appendix B for details of the bank's 2016, 2015 and 2014 loan distribution by geography. An analysis of the lending in each loan category follows.

Home Purchase Loans

Peapack's distribution of home purchase loans in LMI geographies was adequate based on comparisons to market aggregate and demographic data. Peapack's performance in low-income tracts was considered adequate when taking into account performance context challenges. In 2014 and 2015, Peapack did not originate any home purchase loans in low-income tracts. In 2014, the market aggregate originated only 3.3% by number and 2.3% by dollar volume in low-income tracts. The market aggregate in 2015 was nearly identical to the 2014 performance.

Opportunities to lend in low-income tracts were limited with only 3.1% of owner-occupied housing units located in low-income census tracts. In 2016, Peapack originated 7.0% by number and 5.9% by dollar volume of its home purchase loans in low-income census tracts. Peapack's 2016 performance was above the aggregate, which originated 3.7% by number and 2.6% by dollar volume of its home purchase loans in low-income census tracts.

Peapack's performance in moderate-income tracts was considered adequate when taking into account performance context challenges. In 2016, Peapack originated 9.5% by number and 7.7% by dollar volume of its home purchase loans in moderate-income census tracts compared to 12.2% of total owner-occupied housing units located in those tracts. Peapack's performance in moderate-income census tracts was below the aggregate, which made 13.1% by number and 9.0% by dollar volume of its home purchase loans in moderate-income census tracts. Peapack's performance in both 2015 and 2014 was below that of 2016 when compared to demographics and market aggregate performance.

Refinance Loans

Peapack's distribution of refinance loans in LMI geographies was adequate based on comparisons to market aggregate and demographic data. Peapack's performance in low-income tracts was considered adequate when taking into account performance context challenges. Opportunities to make refinance loans in low-income tracts were very limited, with 3.1% of the total owner-occupied units located in low-income census tracts. In 2016, the bank originated 4.5% by number and 3.3% by dollar volume of its refinance loans in low-income tracts. This exceeded the aggregate, which made 2.4% by number and 1.6% by dollar volume of its refinance loans in low-income census tracts. Peapack made no refinance loans in low-income tracts in either 2015 or 2014, while the market aggregate's performance was similar to its performance in 2016.

Peapack's performance in moderate-income tracts was considered poor. In 2016, Peapack originated 4.0% by number and 3.5% by dollar volume of its refinance loans in moderate-income census tracts. The demographics showed that 12.2% of total owner-occupied housing units were located in moderate-income census tracts. Peapack's refinance lending in moderate-income geographies was below the aggregate, which made 9.3% by number and 6.5% by dollar volume of its refinance loans in moderate-income census tracts. Peapack's refinance lending performance in 2015 was comparable, but was poor in 2014.

Home Improvement Loans

Peapack's overall distribution of home improvement loans was poor based on poor performance in both low- and moderate-income census tracts. While opportunities to make home

improvement loans in low-income geographies were limited, with 3.1% of total owner-occupied units located in those geographies, the bank did not originate any home improvement loans in low-income census tracts during the review period. By comparison, in low-income census tracts, the aggregate originated 1.8% by number and 0.7% by dollar volume in 2016, 2.2% by number and 1.7% by dollar volume in 2015 and 2.6% by number and 2.4% by dollar volume of its home improvement loans in 2014.

During the review period, Peapack originated one home improvement loan in moderate-income census tracts, compared to 12.2% of total owner-occupied housing units located in moderate-income geographies. Peapack's home improvement lending in moderate-income geographies was significantly below the market aggregate during the review period. During the review period, the market aggregate's volume of home improvement loans ranged from 9.5% to 10.4% by number and 4.2% to 5.8% by dollar amount.

Multifamily Loans

Peapack's overall distribution of multifamily dwelling loans was good based on comparisons to market aggregate and demographic data. Peapack's performance in low-income tracts was considered excellent. In 2016, Peapack originated 53.8% by number and 56.2% by dollar volume of its multifamily loans in low-income census tracts compared to 18.1% of total rental units located in low-income census tracts. Peapack's performance was above aggregate lenders, which originated 23.1% by number and 11.6% by dollar volume of its multifamily dwelling loans in low-income census tracts. Peapack's performance in 2015 and 2014 was comparable when compared to the demographic and aggregate lenders.

Peapack's performance in moderate-income tracts was considered good. In 2016, Peapack made 30.8% by number and 37.5% by dollar volume of its multifamily loans in moderate-income census tracts, compared to 33.9% of rental units that are located in moderate income census tracts. Peapack's performance in 2016 was below the aggregate, which originated 44.1% by number and 31.1% by dollar volume of its multifamily loans in moderate-income census tracts. Peapack's lending performance in 2014 and 2015 was similar to its performance in 2016, when compared to the demographic and aggregate lenders.

Small Business Loans

Peapack's overall distribution of small business loans in LMI geographies was adequate based on comparisons to D&B establishment and market aggregate data. However, performance in low-income tracts was poor. In 2016, the bank made only 0.8% by number and 1.9% by dollar volume of its small business loans in low-income census tracts compared to 6.7% of small businesses located in low-income census tracts. Peapack's performance in 2016 was below the

aggregate, which originated 5.4% by number and 5.4% by dollar volume of its small business loans in low-income census tracts. Peapack's performance in 2015 and 2014 was similar to its performance in 2016.

Small business lending performance in moderate-income tracts was adequate. Peapack originated 7.9% by number and 10.9% by dollar volume of its small business loans in moderate-income census tracts in 2016 compared to 15.6% of small businesses located in moderate-income census tracts. The bank's small business lending performance was below the aggregate, which originated 13.9% by number and 12.9% by dollar volume of its small business loans in moderate-income census tracts. Peapack's small business lending performance in 2015 was stronger and in 2014 was similar to 2016 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 and businesses of different sizes reflected good performance. In making this conclusion, consideration was given to the high cost of housing in the assessment area. Multifamily dwelling loans are not analyzed for borrower distribution as income data is not reported for these loans. See the Aggregate Comparison Loan Distribution tables in CRA Appendix B for details of the bank's 2016, 2015 and 2014 loan distribution by borrower income levels. Peapack's borrower distribution performance for each loan product is summarized below.

Home Purchase Loans

Peapack's overall distribution of home purchase loans to LMI borrowers was excellent based on comparisons to demographic and market aggregate data. Lending to low-income borrowers was excellent for the evaluation period. In 2016, Peapack originated 12.7% by number and 4.9% by dollar volume of its home purchase loans to low-income borrowers compared to 21.4% of low-income families in the assessment area. Peapack's home purchase lending to low-income borrowers was above the aggregate, which originated 2.6% by number and 1.1% by dollar volume of its home purchase loans to low-income borrowers. Performance in 2015 and 2014 exceeded performance in 2016. In both 2015 and 2014, the distribution of home purchase loans to low-income borrowers was similar to demographic data and significantly exceeded aggregate data.

Lending to moderate-income borrowers was excellent. In 2016, Peapack originated 29.1% by number and 18.7% by dollar volume of its home purchase loans to moderate-income borrowers, compared to 15.6% of moderate-income families in the assessment area. Peapack's home purchase lending to moderate-income borrowers was significantly above the aggregate, which originated 14.0% by number and 8.4% by dollar volume of its home purchase loans to moderate-

income borrowers. Peapack's home purchase lending performance to moderate-income borrowers in 2014 and 2015 was also excellent, exceeding demographic and market aggregate data.

Refinance Loans

Peapack's overall distribution of refinance loans to LMI borrowers was good based on comparisons to demographic and market aggregate data. Lending to low-income borrowers was adequate. In 2016, Peapack originated 4.0% by number and 1.4% by dollar volume of its refinance loans to low-income borrowers, compared to 21.4% of low-income families in the assessment area. Peapack's refinance lending to low-income borrowers was above the aggregate in 2016, which made 2.1% by number and 1.0% by dollar volume of its refinance loans to low-income borrowers. Performance in 2015 and 2014 was weaker compared to demographics and the market aggregate.

Lending to moderate-income borrowers was good. Peapack originated 10.2% by number and 5.9% of its refinance loans to moderate-income borrowers in 2016, compared to 15.6% of moderate-income families in the assessment area. Peapack's refinance lending to moderate-income borrowers was above the aggregate, which originated 7.9% by number and 4.6% by dollar volume of its refinance loans to moderate-income borrowers. Peapack's performance in 2015 exceeded demographics and the market aggregate. Performance in 2014 was below demographics and similar to the market aggregate.

Home Improvement Loans

Peapack's overall distribution of home improvement loans to LMI borrowers was adequate based on comparisons to demographic and market aggregate data. Lending to low-income borrowers was adequate. In 2016, Peapack made 6.3% by number and 3.4% by dollar volume of its home improvement loans to low-income borrowers, compared to 21.4% of low-income families in the assessment area. Peapack's home improvement lending to low-income borrowers was above the aggregate, which originated 4.0% by number and 0.7% by dollar volume of its home improvement loans to low-income borrowers. Performance in 2015 and 2014 was below demographic and the market aggregate.

Lending to moderate-income borrowers was also adequate. In 2016, Peapack made 8.3% by number and 7.7% by dollar volume of its home improvement loans to moderate-income borrowers, compared to 15.6% of moderate-income families in the assessment area. Peapack's home improvement lending to moderate-income borrowers was below the aggregate in terms of number volume but above in terms of dollar volume. In 2016, the aggregate originated 11.3% of its home improvement loans by number and 4.2% by dollar volume to moderate-income

borrowers. Performance in 2015 and 2014 was below demographics. In 2015, performance was below the market aggregate in terms of number volume but above in terms of dollar volume. Performance in 2014 was slightly above the market aggregate in terms of number volume but below in terms of dollar volume.

Lending to Businesses of Different Sizes

Peapack's overall distribution of loans to businesses of different sizes was adequate based on comparisons to D&B establishment and market aggregate data. In 2016, Peapack made 43.3% by number and 29.2% by dollar volume of its small business loans to businesses with GAR of \$1 million or less, compared to 88.7% of such businesses in the assessment area. Peapack's small business lending performance was similar to the aggregate, which made 41.2% of its loans by number and 26.3% by dollar volume to business with GAR of \$1 million or less. Of the small business loans originated by Peapack, 42.5% by number and 7.6% by dollar volume were in amounts of \$100,000 or less. This was below the market aggregate, which originated 94.9% by number and 44.0% by dollar volume of its small business loans in amounts of \$100,000 or less. The market aggregate, however, includes credit card lenders which typically make small business loans in smaller dollar amounts. Peapack's small business lending performance in 2014 and 2015 performance was stronger than its 2016 performance, when compared to market aggregate performance.

Community Development Lending

Peapack made an adequate level of community development loans. Peapack made \$705.2 million in community development loans, which represented 22.1% of Peapack's average assets. On an annualized basis, Peapack's community development lending slightly increased when compared to its performance in the prior evaluation period. Peapack's level of annualized community development lending within the assessment area, as a percentage of average assets and assessment area deposits, ranked third when compared to four similarly-situated banks.

Nearly all of Peapack's community development loans consisted of loans to purchase or refinance multifamily units that supported affordable housing in LMI census tracts. In terms of dollar volume, community development loans for affordable housing represented 92.1% of total community development lending. A significant portion (80.9%) of Peapack's affordable housing loans was located outside of the bank's assessment area. However, affordable housing loans within the assessment area accounted for 86.3% by dollar volume of Peapack's total community development lending in the assessment area. 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 received credit for qualified community development loans made outside of its assessment area, as it was responsive to the community development needs and opportunities in its assessment area. See the following table for additional detail regarding the bank’s community development lending.

Summary of Community Development Loans Inside and Outside Assessment Area April 1, 2014 - March 31, 2017				
Geography	Loans			
	#	%	(\$000)	%
Inside Assessment Area	39	18.4%	\$93,080	13.2%
Broader Statewide/Regional Including Assessment Area	0	0.0%	\$0	0.0%
Broader Statewide/Regional Outside Assessment Area	9	4.2%	\$34,718	4.9%
Outside Assessment Area	164	77.4%	\$577,389	81.9%
TOTAL	212	100.0%	\$705,187	100.0%

Community Development Loans April 1, 2014 - March 31, 2017										
Geography	Affordable Housing		Community Services		Revitalize and Stabilize		Economic Development		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Inside Assessment Area	31	\$80,336	2	\$2,100	4	\$9,894	2	\$750	39	\$93,080
Broader Statewide/Regional Including Assessment Area	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Broader Statewide/Regional Outside Assessment Area	7	\$13,093	1	\$15,500	0	\$0	1	\$6,125	9	\$34,718
Outside Assessment Area	161	\$556,051	0	\$0	2	\$19,713	1	\$1,625	164	\$577,389
Total	199	\$649,480	3	\$17,600	6	\$29,607	4	\$8,500	212	\$705,187
Percent Total #/\$	93.8%	92.1%	1.5%	2.5%	2.8%	4.2%	1.9%	1.2%	100.0%	100.0%

Examples of community development loans include:

- Two \$100 thousand commercial lines of credit to an organization that provides technical assistance and access to start-up micro loans designed for LMI women for whom traditional lending is not available.

- A \$13 million refinance loan for a multi-story complex with a total of 176 senior housing units located in a moderate-income census tract in an Urban Enterprise Zone in Newark, NJ. The complex operates under HUD’s Section 8 Housing Assistance Program.
- A \$6.7 million dollar loan to purchase a 60 unit multifamily building with affordable rents located in a moderate-income census tract.
- A \$2 million dollar loan to fund the purchase of two vacant buildings to be converted to mixed use properties with affordable rental units. The project will revitalize and stabilize a moderate-income census tract.

INVESTMENT TEST

Peapack’s performance under the investment test is rated low satisfactory based on an adequate level of qualified community development investments and grants made in Peapack’s assessment area. Peapack’s community development investment activity exhibited adequate responsiveness credit and community development needs. During the evaluation period, Peapack made a total of \$18.5 million in qualified investments. On an annualized basis, Peapack’s level of qualified investments increased by 15.4% since the prior evaluation, when Peapack made \$13.1 million in qualified investments. Peapack received credit for qualified investments made in the broader statewide and regional area outside of its assessment area because the bank was responsive to community development needs and opportunities in its assessment area.

Summary of Qualified Investments Inside and Outside Assessment Area April 1, 2014 - March 31, 2017				
Geography	Qualified Investments			
	#	%	(\$000)	%
Inside Assessment Area	114	98.3%	\$17,017	91.9%
Broader Statewide/Regional Including Assessment Area	0	0.0%	\$0	0.0%
Broader Statewide/Regional Outside Assessment Area*	2	1.7%	\$1,490	8.1%
Outside Assessment Area	0	0.0%	\$0	0.0%
TOTAL	116	100.0%	\$18,507	100.0%

** The proceeds of one investment benefitted both Inside the Assessment Area and the Broader Statewide/Regional Area Outside the Assessment Area*

A total of \$16.4 million, or 88.3%, of Peapack’s qualified investments were new investments made since the prior evaluation, which is largely consistent with the prior evaluation, where 87.0% of all of Peapack’s investment activity was considered new investments. Of the total qualified investments, \$225 thousand were grants or donations to community organizations providing services throughout Peapack’s assessment area. Peapack’s level of total annualized qualified investments as a percentage of average assets and assessment area deposits, ranked fourth when compared to four similarly-situated banks.

In terms of dollar volume, 70.5% of the qualified investments were dedicated to affordable housing, which was a prominent need in the assessment area, as identified by local community contacts. Investments in bonds issued to revitalize areas impacted by Superstorm Sandy accounted for 10.8% of the qualified investments. See the table below for additional detail regarding Peapack’s community development investments.

Community Development Qualified Investments										
April 1, 2014 - March 31, 2017										
Geography	Affordable Housing		Community Services		Revitalize and Stabilize		Economic Development		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Inside Assessment Area	40	\$12,629	61	\$3,050	3	\$906	10	\$432	114	\$17,017
Broader Statewide/Regional Including Assessment Area	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Broader Statewide/Regional Outside Assessment Area*	1	\$420	0	\$0	1	\$1,070	0	\$0	2	\$1,490
Outside Assessment Area	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Total	41	\$13,049	61	\$3,050	4	\$1,976	10	\$432	116	\$18,507
Percent Total #/\$	35.3%	70.5%	52.6%	16.5%	3.4%	10.7%	8.6%	2.3%	100.0%	100.0%

* The proceeds of one affordable housing investment benefitted both Inside the Assessment Area and the Broader Statewide/Regional Area Outside the Assessment Area

Peapack made rare use of complex investments to support community development initiatives. Of Peapack’s total qualified investments, \$10.8 million consisted of mortgage-backed securities, supporting affordable housing. Mortgage-backed securities are qualified investments that provide liquidity to the market; however they are viewed qualitatively as less responsive to community development needs of LMI communities than direct investments.

Examples of community development investments included:

- A purchase of four bonds totaling approximately \$2.0 million to revitalize several towns impacted by Superstorm Sandy.

- A purchase of a \$2.5 million mortgage-backed security that consisted of mortgages to LMI borrowers.
- A purchase of three bonds totaling \$2.9 million for a school district with schools that have a majority of students on the free or reduced lunch program.

SERVICE TEST

The service test is rated low satisfactory due to Peapack's overall adequate performance under the criteria evaluated. Peapack's delivery systems were reasonably accessible to all geographies of the assessment area and individuals of different income levels, changes in branch locations did not adversely affect accessibility, and hours and services did not vary in a way that inconvenienced its assessment area. Peapack provided an adequate level of community development services within the assessment area.

Retail Services

Peapack's delivery systems are reasonably accessible to most of the geographies and individuals of various income levels in its assessment area. Peapack operated 20 branches, all of which are located in middle- or upper-income census tracts. While all of Peapack's branches were located in middle- or upper-income census tracts, two (10%) were located in proximity to moderate-income census tracts, providing some access to those residing in moderate-income areas.

Peapack's record of closing branches did not adversely affect the accessibility of Peapack's delivery systems to LMI geographies and LMI individuals. Peapack closed three branches during the review period, all of which were located in middle- or upper-income census tracts. One of the closed locations was a limited service branch accessible only to employees of Chubb Insurance. The bank did not open any branches during the evaluation period.

Alternative delivery systems did not materially impact the accessibility of Peapack's services for LMI individuals or geographies. Peapack maintained ATMs at 19 of its 20 branch locations. Peapack also offered internet, telephone, and bank-by-mail services.

Peapack was an approved community lender in the Federal Home Loan Bank of New York's ("HLB") First Home Club ("FHC"). FHC is an incentive for households with incomes at or below 80% of area median income to save towards the purchase of a new home. The program is a non-competitive set-aside of the HLB's Affordable Housing Program and is administered through approved members of the HLB. The FHC provides down payment and closing cost assistance by granting \$4 in matching funds for each \$1 saved in a dedicated account (up to \$7,500 in matching funds) to an eligible first-time homebuyer purchasing a home through an

approved member community lenders. During the review period, a total of 33 FHC accounts were opened.

Peapack offered affordable housing loan programs to assist qualifying LMI individuals to obtain mortgage loans at the lowest possible cost. The programs offered reduced fees, lower rates and low down payments and flexible terms to assist LMI individuals and individuals residing in LMI geographies with obtaining a home purchase or refinancing loan.

Community Development Services

Peapack provided an adequate level of community development services to its assessment area. During the evaluation period, Peapack conducted 37 financially-related community development service events, which consisted of financial literacy, residential mortgage and first time home buyer seminars. This was an increase when compared to the prior evaluation period, when 25 financially-related community development service events were conducted.

Examples of the community development services provided by Peapack included:

- Peapack provided financial literacy training for students that attend a school in a moderate-income census tract. The majority of students participated in the free or reduced lunch program.
- On 16 occasions, Peapack staff provided financial information to LMI, first time home buyers through the Step-by-Step Home Ownership Seminar and through partnerships with various community organizations.
- Peapack provided financial literacy coursework for 190 high school students from a local high school. The majority of students at the school participated in the free and reduced lunch program.

Four bank representatives participated on the board or as committee members of four community development organizations on an ongoing basis, compared with eleven such organizations identified at the prior evaluation. These community development organization activities included:

- A Vice President was the Treasurer for an organization that promotes affordable housing in Morris County.
- A Vice President participated on the Finance Committee for an organization that provides affordable housing for LMI families in Somerset County.

- A Senior Vice President provided small business lending expertise for a Community Development Financial Institution that promotes economic development by providing loans and technical expertise to new and existing businesses in the assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Peapack was in compliance with the substantive provisions or 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

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Lending Test: January 1, 2014 - December 31, 2016 CD Loans/Investments/Services: April 1, 2014 – March 31, 2017		
FINANCIAL INSTITUTION Peapack-Gladstone Bank 500 Hills Drive, Suite 300 Bedminster Township, NJ 07921			PRODUCTS REVIEWED <ul style="list-style-type: none"> • Home purchase • Refinancing • Home improvement • Multifamily Dwelling • Small business • Community Development
AFFILIATE(S) None	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
New Jersey <ul style="list-style-type: none"> • MSA 35620 (New York-Newark-Jersey City, NY) 	Full Scope		

CRA APPENDIX B

2014 Aggregate Comparison Loan Distribution Table

Assessment Area/Group: MSA 35620

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
Home Purchase										
Low	0	0.0%	0.0%	3.3%	2.3%	27	22.9%	8.4%	3.0%	1.2%
Moderate	5	4.2%	3.0%	11.2%	7.2%	24	20.3%	12.5%	13.5%	7.9%
Middle	20	16.9%	18.9%	24.2%	18.7%	17	14.4%	13.8%	19.0%	14.7%
Upper	93	78.8%	78.1%	61.3%	71.8%	43	36.4%	56.0%	48.0%	60.8%
Unknown	0	0.0%	0.0%	0.0%	0.0%	7	5.9%	9.3%	16.5%	15.4%
Total	118	100.0%	100.0%	100.0%	100.0%	118	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	0	0.0%	0.0%	2.9%	2.2%	2	3.5%	1.4%	4.3%	2.3%
Moderate	1	1.8%	1.1%	11.1%	8.0%	5	8.8%	3.3%	10.6%	6.6%
Middle	4	7.0%	4.8%	24.3%	19.6%	13	22.8%	13.3%	17.5%	13.6%
Upper	52	91.2%	94.1%	61.7%	70.2%	36	63.2%	80.6%	47.2%	57.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	1.8%	1.4%	20.3%	20.2%
Total	57	100.0%	100.0%	100.0%	100.0%	57	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	0	0.0%	0.0%	2.6%	2.4%	2	4.5%	1.4%	5.0%	1.8%
Moderate	0	0.0%	0.0%	9.5%	5.8%	6	13.6%	2.2%	12.1%	8.2%
Middle	3	6.8%	5.1%	24.7%	18.6%	8	18.2%	6.1%	20.8%	15.2%
Upper	41	93.2%	94.9%	63.3%	73.2%	26	59.1%	85.7%	50.1%	61.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	4.5%	4.6%	11.9%	13.6%
Total	44	100.0%	100.0%	100.0%	100.0%	44	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	15	29.4%	32.5%	21.7%	11.5%	0	0.0%	0.0%	0.0%	0.0%
Moderate	17	33.3%	32.5%	41.7%	33.7%	0	0.0%	0.0%	0.0%	0.0%
Middle	12	23.5%	14.6%	21.2%	23.7%	0	0.0%	0.0%	0.0%	0.0%
Upper	7	13.7%	20.5%	15.5%	31.1%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	51	100.0%	100.0%	100.0%	100.0%
Total	51	100.0%	100.0%	100.0%	100.0%	51	100.0%	100.0%	100.0%	100.0%
HMDA Totals										
Low	15	5.6%	23.9%	3.3%	3.2%	31	11.5%	1.4%	3.6%	1.5%
Moderate	23	8.5%	24.4%	11.4%	10.0%	35	13.0%	2.1%	12.1%	6.7%
Middle	39	14.4%	14.0%	24.2%	19.5%	38	14.1%	3.3%	18.3%	12.9%
Upper	193	71.5%	37.7%	61.0%	67.3%	105	38.9%	17.9%	47.2%	53.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	61	22.6%	75.2%	18.8%	25.3%
Total	270	100.0%	100.0%	100.0%	100.0%	270	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
		Bank			Aggregate					
	#	%	% \$(000s)	%	% \$(000s)	%	% \$(000s)	%	% \$(000s)	% \$(000s)
Low	1	0.8%	0.8%	5.1%	5.5%					
Moderate	11	8.5%	3.4%	12.9%	12.5%					
Middle	19	14.7%	10.1%	22.6%	23.8%					
Upper	97	75.2%	82.4%	58.0%	56.9%					
Unknown	1	0.8%	3.3%	0.1%	0.5%					
Tract Unknown	0	0.0%	0.0%	1.4%	0.7%					
Total	129	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
By Revenue										
\$1 Million or Less	78	60.5%	44.3%	44.6%	29.6%					
By Loan Size										
\$100,000 or less	68	52.7%	10.9%	94.1%	40.3%					
\$100,001-\$250,000	19	14.7%	11.1%	2.8%	13.5%					
\$250,001-\$1 Million	42	32.6%	78.0%	3.1%	46.2%					
Total	129	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Originations and Purchases

2015 Aggregate Comparison Loan Distribution Table

Assessment Area/Group: MSA 35620

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
Home Purchase										
Low	0	0.0%	0.0%	3.4%	2.3%	22	21.4%	8.9%	3.2%	1.3%
Moderate	4	3.9%	2.9%	12.3%	8.1%	40	38.8%	24.9%	14.4%	8.6%
Middle	13	12.6%	9.3%	25.1%	19.7%	10	9.7%	10.0%	19.3%	15.1%
Upper	86	83.5%	87.8%	59.1%	69.9%	25	24.3%	51.0%	47.2%	60.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	6	5.8%	5.3%	15.9%	14.9%
Total	103	100.0%	100.0%	100.0%	100.0%	103	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	0	0.0%	0.0%	2.6%	1.9%	2	2.6%	0.7%	3.1%	1.5%
Moderate	3	3.9%	1.9%	9.6%	6.6%	13	17.1%	6.8%	8.2%	4.9%
Middle	10	13.2%	10.7%	24.1%	19.5%	14	18.4%	11.3%	15.8%	12.0%
Upper	63	82.9%	87.5%	63.7%	72.0%	43	56.6%	78.0%	47.5%	56.8%
Unknown	0	0.0%	0.0%	0.0%	0.0%	4	5.3%	3.1%	25.4%	24.8%
Total	76	100.0%	100.0%	100.0%	100.0%	76	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	0	0.0%	0.0%	2.2%	1.7%	1	2.9%	0.2%	4.0%	1.1%
Moderate	0	0.0%	0.0%	10.0%	5.7%	3	8.6%	7.2%	12.4%	5.8%
Middle	0	0.0%	0.0%	24.7%	16.4%	6	17.1%	11.6%	21.8%	13.0%
Upper	35	100.0%	100.0%	63.1%	76.2%	24	68.6%	80.7%	55.1%	63.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	2.9%	0.3%	6.7%	17.0%
Total	35	100.0%	100.0%	100.0%	100.0%	35	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	8	29.6%	32.4%	23.4%	14.1%	0	0.0%	0.0%	0.0%	0.0%
Moderate	12	44.4%	26.2%	40.5%	22.3%	0	0.0%	0.0%	0.0%	0.0%
Middle	4	14.8%	15.1%	19.9%	23.4%	0	0.0%	0.0%	0.0%	0.0%
Upper	3	11.1%	26.3%	16.2%	40.3%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	27	100.0%	100.0%	100.0%	100.0%
Total	27	100.0%	100.0%	100.0%	100.0%	27	100.0%	100.0%	100.0%	100.0%
HMDA Totals										
Low	8	3.3%	17.9%	3.2%	3.5%	25	10.4%	1.8%	3.2%	1.2%
Moderate	19	7.9%	15.4%	11.2%	9.1%	56	23.2%	6.5%	11.3%	6.0%
Middle	27	11.2%	12.2%	24.6%	20.0%	30	12.4%	4.8%	17.6%	12.0%
Upper	187	77.6%	54.5%	61.0%	67.4%	92	38.2%	30.0%	47.2%	51.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	38	15.8%	56.9%	20.8%	29.0%
Total	241	100.0%	100.0%	100.0%	100.0%	241	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
		Bank			Aggregate					
	#	%	% \$(000s)	%	% \$(000s)	%	% \$(000s)	%	% \$(000s)	% \$(000s)
Low	1	0.7%	0.3%	5.5%	5.6%					
Moderate	17	12.1%	14.2%	13.8%	12.7%					
Middle	14	10.0%	12.8%	23.1%	24.0%					
Upper	108	77.1%	72.7%	56.4%	56.9%					
Unknown	0	0.0%	0.0%	0.1%	0.2%					
Tract Unknown	0	0.0%	0.0%	1.1%	0.6%					
Total	140	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
By Revenue										
\$1 Million or Less	72		51.4%	37.0%	49.3%			28.9%		
By Loan Size										
\$100,000 or less	55		39.3%	6.0%	94.3%			41.2%		
\$100,001-\$250,000	28		20.0%	13.0%	2.7%			13.2%		
\$250,001-\$1 Million	57		40.7%	81.0%	3.0%			45.6%		
Total	140		100.0%	100.0%	100.0%			100.0%		

Originations and Purchases

2016 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	11	7.0%	5.9%	3.7%	2.6%	20	12.7%	4.9%	2.6%	1.1%
Moderate	15	9.5%	7.7%	13.1%	9.0%	46	29.1%	18.7%	14.0%	8.4%
Middle	29	18.4%	15.0%	25.4%	20.3%	33	20.9%	18.2%	20.0%	15.8%
Upper	103	65.2%	71.4%	57.8%	68.0%	51	32.3%	54.7%	48.4%	60.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	8	5.1%	3.6%	15.0%	14.1%
Total	158	100.0%	100.0%	100.0%	100.0%	158	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	8	4.5%	3.3%	2.4%	1.6%	7	4.0%	1.4%	2.1%	1.0%
Moderate	7	4.0%	3.5%	9.3%	6.5%	18	10.2%	5.9%	7.9%	4.6%
Middle	21	11.9%	7.7%	23.1%	18.6%	22	12.4%	9.7%	16.0%	12.0%
Upper	141	79.7%	85.4%	65.2%	73.3%	108	61.0%	73.5%	54.9%	63.5%
Unknown	0	0.0%	0.0%	0.0%	0.0%	22	12.4%	9.4%	19.0%	18.9%
Total	177	100.0%	100.0%	100.0%	100.0%	177	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	0	0.0%	0.0%	1.8%	0.7%	3	6.3%	3.4%	4.0%	0.7%
Moderate	1	2.1%	1.4%	10.4%	4.2%	4	8.3%	7.7%	11.3%	4.2%
Middle	4	8.3%	6.4%	25.1%	12.6%	9	18.8%	13.6%	21.7%	17.4%
Upper	43	89.6%	92.2%	62.7%	82.5%	31	64.6%	74.1%	57.6%	62.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	2.1%	1.3%	5.4%	15.4%
Total	48	100.0%	100.0%	100.0%	100.0%	48	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	7	53.8%	56.2%	23.1%	11.6%	0	0.0%	0.0%	0.0%	0.0%
Moderate	4	30.8%	37.5%	44.1%	31.1%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	20.2%	23.6%	0	0.0%	0.0%	0.0%	0.0%
Upper	2	15.4%	6.3%	12.7%	33.8%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	13	100.0%	100.0%	100.0%	100.0%
Total	13	100.0%	100.0%	100.0%	100.0%	13	100.0%	100.0%	100.0%	100.0%
HMDA Totals										
Low	26	6.6%	17.0%	3.2%	3.0%	30	7.6%	2.2%	2.4%	1.0%
Moderate	27	6.8%	13.0%	11.5%	9.9%	68	17.2%	8.4%	11.0%	5.9%
Middle	54	13.6%	7.9%	24.3%	19.7%	64	16.2%	10.1%	18.1%	12.8%
Upper	289	73.0%	62.1%	61.1%	67.5%	190	48.0%	49.7%	51.4%	56.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	44	11.1%	29.5%	17.1%	24.0%
Total	396	100.0%	100.0%	100.0%	100.0%	396	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
	#	Bank %	Aggregate % \$ (000s)	Bank %	Aggregate % \$ (000s)	#	Bank %	Aggregate % \$ (000s)	Bank %	Aggregate % \$ (000s)
Low	1	0.8%	1.9%	5.4%	5.4%					
Moderate	10	7.9%	10.9%	13.9%	12.9%					
Middle	21	16.5%	14.4%	22.9%	23.6%					
Upper	94	74.0%	70.2%	56.6%	57.1%					
Unknown	1	0.8%	2.6%	0.1%	0.3%					
Tract Unknown	0	0.0%	0.0%	1.1%	0.6%					
Total	127	100.0%	100.0%	100.0%	100.0%					
By Revenue										
\$1 Million or Less	55	43.3%	29.2%	41.2%	26.3%					
By Loan Size										
\$100,000 or less	54	42.5%	7.6%	94.9%	44.0%					
\$100,001-\$250,000	22	17.3%	10.3%	2.5%	13.4%					
\$250,001-\$1 Million	51	40.2%	82.1%	2.6%	42.6%					
Total	127	100.0%	100.0%	100.0%	100.0%					

Originations and Purchases

CRA APPENDIX C

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 subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. 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; or, activities that revitalize or stabilize low- or moderate-income geographies.

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: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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 the income of applications, the amount of loan requested, and the disposition of the application (for example, 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: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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

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

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

CRA APPENDIX D

Assessment Area Map

Peapack Gladstone Bank
Assessment Area

