

## **PUBLIC DISCLOSURE**

**December 1, 1997**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**PEAPACK-GLADSTONE BANK  
02-34-1130**

**190 MAIN STREET  
GLADSTONE, NEW JERSEY**

**FEDERAL RESERVE BANK OF NEW YORK  
33 LIBERTY STREET  
NEW YORK, NEW YORK 10045-0001**

**NOTE: 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.**

## TABLE OF CONTENTS

General Information .....	BB1
Institution .....	BB2
Institution's CRA Rating.....	BB2
Performance Tests Table .....	BB3
Description of the Institution.....	BB4
Description of the Assessment Area .....	BB4
Performance Context .....	BB5
Assessment Area Map.....	BB8A
Conclusions With Respect to Performance Tests .....	BB9
Metropolitan Statistical Area Analyses.....	BB18
MSA 5015 (Middlesex-Somerset-Hunterdon, NJ) .....	BB18
MSA 5640 (Newark, NJ) .....	BB21
Exhibits.....	BB24
A - Total Loans April 1, 1996 - September 30, 1997.....	BB24
B - Lending Inside and Outside the Assessment Area .....	BB24
C - MSA 5015 (Middlesex-Somerset-Hunterdon, NJ) Demographic Summary.....	BB25
D - MSA 5640 (Newark, NJ) Demographic Summary .....	BB26
E - Consumer Loan Census Tract Penetration.....	BB27
F - Demand-Adjusted Analysis for Small Business Loans Across Census Tracts By Income Level .....	BB28
G - Demand-Adjusted Analysis for Small Business Loans to Businesses with Gross Annual Revenues of \$1 Million or less Across Census Tract By Income Level .....	BB29
H - Distribution of Other Secured Loans Across Borrower Income Levels .....	BB30
I - Distribution of Other Unsecured Loans Across Borrower Income Levels .....	BB31
J - Distribution of Motor Vehicle Loans Across Borower Income Levels .....	BB32
K - Distribution of Home Equity Loans Across Borrower Income Levels.....	BB33
L - Distribution of Home Purchase Loans Across Borrower Income Levels.....	BB34
M - Distribution of Home Improvement Loans Across Borrower Income Levels .....	BB35
N - Distribution of Refinancing Loans Across Borrower Income Levels.....	BB36
O - Distribution of Small Business Loans by Loan Size and Business Size.....	BB37
CRA Appendices .....	BB39

CRA Appendix A: Scope of Examination .....	BB39
CRA Appendix B: Glossary .....	BB40

**BBi**

## **GENERAL INFORMATION**

*The Community Reinvestment Act (ACRA@) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (ACRA@) performance of **Peapack-Gladstone Bank** prepared by **the Federal Reserve Bank of New York**, on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of **December 1, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

**INSTITUTION**

**INSTITUTION'S CRA RATING:** This institution is rated **ASATISFACTORY®**.

Peapack's level of compliance with the CRA is assessed as **ASatisfactory,@** and is based on an evaluation of the performance criteria specified under the CRA with respect to the lending, investment and service tests. The bank's overall rating reflects a **Ahigh satisfactory@** rating on both the lending and service tests and a **Alow satisfactory@** rating on the investment test. Performance under the lending test is good as evidenced by: (1) lending activity that reflects good responsiveness to assessment area credit needs; (2) good geographic distribution of loans; (3) an excellent distribution of lending among borrowers of different income levels and business customers of different sizes; and (4) use of flexible lending practices. Although Peapack has no community development activity this was found to be the result of a lack of opportunity and therefore had no impact on the bank's CRA rating. Performance under the investment test is adequate; it is rated **Alow satisfactory@** because investment activities are neither innovative nor complex. With respect to the service test, Peapack's delivery systems make its products readily accessible to all segments of the assessment area, and the bank provides a relatively high level of community development services.

The following Performance Test 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	X		X
Low Satisfactory		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.

**DESCRIPTION OF THE INSTITUTION:**

Peapack-Gladstone Bank (@Peapack@), chartered in 1921, is a full-service, retail oriented bank headquartered in Gladstone, New Jersey. In December of 1997, the bank formed a one-bank holding company. In addition to its main office, Peapack operates 11 full service branches in portions of Somerset, Hunterdon, and Morris Counties. This market area is highly competitive, with numerous local, regional and multinational banks operating throughout the region.

As of June 30, 1997, the bank had total assets of \$344.5 million, total deposits of \$311 million, and total loans and leases of \$156 million. Through its branch system, Peapack offers a wide variety of consumer and commercial loan products. The bank's lending efforts focus on consumer loans and loans secured by residential real estate. Loans secured by residential real estate comprised 15 percent of total loan originations, and 65 percent (\$101 million) by dollar amount of the total loan portfolio. Loans secured by commercial real estate represent 20 percent (\$31 million) of total loans. The remainder of the loan portfolio by dollar amount consists of commercial loans, consumer loans, and other loans and leases representing 6 percent, 8 percent, and 1 percent, respectively, of total loans.

Based on the bank's size and financial condition, there are no financial impediments preventing the bank from helping to meet the credit needs of its assessment area.

**DESCRIPTION OF THE ASSESSMENT AREA:**

Peapack's assessment area consists of portions of Somerset and Hunterdon Counties within MSA 5015 and a portion of Morris County within MSA 5640. The bank's assessment area is in compliance with the requirements of Section 228.41 of Regulation BB.

## **PERFORMANCE CONTEXT**

Demographic and economic information was obtained from the following publicly available sources: the United States Department of Commerce's Bureau of the Census, 1990, the United States Department of Labor, and the Department of Housing and Urban Development. Community organizations were also contacted and information gained from the interviews was used in developing the context under which the bank is evaluated.

### **MSA 5015 (Middlesex-Somerset-Hunterdon)**

Middlesex, Somerset, and Hunterdon Counties comprise MSA 5015. The bank's assessment area in this MSA consists of portions of Somerset and Hunterdon Counties. This part of the assessment area contains 20 census tracts: 3 middle-income and 17 upper-income. This assessment area has no low- or moderate-income census tracts. The total population in this portion of the MSA is 93,052 and accounts for 67 percent of the population within the bank's assessment area.

Somerset and Hunterdon Counties have historically been ranked among the least populated areas in New Jersey. Somerset County is predominately suburban and has a population of 240 thousand, and constitutes 24 percent of the MSA population. Hunterdon County has a population of 108 thousand, and constitutes 10.5 percent of the MSA population. Hunterdon County is composed of predominately rural areas.

### **Income Characteristics**

The 1990 census median family income for MSA 5015 is \$55,147 and the 1997 HUD-estimated median family income is \$70,000. This estimate is an increase of 27 percent over the 1990 median family income. The 1990 census median family income for the portion of the MSA that comprises Peapack's assessment area is \$75,673. The HUD estimates are restricted to the MSA level and is not available for Peapack's assessment area. This MSA's high median family income makes it one of the more affluent areas in the state. The 1990 median family income is higher than the state's median family income of \$47, 589. Twenty percent of all families in Peapack's portion of the MSA are low- and moderate-income.

### **Housing Characteristics**

There are 28,407 owner-occupied housing units in this portion of the MSA. This represents 70 percent of all owner-occupied housing units in the bank's assessment area. Of the total owner-occupied housing units in this portion of MSA 5015, 71 percent are located in Somerset County.

The 1990 median housing value is \$261,859 which is high when compared with the median family income of \$75,673.

### Labor, Employment, and Economic Characteristics

There are 4,282 business establishments in this portion of the MSA, representing 70 percent of all business establishments in the bank's assessment area. The largest concentration of business establishments in this portion of the MSA is in Somerset County, where 41 percent of the total business establishments are located in the assessment area.

The MSA has experienced strong economic growth. A stronger manufacturing industry division combined with job gains in services and retail trade in 1997 have lowered the MSA's unemployment rate. The unemployment rate averaged 4.0 percent in the first three quarters of 1997, down by 0.7 of a percentage point when compared to the same period in 1996 and well below the state's average of 5.6 percent. Nine-month average rates of 3.1 percent in Hunterdon County and 2.7 percent in Somerset County were the lowest in the state. According to the New Jersey Department of Labor, this MSA will continue to be one of the leaders in the state in terms of job growth in the near future.

#### Somerset County

Somerset County is the most affluent of all 21 New Jersey counties. This is due to the large number of residents with high-paying jobs at corporate, research and development centers. Somerset County is a leader in job creation throughout the state and the county continues to attract development and corporate relocations to the area. Somerset County has been able to maintain its manufacturing employment during recent years. The payroll employment in manufacturing rose by 1.4 percent between 1992-1995. The manufacturing sector has been boosted by relocations of workers from Johnson and Johnson and Hulls America.

#### Hunterdon County

Hunterdon County's economy is diverse and ranges from agricultural products, quarrying of rock and stone, food processing, and business and health services. Over 75 percent of total employment is concentrated within the manufacturing, retail trade, and service industries. The services sector employs the largest number of workers in the county. Merck & Co., Lipton, Johanna Farms and the James River Paper Company provide the majority of the manufacturing jobs in the county. The Hunterdon Medical Center and the Exxon Research and Engineering Corp. provide many service jobs in the county.

Manufacturing unemployment has been exacerbated by the closing of the computer manufacturing company, Unisys Corp. These losses were offset by the relocation of Merck's

headquarters to the county in 1993, which brought over 1,500 employees to the area. Employment growth over the next decade is projected to be in the professional, paraprofessional, and technical areas.

Exhibit A on page BB22 of this report provides a demographic summary of this portion of MSA 5015.

**MSA 5640 (Newark, NJ)**

The bank's assessment area only includes a portion of MSA 5640. Based on 1990 census figures, the population in this portion of MSA 5640 is 45,078 thousand, representing 33 percent of the population within the bank's total assessment area. MSA 5640 is divided into five counties: Essex, Morris, Sussex, Union, and Warren. The MSA is a mix of both urban and suburban areas. The bank's assessment area only includes a portion of Morris County and has no low- and moderate-income census tracts.

**Income Characteristics**

According to the 1990 census, the median family income for the entire MSA is \$50,047. The 1997 HUD-estimated median family income for the MSA is \$62,800, representing a 25 percent increase over the 1990 median family income. The 1990 census median family income for the assessment area in this portion of the MSA is \$75,136. As previously mentioned, HUD estimates are restricted to the MSA level and are not available for Peapack's assessment area. Based on the 1990 census, 63.5 percent of the families are of upper-income, 19.8 percent of middle-income, 11.3 percent of moderate-income, and 5.4 percent of low-income.

**Housing Characteristics**

There are 12,042 owner-occupied housing units in this portion of the MSA, which represents 30 percent of all owner-occupied housing units in the bank's assessment area.

The 1990 median housing value is \$259,375, which is high when compared with the median family income of \$74,136. However, according to a community contact, houses in the Mt. Olive portion of the assessment area cost approximately \$200 thousand. Houses of the same quality and type found just outside of the assessment area, in Parsippany and Chatham, cost approximately \$300 thousand. Consequently, houses on the Mt. Olive portion of the assessment area are somewhat more affordable.

Another community contact stated that over 30 percent of the housing stock in Chestor Boro had been built prior to 1939. This aged housing stock would indicate a need for home improvement lending.

**Labor, Employment, and Economic Characteristics**

The unemployment rate in MSA 5640 fell for the fifth straight year, averaging 5.6 percent of the labor force for the first nine months of 1997. Unemployment in September 1997 was 5.4 percent, slightly higher than the 5.1 percent unemployment figure for the state. The nine-month average unemployment ranged from 3.6 percent in suburban Morris County, traditionally among the lowest in the state, to a high of 6.9 percent in urban Essex County.

Between 1991 and 1995 there were declines in employment of 9.9 percent in the manufacturing sector with smaller declines in farming and finance, insurance, and real estate. Employment in the services sector grew by 6.1 percent. As a whole, the local economy experienced a net job gain of 2.3 percent.

There are 1,852 business establishments in this portion of the MSA, representing 30 percent of all business establishments in the bank=s assessment area. Of the total business establishments in this portion of the MSA, 1,620 businesses or 87.5 percent have gross annual revenues of \$1 million or less.

According to a community contact, this area is growing fast and will be the location for new residential, commercial, and office space along Route 206. The MSA has a 670-acre International Trade Center, which is a federal foreign trade zone. The federal foreign trade zone in Mt. Olive has been in existence for almost 20 years. The operations of the following large companies are located in this MSA: Lucent Technologies, Calvin Kline Cosmetics, Quest, and BMW International Sportscrafts Limited. In addition, BASF, a worldwide manufacturer of chemicals and pharmaceuticals, maintains its North American headquarters in this MSA, with over 2,000 employees. United Parcel Services and Federal Express have distribution centers in this area, which employ less highly skilled personnel.

Exhibit B on page BB24 of this report provides a demographic summary of this portion of MSA 5640.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

### **LENDING TEST**

Peapack's high satisfactory rating on the lending test is based on the following performance criteria: 1) lending levels that reflect good responsiveness to credit needs and a high percentage of loans originated in the bank's assessment area; 2) a good geographic distribution of loans in the assessment area; 3) an excellent distribution of loans to borrowers of different income levels and businesses of different sizes; and 4) availability of flexible loan products. Given the lack of community development opportunities within the bank's assessment area, the bank did not originate any community development loans. For a more detailed discussion of community development lending, see page BB12.

#### **Lending Activity**

Peapack's lending levels reflect a good response to assessment area credit needs. The overall volume of loans originated during the examination period was reasonable. A high percentage of loans originated during the examination period were within the bank's assessment area. Overall, 74 percent of the number and 79 percent of the dollar volume of loans were within the assessment area. (See page BB24.)

The analysis included originations for home purchase, refinance and home improvement loans reported under the Home Mortgage Disclosure Act (HMDA), small business loans reported under Section 228.42(a) of Regulation BB, CRA, and consumer loan originations compiled by the bank. The analysis of HMDA, small business loans, and consumer loans included originations from April 1, 1996 through September 30, 1997.

Peapack offers the following credit products: residential mortgages loans, home improvement loans, home equity loans, motor vehicle loans, secured and unsecured consumer loans, and small business loans. As Exhibit A on page BB24 shows, the bank's primary focus during the examination period was consumer lending, particularly other unsecured consumer and motor vehicle loans. The category, *Other unsecured consumer loans*, contains both consumer installment loans and overdraft lines of credit. Of the 1,911 loans originated during the examination period, 74 percent or 1,409 were consumer loans. The level of HMDA and small business loan activity increased 126 percent and 34 percent, respectively, since the prior examination. The increase in lending activity appears to be due to the increase in economic activity in the bank's assessment area. The increase responds to the credit needs in the assessment area for affordable mortgage loans and small business loans.

Under the bank's First Time Home Buyer Program, Peapack originated 13 home purchase mortgage loans with an average loan size of \$86 thousand. For details of this flexible residential mortgage loan product, see the discussion on Innovative or Flexible Lending Practices on page BB13.

## **Geographic Distribution of Lending**

The geographic distribution of Peapack's lending activity was determined through an analysis of the consumer, HMDA, and small business loan data. Peapack's efforts to help meet the credit needs in its assessment area are reflected in a good distribution of loans throughout its assessment area. As previously mentioned, there are no low- and moderate-income geographies in the bank's assessment area in both MSAs.

A review of the lending by census tract shows that the bank had a high penetration level for each of the loan products. The highest concentration of loan originations occurred in relatively close proximity to the bank's branches. This concentration is reasonable given the fact that the branch network is the primary marketing source for its loan products.

Exhibits E through G on pages BB27-BB29, reflect the bank's HMDA, small business and consumer lending activity in the assessment area across census tract income levels.

### **Consumer Loans**

An analysis of consumer loans reveals a high penetration level by census tract for most loan products in both MSAs. Home equity loans were originated in 82 percent of all census tracts; motor vehicle loans were originated in 89 percent of all census tracts; other secured loans were originated in 64 percent of all census tracts; and other unsecured loans were originated in 86 percent of all census tracts.

### **HMDA Loans**

The review shows that the bank's HMDA (home purchase, refinance, and home improvement) activity was strong. Overall, HMDA activity in MSA 5640 was 1.2 times greater than in MSA 5015. At the prior examination, activity in MSA 5015 was 1.4 times greater than in MSA 5640. This reversal appears to be due to the economic growth in MSA 5640 and the opportunities available for home improvement lending in Chester Boro and for residential lending in Mt. Olive. For the overall assessment area, demand adjusted volume in both MSAs increased since the prior examination. This increase in demand adjusted volume in both MSAs appears to reflect the assessment area's economic growth.

### **Small Business Loans**

On a demand-adjusted basis, small business loan activity was strong. Overall, originations in MSA 5640 were 1.8 times greater than in MSA 5015. For loans made to businesses with revenues of \$1 million or less, originations in MSA 5640 were two times greater than in MSA 5015. The trend appears reasonable given the economic growth occurring within MSA 5640 as discussed previously in the performance context.

## **Borrower Characteristics**

Peapack's overall record of lending to borrowers of different income levels, including low- and moderate-income individuals, and business of different sizes is excellent. (See Exhibits H through O, on pages BB30-BB37.) The exhibits illustrate the bank's HMDA, small business and consumer lending activity in the assessment area across applicant income levels. For consumer loans, which represent 83 percent of all non small business related loans originated during the examination period, the distribution to low- and moderate-income borrowers is excellent given the demographics of the assessment area. The distribution of HMDA loans to low- and moderate-income borrowers is also excellent. Excellent performance was noted on small business loans, with a substantial majority of loans made in amounts of \$100,000 or less.

### Consumer Loans

Peapack's consumer lending reflects an excellent distribution of loans among individuals of different income levels. In the overall assessment area, loans to low- and moderate-income borrowers represented 41 percent of total originations, while 19 percent of families are of low- and moderate-income. Loans to low-income borrowers alone accounted for 22 percent of consumer originations, while 6.6 percent of families in the overall assessment area are of low-income. For the specific consumer loan categories, 54 percent of ~~A~~Other Secured Loans, @ 45 percent of ~~A~~Other Unsecured Loans, @ 41 percent of ~~A~~Motor Vehicle Loans, @ and 28 percent of ~~A~~Home Equity Loans@ were made to low- and moderate-income borrowers.

### HMDA Loans

#### Home Purchase Loans

The bank's home purchase lending activity reflects an excellent distribution of loans among individuals of different income levels. In the overall assessment area, 15 percent of loan approvals were to low- and moderate-income borrowers, while 19 percent of families are considered of low- and moderate-income. Of the total loan approvals, 5.8 percent were to low-income borrowers while 6.6 percent of families are considered of low-income. While a disparity exists between loan volume and the level of family distribution by income levels, this disparity is reasonable given the very high cost of housing in relation to borrower income levels. According to the 1990 census, the median housing cost in the assessment area is \$261,092, while the median family income is \$75,108. Low-income families earn 50 percent or less of the median income (\$37,554) and moderate-income families earn between 50 percent and 80 percent of the median family income (\$60,086).

### **Home Improvement Loans**

Home improvement loan activity also reflects an excellent distribution of loans to borrowers of different income levels. For the overall assessment area, 25 percent of loan approvals were to low-and moderate-income borrowers, while 12.5 percent of loan approvals were to low-income borrowers.

### **Refinance Loans**

Refinance loan activity reflects a reasonable distribution of loans to borrowers of different income levels. In the overall assessment area, 7.8 percent of loan approvals were to moderate-income borrowers, while 12 percent of families are considered of moderate-income. While no refinancings were made to low-income borrowers, this lack of refinance activity appears to reflect the financial difficulties of low-income borrowers in effecting such transactions.

### **Small Business Loans**

An analysis of small business lending reveals an excellent record of lending to small businesses. Of all small business loans reported, 90 percent were for loan amounts of \$100,000 or less. The average small business loan size was \$68 thousand. Of small business loans reported, 81 percent were to businesses with gross annual revenues of \$1 million or less. Of the businesses in the assessment area, 87 percent have gross annual revenues of \$1 million or less. For loans up to \$100 thousand made to businesses with annual revenues of \$1 million or less, the average loan size was \$27,640.

Information released by the Federal Financial Institutions Examination Council (AFFIEC<sup>®</sup>) on 1996 small business loan data reported by banks subject to the large bank test under the CRA shows that Peapack's level of lending to businesses with annual revenues of \$1 million or less is higher than that of other large bank test reporters. Of small business loans reported by large commercial banks and thrift associations, 56 percent were made to firms with revenues of \$1 million or less.

### **Community Development Lending**

Peapack made no community development loans during the examination review period due to a lack of community development opportunities within the bank's assessment area. The bank has stressed that it has been actively seeking community development lending opportunities within the area, but opportunities have historically been limited for the bank because of the affluent nature of its assessment area. Information gathered from various community contacts at this examination confirmed this assertion.

### **Innovative or Flexible Lending Practices**

Considering the size and resources of the bank, the lending products offered by Peapack show a highly effective use of flexible lending practices to serve the bank's assessment area. The bank continues to offer a home purchase product targeted to low- and moderate-income applicants. While it is called the First Time Home Buyers Mortgage, applicants are not restricted solely to individuals who have never owned their own homes. The bank will consider an application for this product if at least one applicant has not owned a home in the last two years. The ownership restriction at last examination was three years. Other terms for this product have become more flexible. The maximum income limit has increased from \$44 thousand to \$63 thousand. With private mortgage insurance, the maximum loan-to-value ratio has been raised from 80 percent to 95 percent. The maximum loan amount has increased from \$100 thousand to \$200 thousand. During the examination review period, 13 First Time Home Buyers Mortgages were originated by the bank as compared to four at last examination.

Peapack is a certified Small Business Administration (**SBA**) lender. During the examination review period, the bank originated two SBA loans.

## **INVESTMENT TEST**

Peapack-s A low satisfactory@ rating on the investment test is based on an adequate level of qualified investments. These investments, however, are neither innovative nor complex.

The bank-s qualified investments include grants to organizations which provide community development services to low- and moderate-income individuals. During the examination period, grants and donations meeting the definition of qualified investments totaled \$6.5 thousand. The organizations receiving financial support are involved with the following community development activities: day care facilities for single parents seeking to complete their education, credit counseling for low- and moderate-income families seeking home ownership, and a low- and moderate-income senior citizen housing facility. One organization also provides a statewide community loan fund for low-income people in need of housing, jobs and services. Donations were also used to pay for the advertising of several organizations and for classroom materials for the How To Do Your Banking Program.

## **SERVICE TEST**

Peapack's rating on the service test is Ahigh satisfactory@ and is based on the bank's record of providing a relatively high level of banking services in its assessment area. The bank's delivery systems are readily accessible to all portions of the bank's assessment area and services do not vary in a way that inconveniences any portion of the assessment area. Peapack also provides a relatively high level of community development services, based on its size and resources.

### **Accessibility of Delivery Systems**

The bank's delivery systems, including the branch network, ATMs and alternative banking functions such as bank by mail, by phone, and direct deposit, are readily accessible to all portions of Peapack's assessment area. Bank by automated phone is not available. Peapack serves its assessment area with a network of 11 branches, including the main office in Gladstone. Branches are located in Gladstone, Bernardsville, Califon, Chester, Far Hills, Peapack-Gladstone, Long Valley, Mendham, Pluckemin, Pottersville, and Fellowship Village. The majority of branches are situated in Somerset County.

### **Changes in Branch Locations**

Since the last examination, the bank opened a branch in MSA 5015 (Somerset County) which is situated in the retirement community of Fellowship Village for the convenience of its residents. Nonresident customers may also use the new branch. The bank has never closed a branch.

Peapack has an adequate branch closing policy in place which conforms to the Joint Interagency Policy Statement Regarding Branch Closings. The policy states that the bank shall notify, in writing, its primary supervisory agencies, of any branch closing 90 days prior to such closing. The depositors of the affected branch shall also be notified 90 days prior to the closing.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

The bank's business hours are reasonable and meet the needs of the assessment area. Extended evening hours are provided at all branches except for the Fellowship Village branch and the branch located at 158 Route 206 North. Fellowship Village has limited hours due to its focus on the retirement community's residents. The branch at 158 Route 206 North is also Peapack's Loan and Administration office. Saturday hours are provided at 6 branches. Those branches not open on weekends are relatively close to other branches with Saturday hours.

Twenty-four hour ATMs are available at 8 of 11 branches. A ninth ATM with limited hours is available in Peapack-Gladstone. Peapack's ATMs are connected to national networks.

### **Community Development Services**

Based on its size and resources, Peapack provides a relatively high level of community development services. Peapack is proactive in providing financial education and technical assistance to members of its community in both MSA 5640 and MSA 5015. This education and assistance has been targeted to affordable housing groups, small businesses, and teenagers within its assessment area. The bank has also assisted in fundraising efforts for several nonprofit groups.

The bank sponsors the How to Do Your Banking Program. This program, which involves classroom presentations by a Peapack branch manager, instructs high school students on the basics of money management. Lessons include the prudent use of credit, how to apply credit formulas to figure one's capacity to repay a loan, how to build and maintain a good credit rating, and how to balance a checking account. Six area high schools participate in the program which runs from the 1997 to 1998 school year.

## **COMPLIANCE WITH FAIR LENDING LAWS**

No credit practices were identified that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act and the Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.

## METROPOLITAN STATISTICAL AREA ANALYSIS

### **MSA 5015 (MIDDLESEX-SOMERSET-HUNTERDON, NJ)**

Peapack's overall performance in MSA 5015 is strong. The geographic distribution of the bank's lending activity is good, given the population, and the number of owner-occupied housing units, the location of the bank's branches and the number of businesses in the area. The record of lending to borrowers of different income levels, including low- and moderate-income individuals, and businesses of different sizes is excellent. The bank's delivery systems in the MSA are readily accessible and services do not vary in a way that inconveniences any portion of the population in the bank's assessment area. Based on its size and resources, Peapack provides a relatively high level of community development services to the MSA.

#### **LENDING TEST**

##### **Geographic Distribution**

The geographic distribution of Peapack's lending activity is good. The distribution of HMDA, small business and consumer lending within MSA 5015 reasonably corresponds to the MSA's population and the distribution of the bank's branches in the MSA. Seven of eight of the bank's branches in MSA 5015 are located in Somerset County. The bank has only a minimal presence in Hunterdon County with one branch.

See Exhibits E through G on pages BB27-BB29 of this report.

Consumer loan originations reflect a good geographic distribution of loans in MSA 5015. A high level of census tract penetration occurred for most loan products in the MSA.

The level of HMDA lending activity was consistent with the population demographics of MSA 5015 and the concentration of branches in Somerset County.

On a demand adjusted basis, small business loan activity was consistent with the distribution of businesses in MSA 5015. Small business loan activity was almost 1.9 times greater in Somerset County than in Hunterdon County. For loans made to businesses with annual revenues of \$1 million or less, originations in Somerset County were 1.8 times greater than in Hunterdon County.

Of all businesses in MSA 5015, 59 percent are located in Somerset. Of all businesses with annual revenues of \$1 million or less in this portion of MSA 5015, 58 percent are located in Somerset.

## **Borrower Characteristics**

Peapack's record of lending in MSA 5015 to borrowers of different income levels, including low- and moderate-income individuals, and businesses of different sizes is excellent. See Exhibits H through O, on pages BB30-BB37 of this report.

### **Consumer Loans**

The bank's consumer lending in MSA 5015 reflects an excellent distribution of loans among individuals of different income levels. Consumer loans to low- and moderate-income borrowers represented 44 percent of total originations in MSA 5015, while 20 percent of families in the MSA are of low- and moderate-income. Loans to low-income borrowers accounted for 23 percent of total originations in MSA 5015, while 7 percent of families in the MSA are of low-income.

### **Home Purchase Loans**

The bank's home purchase lending activity reflects an excellent distribution of loans among individuals of different income levels. In MSA 5015, 18 percent of loan approvals were to low- and moderate-income borrowers, while 20 percent of families are considered of low- and moderate-income. Of total loan approvals in MSA 5015, 7 percent were to low-income borrowers while 7 percent of families are considered of low-income. The similarity between lending activity and the distribution of lending by family income levels is excellent given the very high cost of housing in relation to borrower income levels.

### **Home Improvement Loans**

Home improvement loan activity also reflects an excellent distribution of loans to borrowers of different income levels. In MSA 5015, 27 percent of loan approvals were to low- and moderate-income borrowers, while 10 percent of loan approvals were to low-income borrowers alone.

### **Refinance Loans**

Refinance loan activity reflects a very good distribution of loans to borrowers of different income levels. In MSA 5015, 9 percent of loan approvals were to moderate-income borrowers, while 12 percent of families are considered of moderate income. No refinance loans were made to low-income borrowers. As stated previously, this lack of refinance activity to low-income borrowers appears to reflect the financial difficulties of low-income borrowers in effecting such transactions.

**Small Business Loans**

An analysis of small business lending reveals an excellent record of lending to small businesses in MSA 5015. Of all small business loans reported in MSA 5015, 93 percent were for loan amounts of \$100,000 or less. The average loan size for all small business loans was \$50 thousand. Of the small business loans reported in MSA 5015, 76 percent were to businesses with gross annual revenues of \$1 million or less. Of the businesses in MSA 5015, 87 percent have gross annual revenues of \$1 million or less. For loans up to \$100 thousand made to businesses with annual revenues of \$1 million or less the average loan size was \$28,854.

**SERVICE TEST**

**Accessibility of Delivery Systems**

The bank has 8 of 11 branches within MSA 5015. Twenty-four hour ATMs are located at the following locations: Gladstone, Bernardsville, Califon, Far Hills, and Pluckemin. The Peapack-Gladstone branch only provides limited ATM hours.

**Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

The Bernardsville, Califon, and Pluckemin branches provide Saturday hours. Evening hours are provided at the Gladstone, Bernardsville, Califon, Far Hills, Pluckemin, and Pottersville branches.

**Community Development Services**

During the examination period, Peapack provided technical expertise to two affordable housing organizations in Somerset County. The bank conducted home ownership counseling meetings and affordable housing seminars in Somerset County. The bank also provided technical assistance at an SBA Community Assistance Seminar in Somerset County. A bank employee acted as treasurer for a small business association in Somerset County.

The bank's How to Do Your Banking Program is conducted at three Somerset County high schools. A bank employee also conducted a presentation on the use of credit to a group of teenagers in Hunterdon County.

The bank was also involved in fund raising on behalf of an affordable housing organization.

## METROPOLITAN STATISTICAL AREA ANALYSIS

### M.A. 5640 (NEWARK, NJ)

Peapack's overall performance in MSA 5640 is satisfactory. The geographic distribution of the bank's lending activity is good, given the population, the number of owner-occupied housing units, the location of the bank's branches and the number of businesses in the area. The record of consumer and home improvement lending to borrowers of different income levels, including low- and moderate-income individuals, is at an excellent level. However, home purchase and refinance loan activity only reflect reasonable loan distribution among borrowers of different income levels. The record of lending to businesses of different sizes is excellent. The bank's delivery systems in the MSA are readily accessible and services do not vary in a way that inconveniences any portion of the population in the bank's assessment area. Based on its size and resources, Peapack provides a reasonable level of community development services to the MSA.

## LENDING TEST

### Geographic Distribution

The geographic distribution of Peapack's lending activity in MSA 5640 is good. The distribution of HMDA, small business and consumer lending within MSA 5640 is reasonable when considering the age of the MSA's housing stock, the level of economic activity, and the bank's limited branch network of three facilities.

Consumer loan originations reflect a good geographic distribution of loans in MSA 5640. A high level of census tract penetration occurred for most consumer loan products in the MSA.

The level of HMDA lending in MSA 5640 was generally consistent to the MSA's level of population and owner-occupied housing. A high volume of home improvement lending relative to other HMDA originations addresses the need for repair of an aging housing stock in the MSA.

On a demand adjusted basis, small business loan activity in MSA 5640 was higher than in either the Somerset or Hunterdon County portions of MSA 5015. This higher demand-adjusted level of lending reflects the economic growth occurring in the area. Small business loan activity was 1.5 times greater in MSA 5640 than in Somerset County. For loans made to businesses with annual revenues of \$1 million or less, originations in MSA 5640 were 1.7 times greater than in Somerset County.

## **Borrower Characteristics**

### Consumer Loans

The bank's consumer lending in MSA 5640 reflects an excellent distribution of loans among individuals of different income levels. Consumer loans to low- and moderate-income borrowers represented 38 percent of total originations in MSA 5640, while 17 percent of families in the MSA are of low- and moderate-income. Loans to low-income borrowers accounted for 20 percent of total originations in MSA 5640, while 5.4 percent of families in the MSA are of low-income.

### Home Purchase Loans

The bank's home purchase lending activity reflects a reasonable distribution of loans among individuals of different income levels. While no home purchase loans were made to low-income borrowers, 6 percent of loan approvals were to moderate-income borrowers. In MSA 5640, 11.3 percent of families are considered moderate-income. The disparity between lending activity and the distribution of lending by family income levels is reasonable given the very high cost of housing in relation to borrower income levels.

### Home Improvement Loans

Home improvement loan activity reflects an excellent distribution of loans to borrowers of different income levels. In MSA 5640, 21 percent of loan approvals were to low- and moderate-income borrowers while 17 percent of loan approvals were to low-income borrowers alone.

### Refinance Loans

Refinance loan activity reflects a reasonable distribution of loans to borrowers of different income levels. In MSA 5640, 6 percent of loan approvals were to moderate-income borrowers, while 11.3 percent of families are considered moderate-income. No refinance loans were made to low-income borrowers. As stated previously, this lack of refinance activity to low-income borrowers appears to reflect the financial difficulties of low-income borrowers in effecting such transactions.

### Small Business Loans

An analysis of small business lending reveals an excellent record of lending to small businesses in MSA 5640. Of all small business loans reported in MSA 5640, 85 percent were for loan amounts of \$100,000 or less. The average loan size for all small business loans was \$91 thousand. Of small business loans reported in MSA 5640, 87 percent were to businesses with gross annual revenues of \$1 million or less. Of the businesses in MSA 5640, 87 percent have gross annual revenues of \$1 million or less. For loans up to \$100 thousand made to businesses with annual

revenues of \$1 million or less the average loan size was \$26,192.

## **SERVICE TEST**

### **Accessibility of Delivery Systems**

The bank's three branches within MSA 5640 are located in Chester, Long Valley, and Mendham. All three branches have 24 hour ATMs.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

All three branches provide both Saturday and weekday evening hours.

### **Community Development Services**

The bank provided technical expertise to an affordable housing group in Morris County. Bank employees also gave a lecture on budgeting and banking relationships to a group of Morris County high school students. The bank's How To Do Your Banking Program is conducted at three area high schools in Morris County.

The bank also participated in fund raising for a soup kitchen and an affordable housing organization.

**EXHIBIT A**  
**Total Loans**  
**April 1, 1996 - September 30, 1997**

<b>Loan Type</b>	<b>Number</b>	<b>% of Total</b>	<b>\$ (000s)</b>	<b>% of Total</b>
Other Unsecured Consumer	597	42%	\$3,272	12%
Motor Vehicle	464	33%	\$6,268	23%
Home Equity	206	15%	\$13,577	50%
Other Secured Consumer	141	10%	\$4,181	15%
Other Consumer	1	*	\$11	*
<b>TOTAL CONSUMER</b>	<b>1,409</b>	<b>100%</b>	<b>\$27,309</b>	<b>100%</b>
HMDA Home Purchase	111	39%	\$24,730	56%
HMDA Home Improvement	93	32%	\$2,479	6%
HMDA Refinance	83	29%	\$16,669	38%
<b>TOTAL HMDA</b>	<b>287</b>	<b>100%</b>	<b>\$43,878</b>	<b>100%</b>
<b>TOTAL CONSUMER</b>	1,409	73.7%	\$27,309	31.7%
<b>TOTAL HMDA</b>	287	15.0%	\$43,878	50.8%
<b>TOTAL SMALL BUSINESS</b>	215	11.3%	\$15,056	17.5%
<b>TOTAL LOANS</b>	<b>1,911</b>	<b>100.0%</b>	<b>\$86,243</b>	<b>100.0%</b>

\*Less than one percent.

**EXHIBIT B**  
**LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA**  
(Dollar Amounts in Thousands)

	HMDA	Small Business	Consumer	Total
	4/1/96 - 9/30/97	4/1/96 - 9/30/97	4/1/96 - 9/30/97	
<b>In Assessment Area</b>				
Number/Percent of Total	226 79%	153 71%	1,036 74%	<b>1,415 74%</b>
\$ Amount/Percent of Total	\$36,712 84%	\$10,419 69%	\$20,885 76%	<b>\$68,016 79%</b>
<b>Out of Assessment Area</b>				
Number/Percent of Total	61 21%	62 29%	373 26%	<b>496 26%</b>
\$ Amount/Percent of Total	\$7,166 16%	\$4,637 31%	\$6,424 24%	<b>\$18,227 21%</b>
<b>Totals</b>				

Number of Loans	287	215	1,409	<b>1,911</b>
\$ Amount of Loans	\$43,878	\$15,056	\$27,309	<b>\$86,243</b>

**EXHIBIT C**

<b>MSA 5015 (Middlesex-Somerset-Hunterdon, NJ) DEMOGRAPHIC SUMMARY</b>			
<b>Census Tracts by Income Level</b>			
	Middle	Upper	Total
Census Tracts for Analysis	3	17	20
% of Tracts for Analysis	15%	85%	100%
Total Population	13,724	79,328	93,052
% of Total Population	14.7%	85.3%	100%
Families Residing In	3,734	22,286	26,020
% of Families Residing In	14%	86%	100%
Owner-Occupied Housing Units	3,910	24,497	28,407
% of Owner-Occupied Units	13.8%	86.2%	100%
Rental-Occupied Housing Units	1,023	3,687	4,710
% of Rental-Occupied Units	21.7%	78.3%	100%
Total Business Establishments	1,083	3,199	4,282
% of Business Establishments	25%	75%	100%

The bank's assessment area has no low- and moderate-income census tracts.

**EXHIBIT D**

<b>MSA 5640 (Newark, NJ) DEMOGRAPHIC SUMMARY</b>			
<b>Census Tracts by Income Level</b>			
	Middle	Upper	Total
Census Tracts for Analysis	1	7	8
% of Tracts for Analysis	12.5%	87.5%	100%
Total Population	10,376	34,702	45,078
% of Total Population	23%	77%	100%
Families Residing In	2,772	9,627	12,399
% of Families Residing In	22%	78%	100%
Owner-Occupied Housing Units	2,009	10,033	12,042
% of Owner-Occupied Units	16.7%	83.3%	100%
Rental-Occupied Housing Units	1,836	1,352	3,188
% of Rental-Occupied Units	57.6	42.4	100%
Total Business Establishments	369	1,483	1,852
% of Business Establishments	20%	80%	100%

The bank's assessment area has no low- and moderate-income census tracts.

**EXHIBIT E**

**Consumer Loan Census Tract Penetration**  
**April 1, 1996 - September 30, 1997**

	<b>% of C.T.s Penetrated in MSA 5015</b>	<b>% of C.T.s Penetrated in MSA 5640</b>
Home Equity Loans	85%	75%
Motor Vehicle Loans	90%	88%
Other Secured Loans	60%	75%
Other Unsecured Loans	85%	88%

\*Census Tracts

**EXHIBIT F**

**Demand Adjusted Analysis for Small Business Loans Across Census Tracts By Income Levels**  
**April 1, 1996 through September 30, 1997**

	Somerset	Hunterdon	MSA 5015 Total	MSA 5640 (Morris) Total	Assessment Area Total
<b>Middle Income Tracts</b>					
# of Businesses	0	1,083	<b>1,083</b>	<b>369</b>	<b>1,452</b>
# of Loans	0	12	<b>12</b>	<b>17</b>	<b>29</b>
# of Loans Per 1,000 Businesses	0	11.08	<b>11.08</b>	<b>46.07</b>	<b>19.97</b>
<b>Upper Income Tracts</b>					
# of Businesses	2,505	694	<b>3,199</b>	<b>1,483</b>	<b>4,682</b>
# of Loans	62	11	<b>73</b>	<b>51</b>	<b>124</b>
# of Loans Per 1,000 Businesses	24.75	15.85	<b>22.82</b>	<b>34.39</b>	<b>26.48</b>
<b>Total Census Tracts</b>					
# of Businesses	2,505	1,777	<b>4,282</b>	<b>1,852</b>	<b>6,134</b>
# of Loans	62	23	<b>85</b>	<b>68</b>	<b>153</b>
# of Loans Per 1,000 Businesses	24.75	12.94	<b>19.85</b>	<b>36.72</b>	<b>24.94</b>

**EXHIBIT G**

**Demand Adjusted Analysis for Small Business Loans to Businesses  
with Gross Annual Revenues of \$1 Million or Less Across Census Tracts By Income Levels  
April 1, 1996 through September 30, 1997**

	Somerset	Hunterdon	MSA 5015 Total	MSA 5640 (Morris) Total	Assessment Area Total
<b>Middle Income Tracts</b>					
# of Businesses w/ Gross Annual Revenues of \$1mm or less	0	958	<b>958</b>	<b>301</b>	<b>1,259</b>
# of Loans	0	11	<b>11</b>	<b>16</b>	<b>27</b>
# of Loans Per 1,000 Businesses w/ Gross Annual Revenues of \$1mm or less	0	11.48	<b>11.48</b>	<b>53.16</b>	<b>21.45</b>
<b>Upper Income Tracts</b>					
# of Businesses w/ Gross Annual Revenues of \$1mm or less	2,155	614	<b>2,769</b>	<b>1,319</b>	<b>4,088</b>
# of Loans	46	8	<b>54</b>	<b>43</b>	<b>97</b>
# of Loans Per 1,000 Businesses w/ Gross Annual Revenues of \$1mm or less	21.35	13.03	<b>19.50</b>	<b>32.60</b>	<b>23.73</b>
<b>Total Census Tracts</b>					
# of Businesses w/ Gross Annual Revenues of \$1mm or less	2,155	1,572	<b>3,727</b>	<b>1,620</b>	<b>5,347</b>
# of Loans	46	19	<b>65</b>	<b>59</b>	<b>124</b>
# of Loans Per 1,000 Businesses w/ Gross Annual Revenues of \$1mm or less	21.35	12.09	<b>17.44</b>	<b>36.42</b>	<b>23.19</b>

**EXHIBIT H**

**Distribution of Other Secured Loans Across Borrower Income Levels**  
**April 1, 1996 through September 30, 1997**

	Somerset	Hunterdon	MSA 5015 Total	MSA 5640 (Morris) Total	Assessment Area Total
<b>Low Income Borrowers</b>					
# of Loans	19	2	<b>21</b>	<b>9</b>	<b>30</b>
% of Total	43.18	33.33	<b>42.00</b>	<b>30.00</b>	<b>37.50</b>
\$ Amt of Loans (000s)	\$251	\$27	<b>\$278</b>	<b>\$73</b>	<b>\$351</b>
% of Total	17.97	51.92	<b>19.19</b>	<b>5.84</b>	<b>13.00</b>
<b>Moderate Income Borrowers</b>					
# of Loans	4	2	<b>6</b>	<b>7</b>	<b>13</b>
% of Total	9.09	33.33	<b>12.00</b>	<b>23.33</b>	<b>16.25</b>
\$ Amt of Loans (000s)	\$22	\$16	<b>\$38</b>	<b>\$53</b>	<b>\$91</b>
% of Total	1.57	30.77	<b>2.62</b>	<b>4.24</b>	<b>3.37</b>
<b>Middle Income Borrowers</b>					
# of Loans	11	1	<b>12</b>	<b>6</b>	<b>18</b>
% of Total	25.00	16.67	<b>24.00</b>	<b>20.00</b>	<b>22.50</b>
\$ Amt of Loans (000s)	\$322	\$3	<b>\$325</b>	<b>\$398</b>	<b>\$723</b>
% of Total	23.05	5.77	<b>22.43</b>	<b>31.81</b>	<b>26.78</b>
<b>Upper Income Borrowers</b>					
# of Loans	10	1	<b>11</b>	<b>8</b>	<b>19</b>
% of Total	22.73	16.67	<b>22.00</b>	<b>26.67</b>	<b>23.75</b>
\$ Amt of Loans (000s)	\$802	\$6	<b>\$808</b>	<b>\$727</b>	<b>\$1,535</b>
% of Total	57.41	11.54	<b>55.76</b>	<b>58.11</b>	<b>56.85</b>
<b>Totals</b>					
# of Loans	44	6	<b>50</b>	<b>30</b>	<b>80</b>
\$ Amt of Loans (000s)	\$1,397	\$52	<b>\$1,449</b>	<b>\$1,251</b>	<b>\$2,700</b>

**EXHIBIT I**

**Distribution of Other Unsecured Loans Across Borrower Income Levels**  
**April 1, 1996 through September 30, 1997**

	Somerset	Hunterdon	MSA 5015 Total	MSA 5640 (Morris) Total	Assessment Area Total
<b>Low Income Borrowers</b>					
# of Loans	56	12	<b>68</b>	<b>36</b>	<b>104</b>
% of Total	27.32	21.82	<b>26.15</b>	<b>20.81</b>	<b>24.02</b>
\$ Amt of Loans (000s)	\$228	\$42	<b>\$270</b>	<b>\$72</b>	<b>\$342</b>
% of Total	16.43	15.22	<b>16.23</b>	<b>11.08</b>	<b>14.78</b>
<b>Moderate Income Borrowers</b>					
# of Loans	43	14	<b>57</b>	<b>32</b>	<b>89</b>
% of Total	20.98	25.45	<b>21.92</b>	<b>18.50</b>	<b>20.55</b>
\$ Amt of Loans (000s)	\$175	\$45	<b>\$220</b>	<b>\$112</b>	<b>\$332</b>
% of Total	12.61	16.30	<b>13.22</b>	<b>17.23</b>	<b>14.35</b>
<b>Middle Income Borrowers</b>					
# of Loans	37	16	<b>53</b>	<b>36</b>	<b>89</b>
% of Total	18.05	29.09	<b>20.38</b>	<b>20.81</b>	<b>20.55</b>
\$ Amt of Loans (000s)	\$340	\$74	<b>\$414</b>	<b>\$102</b>	<b>\$516</b>
% of Total	24.50	26.81	<b>24.88</b>	<b>15.69</b>	<b>22.30</b>
<b>Upper Income Borrowers</b>					
# of Loans	69	13	<b>82</b>	<b>69</b>	<b>151</b>
% of Total	33.65	23.64	<b>31.54</b>	<b>39.88</b>	<b>34.87</b>
\$ Amt of Loans (000s)	\$645	\$115	<b>\$760</b>	<b>\$364</b>	<b>\$1,124</b>
% of Total	46.47	41.67	<b>45.67</b>	<b>56.00</b>	<b>48.57</b>
<b>Totals</b>					
# of Loans	205	55	<b>260</b>	<b>173</b>	<b>433</b>
\$ Amt of Loans (000s)	\$1,388	\$276	<b>\$1,664</b>	<b>\$650</b>	<b>\$2,314</b>

**EXHIBIT J**

**Distribution of Motor Vehicle Loans Across Borrower Income Levels**  
**April 1, 1996 through September 30, 1997**

	Somerset	Hunterdon	MSA 5015 Total	MSA 5640 (Morris) Total	Assessment Area Total
<b>Low Income Borrowers</b>					
# of Loans	33	7	<b>40</b>	<b>26</b>	<b>66</b>
% of Total	23.08	12.96	<b>20.30</b>	<b>24.30</b>	<b>21.71</b>
\$ Amt of Loans (000s)	\$299	\$64	<b>\$363</b>	<b>\$240</b>	<b>\$603</b>
% of Total	15.30	8.45	<b>13.39</b>	<b>16.29</b>	<b>14.41</b>
<b>Moderate Income Borrowers</b>					
# of Loans	29	10	<b>39</b>	<b>20</b>	<b>59</b>
% of Total	20.28	18.52	<b>19.80</b>	<b>18.69</b>	<b>19.41</b>
\$ Amt of Loans (000s)	\$308	\$127	<b>\$435</b>	<b>\$283</b>	<b>\$718</b>
% of Total	15.76	16.78	<b>16.05</b>	<b>19.21</b>	<b>17.16</b>
<b>Middle Income Borrowers</b>					
# of Loans	27	17	<b>44</b>	<b>17</b>	<b>61</b>
% of Total	18.88	31.48	<b>22.34</b>	<b>15.89</b>	<b>20.07</b>
\$ Amt of Loans (000s)	\$494	\$212	<b>\$706</b>	<b>\$201</b>	<b>\$907</b>
% of Total	25.28	28.01	<b>26.04</b>	<b>13.65</b>	<b>21.68</b>
<b>Upper Income Borrowers</b>					
# of Loans	54	20	<b>74</b>	<b>44</b>	<b>118</b>
% of Total	37.76	37.04	<b>37.56</b>	<b>41.12</b>	<b>38.82</b>
\$ Amt of Loans (000s)	\$853	\$354	<b>\$1,207</b>	<b>\$749</b>	<b>\$1,956</b>
% of Total	43.65	46.76	<b>44.52</b>	<b>50.85</b>	<b>46.75</b>
<b>Totals</b>					
# of Loans	143	54	<b>197</b>	<b>107</b>	<b>304</b>
\$ Amt of Loans (000s)	\$1,954	\$757	<b>\$2,711</b>	<b>\$1,473</b>	<b>\$4,184</b>

## **EXHIBIT K**

### **Distribution of Home Equity Loans Across Borrower Income Levels** **April 1, 1996 through September 30, 1997**

	Somerset	Hunterdon	MSA 5015 Total	MSA 5640 (Morris) Total	Assessment Area Total
<b>Low Income Borrowers</b>					
# of Loans	7	2	<b>9</b>	<b>3</b>	<b>12</b>
% of Total	9.59	6.45	<b>8.65</b>	<b>5.00</b>	<b>7.32</b>
\$ Amt of Loans (000s)	\$288	\$68	<b>\$356</b>	<b>\$127</b>	<b>\$483</b>
% of Total	4.87	3.04	<b>4.37</b>	<b>4.24</b>	<b>4.33</b>
<b>Moderate Income Borrowers</b>					
# of Loans	18	8	<b>26</b>	<b>8</b>	<b>34</b>
% of Total	24.66	25.81	<b>25.00</b>	<b>13.33</b>	<b>20.73</b>
\$ Amt of Loans (000s)	\$1,055	\$275	<b>\$1,330</b>	<b>\$203</b>	<b>\$1,533</b>
% of Total	17.83	12.31	<b>16.32</b>	<b>6.78</b>	<b>13.76</b>
<b>Middle Income Borrowers</b>					
# of Loans	15	8	<b>23</b>	<b>13</b>	<b>36</b>
% of Total	20.55	25.81	<b>22.12</b>	<b>21.67</b>	<b>21.95</b>
\$ Amt of Loans (000s)	\$513	\$437	<b>\$950</b>	<b>\$324</b>	<b>\$1,274</b>
% of Total	8.67	19.56	<b>11.66</b>	<b>10.83</b>	<b>11.43</b>
<b>Upper Income Borrowers</b>					
# of Loans	33	13	<b>46</b>	<b>36</b>	<b>82</b>
% of Total	45.21	41.94	<b>44.23</b>	<b>60.00</b>	<b>50.00</b>
\$ Amt of Loans (000s)	\$4,060	\$1,454	<b>\$5,514</b>	<b>\$2,339</b>	<b>\$7,853</b>
% of Total	68.63	65.09	<b>67.66</b>	<b>78.15</b>	<b>70.47</b>
<b>Totals</b>					
# of Loans	73	31	<b>104</b>	<b>60</b>	<b>164</b>
\$ Amt of Loans (000s)	\$5,916	\$2,234	<b>\$8,150</b>	<b>\$2,993</b>	<b>\$11,143</b>

**EXHIBIT L**

**Distribution of Home Purchase Loans Across Borrower Income Levels**  
**April 1, 1996 through September 30, 1997**

	Somerset	Hunterdon	MSA 5015 Total	MSA 5640 (Morris) Total	Assessment Area Total
<b>Low Income Borrowers</b>					
# of Loans	5	0	<b>5</b>	<b>0</b>	<b>5</b>
% of Total	9.43	0	<b>7.35</b>	<b>0</b>	<b>5.81</b>
\$ Amt of Loans (000s)	\$264	0	<b>\$264</b>	<b>0</b>	<b>\$264</b>
% of Total	2.22	0	<b>1.58</b>	<b>0</b>	<b>1.24</b>
<b>Moderate Income Borrowers</b>					
# of Loans	7	0	<b>7</b>	<b>1</b>	<b>8</b>
% of Total	13.21	0	<b>10.29</b>	<b>5.56</b>	<b>9.30</b>
\$ Amt of Loans (000s)	\$770	0	<b>\$770</b>	<b>\$194</b>	<b>\$964</b>
% of Total	6.47	0	<b>4.62</b>	<b>4.18</b>	<b>4.53</b>
<b>Middle Income Borrowers</b>					
# of Loans	6	2	<b>8</b>	<b>4</b>	<b>12</b>
% of Total	11.32	13.33	<b>11.76</b>	<b>22.22</b>	<b>13.95</b>
\$ Amt of Loans (000s)	\$850	205	<b>\$1,055</b>	<b>\$575</b>	<b>\$1,630</b>
% of Total	7.14	4.30	<b>6.33</b>	<b>12.40</b>	<b>7.65</b>
<b>Upper Income Borrowers</b>					
# of Loans	35	13	<b>48</b>	<b>13</b>	<b>61</b>
% of Total	66.04	86.67	<b>70.59</b>	<b>72.22</b>	<b>70.93</b>
\$ Amt of Loans (000s)	\$10,015	4,560	<b>\$14,575</b>	<b>\$3,869</b>	<b>\$18,444</b>
% of Total	84.17	95.70	<b>87.46</b>	<b>83.42</b>	<b>86.58</b>
<b>Totals</b>					
# of Loans	53	15	<b>68</b>	<b>18</b>	<b>86</b>
\$ Amt of Loans (000s)	\$11,899	\$4,765	<b>\$16,664</b>	<b>\$4,638</b>	<b>\$21,302</b>

**EXHIBIT M**  
**Distribution of Home Improvement Loans Across Borrower Income Levels**  
**April 1, 1996 through September 30, 1997**

	Somerset	Hunterdon	MSA 5015 Total	MSA 5640 (Morris) Total	Assessment Area Total
<b>Low Income Borrowers</b>					
# of Loans	4	1	<b>5</b>	<b>4</b>	<b>9</b>
% of Total	11.76	7.14	<b>10.42</b>	<b>16.67</b>	<b>12.50</b>
\$ Amt of Loans (000s)	\$55	\$5	<b>\$60</b>	<b>\$64</b>	<b>\$124</b>
% of Total	5.52	1.48	<b>4.49</b>	<b>11.02</b>	<b>6.47</b>
<b>Moderate Income Borrowers</b>					
# of Loans	5	3	<b>8</b>	<b>1</b>	<b>9</b>
% of Total	14.71	21.43	<b>16.67</b>	<b>4.17</b>	<b>12.50</b>
\$ Amt of Loans (000s)	\$58	\$90	<b>\$148</b>	<b>\$22</b>	<b>\$170</b>
% of Total	5.82	26.63	<b>11.09</b>	<b>3.79</b>	<b>8.87</b>
<b>Middle Income Borrowers</b>					
# of Loans	9	6	<b>15</b>	<b>6</b>	<b>21</b>
% of Total	26.47	42.86	<b>31.25</b>	<b>25.00</b>	<b>29.17</b>
\$ Amt of Loans (000s)	\$168	\$133	<b>\$301</b>	<b>\$122</b>	<b>\$423</b>
% of Total	16.85	39.35	<b>22.55</b>	<b>21.00</b>	<b>22.08</b>
<b>Upper Income Borrowers</b>					
# of Loans	16	4	<b>20</b>	<b>13</b>	<b>33</b>
% of Total	47.06	28.57	<b>41.67</b>	<b>54.17</b>	<b>45.83</b>
\$ Amt of Loans (000s)	\$716	\$110	<b>\$826</b>	<b>\$373</b>	<b>\$1,199</b>
% of Total	71.82	32.54	<b>61.87</b>	<b>64.20</b>	<b>62.58</b>
<b>Totals</b>					
# of Loans	34	14	<b>48</b>	<b>24</b>	<b>72</b>
\$ Amt of Loans (000s)	\$997	\$338	<b>\$1,335</b>	<b>\$581</b>	<b>\$1,916</b>

**EXHIBIT N**  
**Distribution of Refinancing Loans Across Borrowers Income Levels**  
**April 1, 1996 through September 30, 1997**

	Somerset	Hunterdon	MSA 5015 Total	MSA 5640 (Morris) Total	Assessment Area Total
<b>Low Income Borrowers</b>					
# of Loans	0	0	<b>0</b>	<b>0</b>	<b>0</b>
% of Total	0	0	<b>0</b>	<b>0</b>	<b>0</b>
\$ Amt of Loans (000s)	0	0	<b>0</b>	<b>0</b>	<b>0</b>
% of Total	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>Moderate Income Borrowers</b>					
# of Loans	2	1	<b>3</b>	<b>2</b>	<b>5</b>
% of Total	7.69	14.29	<b>9.09</b>	<b>6.45</b>	<b>7.81</b>
\$ Amt of Loans (000s)	\$195	\$100	<b>\$295</b>	<b>\$107</b>	<b>\$402</b>
% of Total	3.50	9.85	<b>4.48</b>	<b>1.66</b>	<b>3.08</b>
<b>Middle Income Borrowers</b>					
# of Loans	6	2	<b>8</b>	<b>4</b>	<b>12</b>
% of Total	23.08	28.57	<b>24.24</b>	<b>12.90</b>	<b>18.75</b>
\$ Amt of Loans (000s)	\$685	\$208	<b>\$893</b>	<b>\$351</b>	<b>\$1,244</b>
% of Total	12.31	20.49	<b>13.57</b>	<b>5.44</b>	<b>9.54</b>
<b>Upper Income Borrowers</b>					
# of Loans	18	4	<b>22</b>	<b>25</b>	<b>47</b>
% of Total	69.23	57.14	<b>66.67</b>	<b>80.65</b>	<b>73.44</b>
\$ Amt of Loans (000s)	\$4,685	\$707	<b>\$5,392</b>	<b>\$5,997</b>	<b>\$11,389</b>
% of Total	84.19	69.66	<b>81.95</b>	<b>92.90</b>	<b>87.37</b>
<b>Totals</b>					
# of Loans	26	7	<b>33</b>	<b>31</b>	<b>64</b>
\$ Amt of Loans (000s)	\$5,565	\$1,015	<b>\$6,580</b>	<b>\$6,455</b>	<b>\$13,035</b>

**EXHIBIT O**  
**Distribution of Small Business Loans by Loan Size and Business Size**  
**April 1, 1996 - September 30, 1997**

**Assessment Area: Small Business Loans**

	#	%	\$	%
< = \$100m	137	89.54	\$4,015	38.54
> \$100m & < = \$250m	9	5.88	\$1,514	14.53
> \$250m	7	4.58	\$4,890	46.93
<b>Totals</b>	<b>153</b>	<b>100%</b>	<b>\$10,419</b>	<b>100%</b>

**Assessment Area: Small Business Loans to Businesses with Gross Annual Revenues < = \$ 1 Million**

	#	%	\$	%
< = \$100m	114	91.94	\$3,151	45.43
> \$100m & < = \$250m	7	5.64	\$1,195	17.23
> \$250m	3	2.42	\$2,590	37.34
<b>Totals</b>	<b>124</b>	<b>100%</b>	<b>\$6,936</b>	<b>100%</b>

**MSA 5015 (Somerset & Hunterdon Counties): Small Business Loans**

	#	%	\$	%
< = \$100m	79	92.94	\$2,339	55.06
> \$100m & < = \$250m	4	4.71	\$634	14.93
> \$250m	2	2.35	\$1,275	30.01
<b>Totals</b>	<b>85</b>	<b>100%</b>	<b>\$4,248</b>	<b>100%</b>

**MSA 5015 (Somerset & Hunterdon Counties): Small Business Loans to Businesses with Gross Annual Revenues < = \$ 1 Million**

	#	%	\$	%
< = \$100m	62	95.38	\$1,789	68.05
> \$100m & < = \$250m	2	3.08	\$315	11.98
> \$250m	1	1.54	\$525	19.97
<b>Totals</b>	<b>65</b>	<b>100%</b>	<b>\$2,629</b>	<b>100%</b>

**Somerset County: Small Business Loans**

	#	%	\$	%
< = \$100m	57	91.94	\$1,785	56.33
> \$100m & < = \$250m	4	6.45	\$634	20.00
> \$250m	1	1.61	\$750	23.67
<b>Totals</b>	<b>62</b>	<b>100%</b>	<b>\$3,169</b>	<b>100%</b>

**Exhibit O Continued**  
**Distribution of Small Business Loans by Loan Size and Business Size**  
**April 1, 1996 - September 30, 1997**

**Somerset County: Small Business Loans to Businesses with Gross Annual Revenues <= \$ 1 Million**

	#	%	\$	%
< = \$100m	44	95.65	\$1,412	81.76
\$100m & < = \$250m	2	4.35	\$315	18.24
> \$250m	0	0	0	0
<b>Totals</b>	<b>46</b>	<b>100%</b>	<b>\$1,727</b>	<b>100%</b>

**Hunterdon County: Small Business Loans**

	#	%	\$	%
< = \$100m	22	95.65	\$554	51.34
\$100m & < = \$250m	0	0	0	0
> \$250m	1	4.35	\$525	48.66
<b>Totals</b>	<b>23</b>	<b>100%</b>	<b>\$1,079</b>	<b>100%</b>

**Hunterdon County: Small Business Loans to Businesses with Gross Annual Revenues < = \$ 1 Million**

	#	%	\$	%
< = \$100m	18	94.74	\$377	41.80
\$100m & < = \$250m	0	0	0	0
> \$250m	1	5.26	\$525	58.20
<b>Totals</b>	<b>19</b>	<b>100%</b>	<b>\$902</b>	<b>100%</b>

**MSA 5640 (Morris County): Small Business Loans**

	#	%	\$	%
< = \$100m	58	85.30	\$1,676	27.16
\$100m & < = \$250m	5	7.35	\$880	14.26
> \$250m	5	7.35	\$3,615	58.58
<b>Totals</b>	<b>68</b>	<b>100%</b>	<b>\$6,171</b>	<b>100%</b>

**MSA 5640 (Morris County): Small Business Loans to Businesses with Gross Annual Revenues <= \$1 million**

	#	%	\$	%
< = \$100m	52	88.14	\$1,362	31.62
\$100m & < = \$250m	5	8.47	\$880	20.43
> \$250m	2	3.39	\$2,065	47.95

Totals	59	100%	\$4,307	100%
--------	----	------	---------	------

**CRA APPENDIX A**

<b>SCOPE OF EXAMINATION</b>						
<b>TIME PERIOD REVIEWED</b>	4/1/96 TO 9/30/97					
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>			
Peapack-Gladstone Bank Gladstone, NJ			C Residential Mortgage Loans C Small Business Loans C Consumer Loans			
<b>AFFILIATE(S)</b>			<b>PRODUCTS REVIEWED</b>			
Peapack-Gladstone Financial Corporation			<b>NONE</b>			
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>						
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAM</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>			
Portions of Somerset & Hunterdon Counties in MSA 5015 and a portion of Morris County in MSA 5640, NJ	On-Site	2				



## CRA APPENDIX B

### GLOSSARY

**CONSUMER LOANS:** Loans made to one or more individuals for household, family, or other personal expenditures. Consumer loans do not include HMDA loans.

**DEMAND-ADJUSTED:** Proportion of mortgage loans per thousand owner-occupied housing units in an area, or proportion of small-business loans per thousand small business establishments in an area, as applicable.

**FEDERAL FOREIGN TRADE ZONE:** Geographic areas designated by the U.S. Department of Commerce as areas in which businesses may benefit from deferred duty payments on parts that are imported into the country and assembled into finished products within the zone. No duty is paid on exported finished products although duties are paid on finished products released domestically.

**HMDA LOANS:** Loans reported by the bank under Regulation C, Home Mortgage Disclosure. They include home purchase mortgage loans, refinance mortgage loans and home improvement loans.

**LOAN-TO-VALUE RATIO:** Relationship, expressed as a percent, between the principal amount of a loan and the appraised value of the asset securing the financing. In a residential mortgage loan, this is the percentage value of the property the lender is willing to finance with a mortgage (Dictionary of Banking Terms, 2nd Edition, by Thomas Fitch).

**LOW-INCOME:** An individual income that is less than 50 percent of the median family income in an MSA or a census tract in which the median family income is less than 50 percent of the median family income in an MSA.

**MIDDLE-INCOME:** An individual income that is at least 80 percent and less than 120 percent of the median family income in an MSA or a census tract in which the median family income is at least 80 percent and less than 120 percent of the median family income in an MSA.

**MODERATE-INCOME:** An individual income that is at least 50 percent and less than 80 percent of the median family income in an MSA or a census tract in which the median family income is at least 50 percent and less than 80 percent of the median family income in an MSA.

**MSA:** A metropolitan statistical area or primary metropolitan statistical area as defined by the director of the Office of Management and Budget.

**SMALL BUSINESS LOANS:** Such loans are defined in Regulation BB, Section 228.12 (u) with reference to the definition of such loans in the instructions for preparation of the Consolidated Report of Condition and Income. These instructions define small business loans as loans with original amounts of \$1 million or less that have been reported in Schedule RC-C, Part 1, (1.e)(4) of the report.

**UPPER-INCOME:** An individual income that is 120 percent or more of the median family income in an MSA or a census tract in which the median family income is 120 percent or more of the median family income in an MSA.