

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-Q**

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarter Ended March 31, 2022**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from                      to**

**Commission File No. 001-16197**

**PEAPACK-GLADSTONE FINANCIAL CORPORATION**

(Exact name of registrant as specified in its charter)

**New Jersey**

(State or other jurisdiction of  
incorporation or organization)

**22-3537895**

(I.R.S. Employer  
Identification No.)

**500 Hills Drive, Suite 300**

**Bedminster, New Jersey 07921-0700**

(Address of principal executive offices, including zip code)

**(908) 234-0700**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class        | Trading Symbol(s) | Name of each exchange on which registered |
|----------------------------|-------------------|-------------------------------------------|
| Common Stock, no par value | PGC               | The NASDAQ Stock Market, LLC              |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act:

|                         |                          |                           |                                     |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer         | <input checked="" type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/>            |
| Emerging growth company | <input type="checkbox"/> |                           |                                     |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of Common Stock outstanding as of May 6, 2022: 18,370,312

PEAPACK-GLADSTONE FINANCIAL CORPORATION

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## Item 1. Financial Statements

**PEAPACK-GLADSTONE FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CONDITION**  
(Dollars in thousands, except per share data)

|                                                                                                                                                                                                                                                                 | (unaudited)<br>March 31,<br>2022 | (audited)<br>December 31,<br>2021 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------|
| <b>ASSETS</b>                                                                                                                                                                                                                                                   |                                  |                                   |
| Cash and due from banks                                                                                                                                                                                                                                         | \$ 8,849                         | \$ 5,929                          |
| Federal funds sold                                                                                                                                                                                                                                              | —                                | —                                 |
| Interest-earning deposits                                                                                                                                                                                                                                       | 105,111                          | 140,875                           |
| Total cash and cash equivalents                                                                                                                                                                                                                                 | 113,960                          | 146,804                           |
| Securities available for sale                                                                                                                                                                                                                                   | 601,163                          | 796,753                           |
| Securities held to maturity (fair value \$100,314 at March 31, 2022 and \$108,460 at December 31, 2021)                                                                                                                                                         | 106,816                          | 108,680                           |
| Equity security, at fair value                                                                                                                                                                                                                                  | 14,003                           | 14,685                            |
| FHLB and FRB stock, at cost                                                                                                                                                                                                                                     | 18,570                           | 12,950                            |
| Loans held for sale, at fair value                                                                                                                                                                                                                              | 605                              | 3,040                             |
| Loans held for sale, at lower of cost or fair value                                                                                                                                                                                                             | 26,350                           | 34,051                            |
| Loans                                                                                                                                                                                                                                                           | 5,122,202                        | 4,806,721                         |
| Less: Allowance for credit losses (1)                                                                                                                                                                                                                           | 58,386                           | 61,697                            |
| Net loans                                                                                                                                                                                                                                                       | 5,063,816                        | 4,745,024                         |
| Premises and equipment                                                                                                                                                                                                                                          | 22,960                           | 23,044                            |
| Other real estate owned                                                                                                                                                                                                                                         | —                                | —                                 |
| Accrued interest receivable                                                                                                                                                                                                                                     | 22,890                           | 21,589                            |
| Bank owned life insurance                                                                                                                                                                                                                                       | 46,805                           | 46,663                            |
| Goodwill                                                                                                                                                                                                                                                        | 36,212                           | 36,212                            |
| Other intangible assets                                                                                                                                                                                                                                         | 12,259                           | 12,690                            |
| Finance lease right-of-use assets                                                                                                                                                                                                                               | 3,395                            | 3,582                             |
| Operating lease right-of-use assets                                                                                                                                                                                                                             | 14,725                           | 9,775                             |
| Due from brokers                                                                                                                                                                                                                                                | 120,245                          | —                                 |
| Other assets                                                                                                                                                                                                                                                    | 30,890                           | 62,451                            |
| <b>TOTAL ASSETS</b>                                                                                                                                                                                                                                             | <b>\$ 6,255,664</b>              | <b>\$ 6,077,993</b>               |
| <b>LIABILITIES</b>                                                                                                                                                                                                                                              |                                  |                                   |
| Deposits:                                                                                                                                                                                                                                                       |                                  |                                   |
| Noninterest-bearing demand deposits                                                                                                                                                                                                                             | \$ 1,023,208                     | \$ 956,482                        |
| Interest-bearing deposits:                                                                                                                                                                                                                                      |                                  |                                   |
| Checking                                                                                                                                                                                                                                                        | 2,362,987                        | 2,287,894                         |
| Savings                                                                                                                                                                                                                                                         | 162,116                          | 154,914                           |
| Money market accounts                                                                                                                                                                                                                                           | 1,304,017                        | 1,307,051                         |
| Certificates of deposit - retail                                                                                                                                                                                                                                | 384,909                          | 409,608                           |
| Certificates of deposit - listing service                                                                                                                                                                                                                       | 31,348                           | 31,382                            |
| Subtotal deposits                                                                                                                                                                                                                                               | 5,268,585                        | 5,147,331                         |
| Interest-bearing demand - brokered                                                                                                                                                                                                                              | 85,000                           | 85,000                            |
| Certificates of deposit - brokered                                                                                                                                                                                                                              | 33,831                           | 33,818                            |
| Total deposits                                                                                                                                                                                                                                                  | 5,387,416                        | 5,266,149                         |
| Short-term borrowings                                                                                                                                                                                                                                           | 122,085                          | —                                 |
| Finance lease liabilities                                                                                                                                                                                                                                       | 5,573                            | 5,820                             |
| Operating lease liabilities                                                                                                                                                                                                                                     | 15,155                           | 10,111                            |
| Subordinated debt, net                                                                                                                                                                                                                                          | 132,772                          | 132,701                           |
| Deferred tax liabilities, net                                                                                                                                                                                                                                   | 26,916                           | 39,322                            |
| Accrued expenses and other liabilities                                                                                                                                                                                                                          | 42,321                           | 77,502                            |
| <b>TOTAL LIABILITIES</b>                                                                                                                                                                                                                                        | <b>5,732,238</b>                 | <b>5,531,605</b>                  |
| <b>SHAREHOLDERS' EQUITY</b>                                                                                                                                                                                                                                     |                                  |                                   |
| Preferred stock (no par value; authorized 500,000 shares; liquidation preference of \$1,000 per share)                                                                                                                                                          | —                                | —                                 |
| Common stock (no par value; stated value \$0.83 per share; authorized 42,000,000 shares; issued shares, 20,933,112 at March 31, 2022 and 20,656,810 at December 31, 2021; outstanding shares, 18,370,312 at March 31, 2022 and 18,393,888 at December 31, 2021) | 17,450                           | 17,220                            |
| Surplus                                                                                                                                                                                                                                                         | 332,474                          | 332,358                           |
| Treasury stock at cost, 2,562,800 shares at March 31, 2022 and 2,262,922 shares at December 31, 2021                                                                                                                                                            | (76,278)                         | (65,104)                          |
| Retained earnings                                                                                                                                                                                                                                               | 290,718                          | 274,288                           |
| Accumulated other comprehensive loss, net of income tax                                                                                                                                                                                                         | (40,938)                         | (12,374)                          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                                                                                                                                                                                                               | <b>523,426</b>                   | <b>546,388</b>                    |
| <b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>                                                                                                                                                                                                             | <b>\$ 6,255,664</b>              | <b>\$ 6,077,993</b>               |

(1) Commencing on January 1, 2022, the allowance calculation is based on the current expected credit loss methodology. Prior to January 1, 2022, the calculation was based on the incurred loss methodology.

*See accompanying notes to consolidated financial statements*

**PEAPACK-GLADSTONE FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in thousands, except per share data)  
(Unaudited)

|                                                              | Three Months Ended<br>March 31, |            |
|--------------------------------------------------------------|---------------------------------|------------|
|                                                              | 2022                            | 2021       |
| INTEREST INCOME                                              |                                 |            |
| Interest and fees on loans                                   | \$ 40,472                       | \$ 35,384  |
| Interest on investments:                                     |                                 |            |
| Taxable                                                      | 3,607                           | 2,629      |
| Tax-exempt                                                   | 21                              | 43         |
| Interest on loans held for sale                              | 11                              | 55         |
| Interest on interest-earning deposits                        | 29                              | 128        |
| Total interest income                                        | 44,140                          | 38,239     |
| INTEREST EXPENSE                                             |                                 |            |
| Interest on savings and interest-bearing deposit accounts    | 1,782                           | 1,789      |
| Interest on certificates of deposit                          | 606                             | 1,470      |
| Interest on borrowed funds                                   | 64                              | 209        |
| Interest on finance lease liability                          | 68                              | 79         |
| Interest on subordinated debt                                | 1,364                           | 2,145      |
| Subtotal - interest expense                                  | 3,884                           | 5,692      |
| Interest on interest-bearing demand - brokered               | 373                             | 493        |
| Interest on certificates of deposits - brokered              | 261                             | 261        |
| Total interest expense                                       | 4,518                           | 6,446      |
| NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES       | 39,622                          | 31,793     |
| Provision for credit losses (1)                              | 2,375                           | 225        |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES        | 37,247                          | 31,568     |
| OTHER INCOME                                                 |                                 |            |
| Wealth management fee income                                 | 14,834                          | 12,131     |
| Service charges and fees                                     | 952                             | 846        |
| Bank owned life insurance                                    | 313                             | 611        |
| Gain on loans held for sale at fair value (mortgage banking) | 247                             | 1,025      |
| Gain on loans held for sale at lower of cost or fair value   | —                               | 282        |
| Fee income related to loan level, back-to-back swaps         | —                               | —          |
| Gain on sale of SBA loans                                    | 2,844                           | 1,449      |
| Corporate advisory fee income                                | 1,561                           | 1,098      |
| Other income                                                 | 1,254                           | 643        |
| Loss on securities sale, net                                 | (6,609)                         | —          |
| Fair value adjustment for CRA equity security                | (682)                           | (265)      |
| Total other income                                           | 14,714                          | 17,820     |
| OPERATING EXPENSES                                           |                                 |            |
| Compensation and employee benefits                           | 22,449                          | 21,990     |
| Premises and equipment                                       | 4,647                           | 4,113      |
| FDIC insurance expense                                       | 471                             | 585        |
| Swap valuation allowance                                     | 673                             | —          |
| Other operating expense                                      | 5,929                           | 4,906      |
| Total operating expenses                                     | 34,169                          | 31,594     |
| INCOME BEFORE INCOME TAX EXPENSE                             | 17,792                          | 17,794     |
| Income tax expense                                           | 4,351                           | 4,616      |
| NET INCOME                                                   | \$ 13,441                       | \$ 13,178  |
| EARNINGS PER SHARE                                           |                                 |            |
| Basic                                                        | \$ 0.73                         | \$ 0.70    |
| Diluted                                                      | \$ 0.71                         | \$ 0.67    |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING                |                                 |            |
| Basic                                                        | 18,339,013                      | 18,950,305 |
| Diluted                                                      | 18,946,683                      | 19,531,689 |

- (1) Commencing on January 1, 2022, the allowance calculation is based on the current expected credit loss methodology. Prior to January 1, 2022, the calculation was based on the incurred loss methodology.

*See accompanying notes to consolidated financial statements*

**PEAPACK-GLADSTONE FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)**  
(Dollars in thousands)  
(Unaudited)

|                                                                | Three Months Ended<br>March 31, |                 |
|----------------------------------------------------------------|---------------------------------|-----------------|
|                                                                | 2022                            | 2021            |
| Net income                                                     | \$ 13,441                       | \$ 13,178       |
| Comprehensive (loss)/income:                                   |                                 |                 |
| Unrealized (losses)/gains on available for sale securities:    |                                 |                 |
| Unrealized holding losses arising during the period            | (46,799)                        | (17,618)        |
| Reclassification adjustment for amounts included in net income | 6,609                           | —               |
|                                                                | <u>(40,190)</u>                 | <u>(17,618)</u> |
| Tax effect                                                     | 9,616                           | 4,203           |
| Net of tax                                                     | <u>(30,574)</u>                 | <u>(13,415)</u> |
| Unrealized gains/(losses) on cash flow hedges:                 |                                 |                 |
| Unrealized holding gains arising during the period             | 2,796                           | 1,450           |
|                                                                | <u>2,796</u>                    | <u>1,450</u>    |
| Tax effect                                                     | (786)                           | (407)           |
| Net of tax                                                     | <u>2,010</u>                    | <u>1,043</u>    |
| Total other comprehensive loss                                 | <u>(28,564)</u>                 | <u>(12,372)</u> |
| Total comprehensive (loss)/income                              | <u>\$ (15,123)</u>              | <u>\$ 806</u>   |

*See accompanying notes to consolidated financial statements*

**PEAPACK-GLADSTONE FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Dollars in thousands, except per share amounts)  
(Unaudited)  
**Three Months Ended March 31, 2022 and March 31, 2021**

| (In thousands, except share and per share data)                                   | Preferred Stock | Common Stock | Surplus    | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
|-----------------------------------------------------------------------------------|-----------------|--------------|------------|----------------|-------------------|--------------------------------------|----------------------------|
| Balance at January 1, 2022 18,393,888 common shares outstanding                   | \$ —            | \$ 17,220    | \$ 332,358 | \$ (65,104)    | \$ 274,288        | \$ (12,374)                          | \$ 546,388                 |
| Cumulative effect adjustment for adoption of ASU 2016-13                          | —               | —            | —          | —              | 3,909             | —                                    | 3,909                      |
| Balance at January 1, 2022, adjusted                                              | \$ —            | \$ 17,220    | \$ 332,358 | \$ (65,104)    | \$ 278,197        | \$ (12,374)                          | \$ 550,297                 |
| Net income                                                                        | —               | —            | —          | —              | 13,441            | —                                    | 13,441                     |
| Comprehensive loss                                                                | —               | —            | —          | —              | —                 | (28,564)                             | (28,564)                   |
| Restricted stock units issued 306,684 shares                                      | —               | 256          | (256)      | —              | —                 | —                                    | —                          |
| Restricted stock units repurchased on vesting to pay taxes, (67,999) shares       | —               | (57)         | (2,447)    | —              | —                 | —                                    | (2,504)                    |
| Amortization of restricted stock units                                            | —               | —            | 2,475      | —              | —                 | —                                    | 2,475                      |
| Cash dividends declared on common stock (\$0.05 per share)                        | —               | —            | —          | —              | (920)             | —                                    | (920)                      |
| Share repurchase, (299,878) shares                                                | —               | —            | —          | (11,174)       | —                 | —                                    | (11,174)                   |
| Common stock options exercised, 9,260 shares                                      | —               | 7            | 113        | —              | —                 | —                                    | 120                        |
| Exercise of warrants, 49,860 net of 28,311 shares used to exercise, 21,549 shares | —               | 18           | (18)       | —              | —                 | —                                    | —                          |
| Issuance of shares for Employee Stock Purchase Plan, 6,808 shares                 | —               | 6            | 249        | —              | —                 | —                                    | 255                        |
| Balance at March 31, 2022 18,370,312 common shares outstanding                    | \$ —            | \$ 17,450    | \$ 332,474 | \$ (76,278)    | \$ 290,718        | \$ (40,938)                          | \$ 523,426                 |

  

| (In thousands, except share and per share data)                                    | Preferred Stock | Common Stock | Surplus    | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
|------------------------------------------------------------------------------------|-----------------|--------------|------------|----------------|-------------------|--------------------------------------|----------------------------|
| Balance at January 1, 2021 18,974,703 common shares outstanding                    | \$ —            | \$ 16,958    | \$ 326,592 | \$ (36,477)    | \$ 221,441        | \$ (1,392)                           | \$ 527,122                 |
| Net income                                                                         | —               | —            | —          | —              | 13,178            | —                                    | 13,178                     |
| Comprehensive loss                                                                 | —               | —            | —          | —              | —                 | (12,372)                             | (12,372)                   |
| Restricted stock units issued 267,148                                              | —               | 223          | (223)      | —              | —                 | —                                    | —                          |
| Restricted stock units/awards repurchased on vesting to pay taxes, (64,653) shares | —               | (54)         | (1,948)    | —              | —                 | —                                    | (2,002)                    |
| Amortization of restricted stock awards/units                                      | —               | —            | 1,615      | —              | —                 | —                                    | 1,615                      |
| Cash dividends declared on common stock (\$0.05 per share)                         | —               | —            | —          | —              | (949)             | —                                    | (949)                      |
| Share repurchase, (158,033) shares                                                 | —               | —            | —          | (4,379)        | —                 | —                                    | (4,379)                    |
| Common stock options exercised, 820 net of 62 shares used to exercise, 758 shares  | —               | 1            | 9          | —              | —                 | —                                    | 10                         |
| Exercise of warrants, 20,000 net of 13,478 shares used to exercise, 6,522 shares   | —               | 5            | (5)        | —              | —                 | —                                    | —                          |
| Issuance of shares for Employee Stock Purchase Plan, 8,425 shares                  | —               | 7            | 211        | —              | —                 | —                                    | 218                        |
| Balance at March 31, 2021 19,034,870 common shares outstanding                     | \$ —            | \$ 17,140    | \$ 326,251 | \$ (40,856)    | \$ 233,670        | \$ (13,764)                          | \$ 522,441                 |

See accompanying notes to consolidated financial statements

**PEAPACK-GLADSTONE FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)  
(Unaudited)

|                                                                                                                                                                                                                                                        | <b>Three Months Ended March 31,</b> |                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------|
|                                                                                                                                                                                                                                                        | <b>2022</b>                         | <b>2021</b>       |
| <b>OPERATING ACTIVITIES:</b>                                                                                                                                                                                                                           |                                     |                   |
| Net income                                                                                                                                                                                                                                             | \$ 13,441                           | \$ 13,178         |
| Adjustments to reconcile net income to net cash provided by operating activities:                                                                                                                                                                      |                                     |                   |
| Depreciation                                                                                                                                                                                                                                           | 839                                 | 784               |
| Amortization of premium and accretion of discount on securities, net                                                                                                                                                                                   | 947                                 | 1,578             |
| Amortization of restricted stock                                                                                                                                                                                                                       | 2,475                               | 1,615             |
| Amortization of intangible assets                                                                                                                                                                                                                      | 431                                 | 368               |
| Amortization of subordinated debt costs                                                                                                                                                                                                                | 71                                  | 43                |
| Provision for credit losses (1)                                                                                                                                                                                                                        | 2,375                               | 225               |
| Swap valuation allowance                                                                                                                                                                                                                               | 673                                 | —                 |
| Deferred tax benefit                                                                                                                                                                                                                                   | (3,575)                             | (841)             |
| Stock-based compensation and employee stock purchase plan expense                                                                                                                                                                                      | 35                                  | 30                |
| Fair value adjustment for equity security                                                                                                                                                                                                              | 682                                 | 265               |
| Loss on securities available for sale                                                                                                                                                                                                                  | 6,609                               | —                 |
| Loans originated for sale (2)                                                                                                                                                                                                                          | (34,779)                            | (53,886)          |
| Proceeds from sales of loans held for sale (2)                                                                                                                                                                                                         | 43,006                              | 64,900            |
| Gain on loans held for sale (2)                                                                                                                                                                                                                        | (3,091)                             | (2,474)           |
| Gain on loans held for sale at lower of cost or fair value                                                                                                                                                                                             | —                                   | (282)             |
| Gain on life insurance death benefit                                                                                                                                                                                                                   | —                                   | (302)             |
| Increase in cash surrender value of life insurance, net                                                                                                                                                                                                | (142)                               | (153)             |
| Increase in accrued interest receivable                                                                                                                                                                                                                | (1,301)                             | (1,421)           |
| Decrease in other assets                                                                                                                                                                                                                               | 2,810                               | 4,956             |
| (Decrease)/increase in accrued expenses and other liabilities                                                                                                                                                                                          | (587)                               | 1,722             |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                                                                                                                                                                                                              | <u>30,919</u>                       | <u>30,305</u>     |
| <b>INVESTING ACTIVITIES:</b>                                                                                                                                                                                                                           |                                     |                   |
| Principal repayments, maturities and calls of securities available for sale                                                                                                                                                                            | 102,224                             | 52,781            |
| Principal repayments, maturities and calls of securities held to maturity                                                                                                                                                                              | 1,829                               | —                 |
| Redemptions of FHLB and FRB stock                                                                                                                                                                                                                      | 16,771                              | 10                |
| Purchase of securities available for sale                                                                                                                                                                                                              | (74,590)                            | (324,589)         |
| Purchase of FHLB and FRB stock                                                                                                                                                                                                                         | (22,391)                            | —                 |
| Proceeds from sales of loans held for sale at lower of cost or fair value                                                                                                                                                                              | —                                   | 7,221             |
| Net increase in loans, net of participations sold                                                                                                                                                                                                      | (316,167)                           | (51,268)          |
| Purchase of premises and equipment                                                                                                                                                                                                                     | (568)                               | (2,248)           |
| Proceeds from life insurance death benefit                                                                                                                                                                                                             | —                                   | 582               |
| NET CASH USED IN INVESTING ACTIVITIES                                                                                                                                                                                                                  | <u>(292,892)</u>                    | <u>(317,511)</u>  |
| <b>FINANCING ACTIVITIES:</b>                                                                                                                                                                                                                           |                                     |                   |
| Net increase in deposits                                                                                                                                                                                                                               | 121,267                             | 126,429           |
| Net increase in overnight borrowings                                                                                                                                                                                                                   | 122,085                             | —                 |
| Repayments of Paycheck Protection Program Liquidity Facility                                                                                                                                                                                           | —                                   | (8,906)           |
| Dividends paid on common stock                                                                                                                                                                                                                         | (920)                               | (949)             |
| Exercise of stock options, net of stock swaps                                                                                                                                                                                                          | 120                                 | 10                |
| Restricted stock repurchased on vesting to pay taxes                                                                                                                                                                                                   | (2,504)                             | (2,002)           |
| Issuance of shares for employee stock purchase plan                                                                                                                                                                                                    | 255                                 | 218               |
| Shares repurchased                                                                                                                                                                                                                                     | (11,174)                            | (4,379)           |
| NET CASH PROVIDED BY FINANCING ACTIVITIES                                                                                                                                                                                                              | <u>229,129</u>                      | <u>110,421</u>    |
| Net decrease in cash and cash equivalents                                                                                                                                                                                                              | (32,844)                            | (176,785)         |
| Cash and cash equivalents at beginning of period                                                                                                                                                                                                       | 146,804                             | 653,322           |
| Cash and cash equivalents at end of period                                                                                                                                                                                                             | <u>\$ 113,960</u>                   | <u>\$ 476,537</u> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                                                                                                                                                                                               |                                     |                   |
| Cash paid during the period for:                                                                                                                                                                                                                       |                                     |                   |
| Interest                                                                                                                                                                                                                                               | \$ 3,099                            | \$ 4,413          |
| Income tax, net                                                                                                                                                                                                                                        | 199                                 | 200               |
| Transfer of loans to loans held for sale                                                                                                                                                                                                               | —                                   | 45,776            |
| Security sales due from broker                                                                                                                                                                                                                         | 120,245                             | —                 |
| (1) Commencing on January 1, 2022, the allowance calculation is based on the current expected credit loss methodology. Prior to January 1, 2022, the calculation was based on the incurred loss methodology.                                           |                                     |                   |
| (2) Includes mortgage loans originated with the intent to sell which are carried at fair value. In addition, this includes the guaranteed portion of Small Business Administration (“SBA”) loans which are carried at the lower of cost or fair value. |                                     |                   |

*See accompanying notes to consolidated financial statements*

**PEAPACK-GLADSTONE FINANCIAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2021 for Peapack-Gladstone Financial Corporation (the “Corporation” or the “Company”). In the opinion of the management of the Corporation, the accompanying unaudited consolidated interim financial statements contain all adjustments (consisting solely of normal and recurring accruals) necessary to present fairly the financial position as of March 31, 2022, and the results of operations, comprehensive income/(loss), changes in shareholders’ equity and cash flow statements for the three months ended March 31, 2022 and 2021. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the full year or for any future period.

**Principles of Consolidation and Organization:** The consolidated financial statements of the Company are prepared on the accrual basis and include the accounts of the Company and its wholly-owned subsidiary, Peapack-Gladstone Bank (the “Bank”). The consolidated financial statements also include the Bank’s wholly-owned subsidiaries:

- PGB Trust & Investments of Delaware
- Peapack Capital Corporation (“PCC”)
- Murphy Capital Management (“Murphy Capital”)
- Peapack-Gladstone Mortgage Group, Inc., which owns 99 percent of Peapack Ventures, LLC and 79 percent of Peapack-Gladstone Realty, Inc., a New Jersey real estate investment company
- PGB Trust & Investments of Delaware, which owns one percent of Peapack Ventures, LLC
- Peapack Ventures, LLC, which owns the remaining 21 percent of Peapack-Gladstone Realty, Inc.
- PGB Securities, Inc. (formed in the second quarter of 2020)

While the following footnotes include the consolidated results of the Company, the Bank and their subsidiaries, these footnotes primarily reflect the Bank’s and its subsidiaries’ activities. All significant intercompany balances and transactions have been eliminated from the accompanying consolidated financial statements.

**Basis of Financial Statement Presentation:** The consolidated financial statements have been prepared in accordance with GAAP. In preparing the financial statements, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statement of condition and revenues and expenses for the periods presented. Actual results could differ from those estimates.

**Adoption of New Accounting Standards:** On January 1, 2022, the Company adopted Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326)* (“ASU 2016-13”) which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan and lease receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). In addition, Accounting Standards Codification (“ASC”) 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet commitments. Results for reporting periods beginning after January 1, 2022, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of \$3.9 million as of January 1, 2022, for the cumulative effect of adopting ASC 326. The transition adjustment includes a \$5.5 million reduction to our allowance for credit losses. The lower allowance was in part attributed to historically low charge-offs combined with the shorter duration of the loan portfolio employed in our CECL analysis. Further, the incurred loss method required significant qualitative factors, including factors related to Covid, and the use of a multiplier for potential losses on criticized and classified loans, neither of which are included within the CECL methodology. The CECL methodology utilizes significantly less qualitative factors as it uses economic factors and historical losses over a full economic cycle and calculates losses based on DCF on an individual loan basis. Accordingly, the CECL model quantitatively accounts for some of the qualitative factors utilized in the incurred loss methodology.

The following table illustrates the impact to our financial statements as of January 1, 2022 upon adoption of ASC 326:

| (In thousands)                                               | January 1, 2022                                                     |                 |                                                   |
|--------------------------------------------------------------|---------------------------------------------------------------------|-----------------|---------------------------------------------------|
|                                                              | Impact to Consolidated Statement of Condition from ASC-326 Adoption | Tax Effect      | Impact to Retained Earnings from ASC-326 Adoption |
|                                                              |                                                                     |                 |                                                   |
| Allowance for credit losses on loans                         | \$ (5,536)                                                          | \$ 1,490        | \$ 4,046                                          |
| Allowance for credit losses on off-balance sheet commitments | 188                                                                 | (51)            | 137                                               |
| Total impact from ASC 326 adoption                           | <u>\$ (5,348)</u>                                                   | <u>\$ 1,439</u> | <u>\$ (3,909)</u>                                 |

**Segment Information:** The Company's business is conducted through two business segments: (1) its banking segment ("Banking"), which involves the delivery of loan and deposit products to customers, and (2) the Peapack Private Wealth Management Division ("Peapack Private"), which includes asset management services to individuals and institutions. Management uses certain methodologies to allocate income and expense to the business segments.

The Banking segment includes: commercial (includes commercial and industrial ("C&I") and equipment financing), commercial real estate, multifamily, residential and consumer lending activities; treasury management services; C&I advisory services; escrow management; deposit generation; operation of ATMs; telephone and internet banking services; merchant credit card services and customer support services.

Peapack Private includes: investment management services for individuals and institutions; personal trust services, including services as executor, trustee, administrator and custodian; and other financial planning and advisory services. This segment also includes the activity from the Delaware subsidiary, PGB Trust & Investments of Delaware, and Murphy Capital. Wealth management fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are generally assessed based on a tiered scale of the market value of assets under management and/or administration ("AUM") at month-end. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed (i.e. trade date).

**Cash and Cash Equivalents:** For purposes of the statements of cash flows, cash and cash equivalents include cash and due from banks, interest-earning deposits and federal funds sold. Generally, federal funds are sold for one-day periods. Cash equivalents are of original maturities of 90 days or less. Net cash flows are reported for customer loan and deposit transactions and short-term borrowings with original maturities of 90 days or less.

**Interest-Earning Deposits in Other Financial Institutions:** Interest-earning deposits in other financial institutions mature within one year and are carried at cost.

**Securities:** Prior to January 1, 2022, Management evaluated securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market conditions warranted. For securities in an unrealized loss position, Management considered the extent and duration of the unrealized loss and the financial condition and near-term prospects of the issuer. Management also assessed whether it intended to sell, or it is more likely than not that it was required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value was recognized as impairment through earnings. For debt securities that did not meet the aforementioned criteria, the amount of impairment was split into two components as follows: (1) other-than-temporary impairment related to credit loss, which would be recognized through the income statement and (2) other-than-temporary impairment related to other factors, which would be recognized in other comprehensive income.

Effective January 1, 2022, upon the adoption of ASU 2016-13, debt securities available-for-sale are measured at fair value and subject to impairment testing. When an available-for-sale debt security is considered impaired, the Company must determine if the decline in fair value has resulted from a credit-related loss or other factors and then, (1) recognize an allowance for credit losses ("ACL") by a charge to earnings for the credit-related component (if any) of the decline in fair value, and (2) recognize in other comprehensive income (loss) any non-credit related components of the fair value change. If the amount of the amortized cost basis expected to be recovered increases in a future period, the valuation reserve would be reduced, but not more than the amount of the current existing reserve for that security.

Debt securities are classified as held to maturity and carried at amortized cost when Management has the positive intent and ability to hold them to maturity. Other debt securities are classified as available for sale and are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss), net of tax. The Company also has an investment in a Community Reinvestment Act ("CRA") investment fund, which is classified as an equity security.

Interest income includes amortization of purchase premiums and discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated, and premiums on callable debt securities, which are amortized to the earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

**Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) Stock:** The Bank is a member of the FHLB system. Members are required to own a certain amount of FHLB stock, based on the level of borrowings and other factors. FHLB stock is carried at cost, classified as a restricted security and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

The Bank is also a member of the Federal Reserve Bank of New York and required to own a certain amount of FRB stock. FRB stock is carried at cost and classified as a restricted security. Dividends are reported as income.

**Loans Held for Sale:** Mortgage loans originated with the intent to sell in the secondary market are carried at fair value, as determined by outstanding commitments from investors.

Mortgage loans held for sale are generally sold with servicing rights released; therefore, no servicing rights are recorded. Gains and losses on sales of mortgage loans, shown as gain on sale of loans on the Statement of Income, are based on the difference between the selling price and the carrying value of the related loan sold.

SBA loans originated with the intent to sell in the secondary market are carried at the lower of cost or fair value. SBA loans are generally sold with the servicing rights retained. Gains and losses on the sale of SBA loans are based on the difference between the selling price and the carrying value of the related loan sold. Total SBA loans serviced totaled \$118.1 million and \$97.5 million as of March 31, 2022 and December 31, 2021, respectively. SBA loans held for sale totaled \$26.4 million and \$32.5 million at March 31, 2022 and December 31, 2021, respectively.

Loans originated with the intent to hold and subsequently transferred to loans held for sale are carried at the lower of cost or fair value. These are loans that the Company no longer has the intent to hold for the foreseeable future.

**Loans:** Loans that Management has the intent and ability to hold for the foreseeable future or until maturity are stated at the principal amount outstanding. Interest on loans is recognized based upon the principal amount outstanding. Loans are stated at face value, less purchased premium and discounts and net deferred fees. Loan origination fees and certain direct loan origination costs are deferred and recognized on a level-yield method over the life of the loan as an adjustment to the loan's yield. The definition of recorded investment in loans includes accrued interest receivable and deferred fees/costs, however, for the Company's loan disclosures, accrued interest and deferred fees/costs were excluded as the impact was not material.

Loans are considered past due when they are not paid within 30 days in accordance with contractual terms. The accrual of income on loans, including individually evaluated loans, is discontinued if, in the opinion of Management, principal or interest is not

likely to be paid in accordance with the terms of the loan agreement, or when principal or interest is past due 90 days unless the asset is both well secured and in the process of collection. All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Payments received on nonaccrual loans are recorded as principal payments. A nonaccrual loan is returned to accrual status only when interest and principal payments are brought current and future payments are reasonably assured, generally when the Bank receives contractual payments for a minimum of six consecutive months. Commercial loans are generally charged off, in whole or in part, after an analysis is completed which indicates that collectability of the full principal balance is in doubt. Consumer closed-end loans are generally charged off after they become 120 days past due and open-end loans after 180 days. Subsequent payments are credited to income only if collection of principal is not in doubt. If principal and interest payments are brought contractually current and future collectability is reasonably assured, loans may be returned to accrual status. Nonaccrual mortgage loans are generally charged off to the extent that the value of the underlying collateral does not cover the outstanding principal balance. The majority of the Company's loans are secured by real estate in New Jersey, New York and Pennsylvania.

**Allowance for Credit Losses:** On January 1, 2022, the Company adopted ASU 2016-13, *Topic 326*) which replaced the incurred loss methodology with CECL for financial instruments measured at amortized cost and other commitments to extend credit. CECL requires the immediate recognition of estimated credit losses expected to occur over the estimated remaining life of the asset. The forward-looking concept of CECL requires loss estimates to consider historical experience, current conditions and reasonable and supportable economic forecasts of future events and circumstances.

The allowance for credit losses ("ACL") on loans held for investment is the combination of the allowance for loan losses and the reserve for unfunded loan commitments. The allowance for loan losses is reported as a reduction of the amortized cost basis of loans, while the reserve for unfunded loan commitments is included within "other liabilities" on the Consolidated Statements of Condition. The estimate of credit loss incorporates assumptions for both the likelihood and amount of funding over the estimated life of the commitments, including adjustments for current conditions and reasonable and supportable forecasts. Management periodically reviews and updates its assumptions for estimated funding rates. The amortized cost basis of loans does not include accrued interest receivable, which is included in "accrued interest receivable" on the Consolidated Statements of Condition. The "Provision for credit losses" on the Consolidated Statements of Income is a combination of the provision for credit losses and the provision for unfunded loan commitments.

*Allowance for Loan Losses under incurred methodology prior to CECL Adoption on January 1, 2022*

The allowance for loan and lease losses is a valuation allowance for credit losses that is Management's estimate of probable incurred losses in the loan portfolio. Under this accounting method, the process to determine reserves utilizes analytical tools and Management judgment and is reviewed on a quarterly basis. When Management is reasonably certain that a loan balance is not fully collectable, an impairment analysis is completed whereby a specific reserve may be established or a full or partial charge off is recorded against the allowance. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the size and composition of the portfolio, information about specific borrower situations, estimated collateral values, asset quality information, economic conditions and other factors. Allocations of the allowance may be made for specific loans via a specific reserve, but the entire allowance is available for any loan that, in Management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component of the allowance relates to loans that are individually classified as impaired.

A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors considered by Management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Loans are individually evaluated for impairment when they are classified as substandard by Management. If a loan is considered impaired, a portion of the allowance may be allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or if repayment is expected solely from the underlying collateral, the loan principal balance is compared to the fair value of collateral less estimated disposition costs to determine the need, if any, for a charge off.

The general component of the allowance covers non-impaired loans and is based primarily on the Company's historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company on a weighted average basis over the previous three years. This actual loss

experience is adjusted by other qualitative factors based on the risks present for each portfolio segment. These qualitative factors include consideration of the following: levels of and trends in delinquencies, charge-offs and impaired loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures and practices; experience, ability and depth of lending management and other relevant staffing and experience; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. For loans that are graded as non-impaired, the Company allocates a higher general reserve percentage than pass-rated loans using a multiple that is calculated annually through a migration analysis. At both December 31, 2021 and 2020, respectively, the multiple was 2.25 times for non-impaired special mention loans and 3.25 times for non-impaired substandard loans.

*ACL in accordance with CECL methodology*

With respect to pools of similar loans, that are collectively evaluated, an appropriate level of general allowance is determined by portfolio segment using a non-linear discounted cash flow (“DCF”) model. The DCF model captures losses over the historical charge-off and prepayment cycle and applies those losses at a loan level over the remaining maturity of the loan. The model then calculates a historical loss rate using the average losses over the reporting period, which is then applied to each segment utilizing a standard reversion rate. This loss rate is then supplemented with adjustments for reasonable and supportable forecasts of relevant economic indicators, including but not limited to unemployment rates, national consumer price and confidence indices. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. Also included in the ACL are qualitative factors based on the risks present for each portfolio segment. These qualitative factors include the following: levels of and trends in delinquencies and impaired loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures and practices; experience, ability and depth of lending management and other relevant staffing and experience; industry conditions; and effects of changes in credit concentrations. It is also possible that these factors could include social, political, economic, and terrorist events or activities. All of these factors are susceptible to change, which may be significant. As a result of this detailed process, the ACL results in two forms of allocations, specific and general. These two components represent the total ACL deemed adequate to cover probable lifetime losses inherent in the loan portfolio.

When management identifies loans that do not share common risk characteristics (i.e., are not similar to other loans within a pool) they are evaluated on an individual basis. These loans are not included in the collective evaluation. For loans identified as having a likelihood of foreclosure or that the borrower is experiencing financial difficulty, a collateral dependent approach is used. These are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral. Under CECL, for collateral dependent loans, the Company has adopted the practical expedient method to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The CECL methodology requires a significant amount of management judgment in determining the appropriate allowance for credit losses. Several of the steps in the methodology involve judgment and are subjective in nature including, among other things: segmenting the loan portfolio; determining the amount of loss history to consider; selecting predictive econometric regression models that use appropriate macroeconomic variables; determining the methodology to forecast prepayments; selecting the most appropriate economic forecast scenario; determining the length of the reasonable and supportable forecast and reversion periods; estimating expected utilization rates on unfunded loan commitments; and assessing relevant and appropriate qualitative factors. In addition, the CECL methodology is dependent on economic forecasts, which are inherently imprecise and will change from period to period. Although the allowance for credit losses is considered appropriate, there can be no assurance that it will be sufficient to absorb future losses.

In determining an appropriate amount for the allowance, the Bank segments and aggregated the loan portfolio based on common characteristics. The following segments have been identified:

Primary Residential Mortgages. The Bank originates one to four family residential mortgage loans in the Tri-State area (New York, New Jersey and Connecticut), Pennsylvania and Florida. Loans are secured by first liens on the primary residence or investment property. Primary risk characteristics associated with residential mortgage loans typically involve: major living or lifestyle changes to the borrower, including unemployment or other loss of income; unexpected significant expenses, such as for major medical issues or catastrophic events; and divorce or death. In addition, residential mortgage loans that have adjustable rates could expose the borrower to higher debt service requirements in a rising interest rate environment. Further, real estate values could drop significantly and cause the value of the property to fall below the loan amount, creating additional potential loss exposure for the Bank.

Junior Lien Loan on Residence (which include home equity lines of credit). The Bank provides junior lien loans (“JLL”) and revolving home equity lines of credit against one to four family properties in the Tri-State area. These

loans are subordinate to a first mortgage which may be from another lending institution. Primary risk characteristics associated with JLLs and home equity lines of credit typically involve: major living or lifestyle changes to the borrower, including unemployment or other loss of income; unexpected significant expenses, such as for major medical issues or catastrophic events; and divorce or death. Further, real estate values could drop significantly and cause the value of the property to fall below the loan amount, creating additional potential loss exposure for the Bank. In addition, home equity lines of credit typically are made with variable or floating interest rates, which could expose the borrower to higher debt service requirements in a rising interest rate environment. Further, real estate values could drop significantly and cause the value of the property to fall below the loan amount, creating additional potential loss exposure for the Bank.

**Multifamily.** The Bank provides mortgage loans for multifamily properties (i.e. buildings which have five or more residential units) and other commercial real estate that is either owner occupied or managed as an investment property (non-owner occupied) in the Tri-State area and Pennsylvania. Commercial real estate properties primarily include retail buildings/shopping centers, hotels, office/medical buildings and industrial/warehouse space. Some properties are considered “mixed use” as they are a combination of building types, such as a building with retail space on the ground floor and either residential apartments or office suites on the upper floors. Multifamily loans are expected to be repaid from the cash flows of the underlying property so the collective amount of rents must be sufficient to cover all operating expenses, property management and maintenance, taxes and debt service. Increases in vacancy rates, interest rates or other changes in general economic conditions can have an impact on the borrower and its ability to repay the loan.

**Owner-Occupied Commercial Real Estate Loans.** The Bank provides mortgage loans for owner-occupied commercial real estate properties in the Tri-State area and Pennsylvania. Commercial real estate properties primarily include retail buildings/shopping centers, hotels, office/medical buildings and industrial/warehouse space. Some properties are considered “mixed use” as they are a combination of building types, such as a building with retail space on the ground floor and either residential apartments or office suites on the upper floors. Commercial real estate loans are generally considered to have a higher degree of credit risk as they may be dependent on the ongoing success and operating viability of a fewer number of tenants who are occupying the property and who may have a greater degree of exposure to economic conditions.

**Investment Commercial Real Estate Loans.** The Bank provides mortgage loans for properties managed as an investment property (non-owner-occupied) in the Tri-State area and Pennsylvania. Non-owner-occupied properties primarily include retail buildings/shopping centers, hotels, office/medical buildings and industrial/warehouse space. Some properties are considered “mixed use” as they are a combination of building types, such as a building with retail space on the ground floor and either residential apartments or office suites on the upper floors. Commercial real estate loans are generally considered to have a higher degree of credit risk as they may be dependent on the ongoing success and operating viability of a fewer number of tenants who are occupying the property and who may have a greater degree of exposure to economic conditions.

**Commercial and Industrial Loans.** The Bank provides lines of credit and term loans to operating companies for business purposes. The loans are generally secured by business assets such as accounts receivable, inventory, business vehicles and equipment as well as the stock of a company, if privately held. Commercial and industrial loans are typically repaid first by the cash flows generated by the borrower’s business operations. The primary risk characteristics are specific to the underlying business and its ability to generate sustainable profitability and resulting positive cash flows. Factors that may influence a business’ profitability include, but are not limited to, demand for its products or services, quality and depth of management, degree of competition, regulatory changes, and general economic conditions. Commercial and industrial loans are generally secured by business assets. To mitigate the risk characteristics of commercial and industrial loans, these loans often include commercial real estate as collateral to strengthen the Bank’s position and the Bank will often require more frequent reporting requirements from the borrower in order to better monitor its business performance. However, the ability of the Bank to foreclose and realize sufficient value from the assets is often highly uncertain.

**Leasing Finance.** PCC offers a range of finance solutions nationally. PCC provides term loans and leases secured by assets financed for U.S. based mid-size and large companies. Facilities tend to be fully drawn under fixed rate terms. PCC serves a broad range of industries including transportation, manufacturing, heavy construction and utilities.

Asset risk in PCC’s portfolio is generally recognized through changes to loan income, or through changes to lease related income streams due to fluctuations in lease rates. Changes to lease income can occur when the existing lease contract expires, the asset comes off lease or the business seeks to enter a new lease agreement. Asset risk may also

change through depreciation, resulting from changes in the residual value of the operating lease asset or through impairment of the asset carrying value, which can occur at any time during the life of the asset.

Credit risk in PCC's portfolio generally results from the potential default of borrowers or lessees, which may be driven by customer specific or broader industry related conditions. Credit losses can impact multiple parts of the income statement including loss of interest/lease/rental income and/or higher costs and expenses related to the repossession, refurbishment, re-marketing and or re-leasing of assets.

**Construction.** The Bank provides commercial construction loans for properties located in the Tri-state area. Risks common to commercial construction loans are cost overruns, changes in market demand for property, inadequate long-term financing arrangements and declines in real estate values. Changes in market demand for property could lead to longer marketing times resulting in higher carrying costs, declining values, and higher interest rates.

**Consumer and Other.** These are loans to individuals for household, family and other personal expenditures as well as obligations of states and political subdivisions in the U.S. This also represents all other loans that cannot be categorized in any of the previous mentioned loan segments. Consumer loans generally have higher interest rates and shorter terms than residential loans but tend to have higher credit risk due to the type of collateral securing the loan or in some cases the absence of collateral.

A troubled debt restructuring ("TDR") is a modified loan with concessions made by the lender to a borrower who is experiencing financial difficulty. TDRs are impaired and are generally measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral, less estimated disposition costs. For TDRs that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for credit losses.

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which provides entities with optional temporary relief from certain accounting and financial reporting requirements under U.S. GAAP, allows financial institutions to suspend application of certain current TDR accounting guidance under ASC 310-40 for loan modifications related to the COVID-19 pandemic made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the COVID-19 national emergency, provided certain criteria are met. This relief can be applied to loan modifications for borrowers that were not more than 30 days past due as of December 31, 2019 and to loan modifications that defer or delay the payment of principal or interest or change the interest rate on the loan. The revised CARES Act extended TDR relief to loan modifications through January 1, 2022. In April 2020, federal and state banking regulators issued the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus to provide further interpretation of when a borrower is experiencing financial difficulty, specifically indicating that if the modification is either short-term (e.g., six months) or mandated by a federal or state government in response to the COVID-19 pandemic, the borrower is not experiencing financial difficulty under ASC 310-40. The Company continues to prudently work with borrowers negatively impacted by the COVID-19 pandemic while managing credit risks and recognizing an appropriate allowance for credit losses on its loan portfolio. The Company approved total loan modifications under the CARES Act of \$947.0 million, of which \$12.7 million remain outstanding as of March 31, 2022.

Another key program under the CARES Act is the Paycheck Protection Program ("PPP") administered by the SBA which provided funding to qualifying businesses and organizations. Under this program, the Company provided fundings of approximately \$650 million. In the third quarter of 2020 and second quarter of 2021, the Company sold approximately \$355.0 million and \$56.5 million, respectively, of such loans, servicing rights released to a third party. The Company also referred approximately \$124 million of PPP loans to a third party during the first six months of 2021. The Company has approximately \$9.6 million of PPP loans remaining in its portfolio as of March 31, 2022 and believes that substantially all of these loans will be forgiven by the SBA. These loans are fully guaranteed by the SBA and provide for full forgiveness of the loans during a specified forgiveness period that meet specific guidelines provided by the SBA. Loans that do not meet the forgiveness criteria will enter a repayment period of 2 or 5 years.

**Leases:** At inception, contracts are evaluated to determine whether the contract constitutes a lease agreement. For contracts that are determined to be an operating lease, a corresponding right-of-use ("ROU") asset and operating lease liability are recorded as separate line items on the statement of condition. A ROU asset represents the Company's right to use an underlying asset during the lease term and a lease liability represents the Company's commitment to make contractually obligated lease payments. Operating lease ROU assets and liabilities are recognized at the commencement date of the lease and are based on the present value of lease payments over the lease term. The measurement of the operating lease ROU asset includes any lease payments made.

If the rate implicit in the lease is not readily determinable, the incremental collateralized borrowing rate is used to determine the present value of lease payments. This rate gives consideration to the applicable FHLB collateralized borrowing rates and is based on the information available at the commencement date. The Company has elected to apply the short-term lease measurement and recognition exemption to leases with an initial term of 12 months or less; therefore, these leases are not recorded on the Company's statement of condition, but rather, lease expense is recognized over the lease term on a straight-line basis. The Company's lease agreements may include options to extend or terminate the lease. The Company's decision to exercise renewal options is based on an assessment of its current business needs and market factors at the time of the renewal. The Company maintains certain property and equipment under direct financing and operating leases. Substantially all of the leases in which the Company is the lessee are comprised of real estate property for branches and office space and are classified as operating leases.

The ROU asset is measured at the amount of the lease liability adjusted for lease incentives received, any cumulative prepaid or accrued rent if the lease payments are uneven throughout the lease term, any unamortized initial direct costs, and any impairment of the ROU asset. Operating lease expense consists of: a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the ROU asset.

There are no terms or conditions related to residual value guarantees and no restrictions or covenants that would impact the Company's ability to pay dividends or to incur additional financial obligations.

**Derivatives:** At the inception of a derivative contract, the Company designates the derivative as one of three types based on the Company's intentions and belief as to likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"); (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"); or (3) an instrument with no hedging designation. For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. For cash flow hedges, changes in the fair value of derivatives that are not highly effective in hedging the changes in fair value or expected cash flows of the hedged item are recognized immediately in current earnings. Changes in the fair value of derivatives that do not qualify for hedge accounting are reported currently in earnings, as non-interest income. When hedge accounting is discontinued on a fair value hedge that no longer qualifies as an effective hedge, the derivative continues to be reported at fair value in the statement of condition, but the carrying amount of the hedged item is no longer adjusted for future changes in fair value. The adjustment to the carrying amount of the hedged item that existed at the date hedge accounting is discontinued is amortized over the remaining life of the hedged item into earnings.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in non-interest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminated, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods which the hedged transactions will affect earnings.

The Company also offers facility specific / loan level swaps to its customers and offsets its exposure from such contracts by entering into mirror image swaps with a financial institution / swap counterparty (loan level / back-to-back swap program). The customer accommodations and any offsetting swaps are treated as non-hedging derivative instruments which do not qualify for hedge accounting ("standalone derivatives"). The notional amount of the swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual contracts. The fair value of the swaps is recorded as both an asset and a liability, in other assets and other liabilities, respectively, in equal amounts for these transactions. The Company is exposed to losses if a customer counterparty fails to make its payments under a contract in which the Company is in a net receiving position. At this time, the Company anticipates that its counterparties will be able to fully satisfy their obligations under the agreements. All of the contracts to which the Company is a party settle monthly. Further, the Company has netting agreements with the dealers with which it does business.

**Stock-Based Compensation:** The Company's 2006 Long-Term Stock Incentive Plan, 2012 Long-Term Stock Incentive Plan and 2021 Long-Term Stock Incentive Plan allow the granting of shares of the Company's common stock as incentive stock options, nonqualified stock options, restricted stock awards, restricted stock units and stock appreciation rights to directors, officers and employees of the Company and its subsidiaries. There are no shares remaining for issuance with respect to the stock option plan approved in 2002, however options granted under this plan are still included in the amounts below. Options granted under these plans are, in general, exercisable not earlier than one year after the date of grant, at a price equal to the fair value of common stock on the date of grant and expire not more than ten years after the date of grant. Stock options may vest during a period of up to five years after the date of grant. Some options granted to officers at or above the senior vice president level were immediately exercisable at the date of grant. The Company has a policy of using authorized but unissued shares to satisfy option exercises.

Upon adoption of Accounting Standards Update ("ASU") 2016-09, "Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting," the Company has elected to account for forfeitures as they occur, rather than estimate expected forfeitures.

For the Company's stock option plans, changes in options outstanding during the three months ended March 31, 2022, were as follows:

|                               | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value<br>(In thousands) |
|-------------------------------|----------------------|------------------------------------------|---------------------------------------------------------|---------------------------------------------------|
| Balance, January 1, 2022      | 31,340               | \$ 14.59                                 |                                                         |                                                   |
| Exercised during 2022         | (9,260)              | 13.03                                    |                                                         |                                                   |
| Expired during 2022           | —                    | —                                        |                                                         |                                                   |
| Forfeited during 2022         | (480)                | 10.72                                    |                                                         |                                                   |
| Balance, March 31, 2022       | 21,600               | \$ 15.35                                 | 0.94 years                                              | \$ 419                                            |
| Vested and expected to vest   | 21,600               | \$ 15.35                                 | 0.94 years                                              | \$ 419                                            |
| Exercisable at March 31, 2022 | 21,600               | \$ 15.35                                 | 0.94 years                                              | \$ 419                                            |

The aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the first quarter of 2022 and the exercise price, multiplied by the number of in-the-money options. The Company's closing stock price on March 31, 2022 was \$34.75.

There were no stock options granted during the three months ended March 31, 2022.

The Company issued performance-based and service-based restricted stock units in 2022 and 2021. Service-based units vest ratably over a three- or five-year period. There were 233,910 service-based restricted stock units granted during the first quarter of 2022.

The performance-based awards are dependent upon the Company meeting certain performance criteria and, to the extent the performance criteria are met, will cliff vest at the end of the performance period, which is generally three years. There were 71,482 performance-based restricted stock units granted in the first quarter of 2022.

Changes in non-vested shares dependent on performance criteria for the three months ended March 31, 2022 were as follows:

|                          | Number of<br>Shares | Weighted<br>Average<br>Grant Date<br>Fair Value |
|--------------------------|---------------------|-------------------------------------------------|
| Balance, January 1, 2022 | 225,435             | \$ 20.29                                        |
| Granted during 2022      | 71,482              | 35.93                                           |
| Vested during 2022       | (53,729)            | 26.34                                           |
| Forfeited during 2022    | (5,284)             | 17.92                                           |
| Balance, March 31, 2022  | 237,904             | \$ 23.68                                        |

Changes in service-based restricted stock awards/units for the three months ended March 31, 2022 were as follows:

|                          | Number of<br>Shares | Weighted<br>Average<br>Grant Date<br>Fair Value |
|--------------------------|---------------------|-------------------------------------------------|
| Balance, January 1, 2022 | 701,145             | \$ 21.93                                        |
| Granted during 2022      | 233,910             | 36.86                                           |
| Vested during 2022       | (252,955)           | 21.46                                           |
| Forfeited during 2022    | (16,434)            | 19.80                                           |
| Balance, March 31, 2022  | 665,666             | \$ 27.41                                        |

As of March 31, 2022, there was \$20.9 million of total unrecognized compensation cost related to service-based and performance-based units. That cost is expected to be recognized over a weighted average period of 1.57 years. Stock compensation expense recorded for the first quarters of 2022 and 2021 totaled \$1.9 million and \$1.7 million, respectively.

**Employee Stock Purchase Plan (“ESPP”):** The ESPP provides for the granting of rights to purchase up to 150,000 shares of Peapack-Gladstone Financial Corporation common stock. In May 2020, shareholders approved an increase of 200,000 shares of Peapack-Gladstone Financial Corporation common stock to be issued under the ESPP.

Subject to certain eligibility requirements and restrictions, the ESPP provided for a single Offering Period of twelve months in duration, which commenced on May 16, 2019 and ended on May 15, 2020.

The ESPP was revised to allow for the purchase of shares during four three-month Offering Periods of each calendar year. The Offering Periods end on February 16, May 16, August 16 and November 16 of each calendar year.

Each participant in the Offering Period is granted an option to purchase a number of shares and may contribute between one percent and 15 percent of their compensation. At the end of each Offering Period, the number of shares to be purchased by the employee is determined by dividing the employee’s contributions accumulated during the Offering Period by the applicable purchase price. The purchase price is an amount equal to 85 percent of the closing market price of a share of common stock on the purchase date. Participation in the ESPP is entirely voluntary and employees can cancel their purchases at any time during the period without penalty. The fair value of each share purchase right is determined using the Black-Scholes option pricing model.

The Company recorded \$35,000 and \$30,000 in salaries and employee benefits expense for the three months ended March 31, 2022 and 2021, respectively related to the ESPP. Total shares issued under the ESPP during the first quarter of 2022 and 2021 were 6,808 and 8,425, respectively.

**Earnings per share – Basic and Diluted:** The following is a reconciliation of the calculation of basic and diluted earnings per share. Basic net income per share is calculated by dividing net income available to shareholders by the weighted average shares outstanding during the reporting period. Diluted net income per share is computed similarly to that of basic net income per share, except that the denominator is increased to include the number of additional shares that would have been outstanding utilizing the Treasury Stock Method if all shares underlying potentially dilutive stock options were issued and all shares of restricted stock, stock warrants or restricted stock units were to vest during the reporting period.

For the three months ended March 31, 2022, restricted stock units totaling 299,433 were not included in the computation of diluted earnings per share because they were anti-dilutive. For the three months ended March 31, 2021, restricted stock units totaling 239,472 were not included in the computation of diluted earnings per share because they were anti-dilutive. Anti-dilutive shares are common stock equivalents with weighted average exercise prices in excess of the average market value for the periods presented.

| (Dollars in thousands, except per share data) | Three Months Ended<br>March 31, |            |
|-----------------------------------------------|---------------------------------|------------|
|                                               | 2022                            | 2021       |
| Net income available to common shareholders   | \$ 13,441                       | \$ 13,178  |
| Basic weighted average shares outstanding     | 18,339,013                      | 18,950,305 |
| Plus: common stock equivalents                | 607,670                         | 581,384    |
| Diluted weighted average shares outstanding   | 18,946,683                      | 19,531,689 |
| Net income per share                          |                                 |            |
| Basic                                         | \$ 0.73                         | \$ 0.70    |
| Diluted                                       | 0.71                            | 0.67       |

**Income Taxes:** The Company files a consolidated Federal income tax return. Separate state income tax returns are filed for each subsidiary based on current laws and regulations.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in its financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on the enacted tax rates. Such tax assets and liabilities are adjusted for the effect of a change in tax rates in the period of enactment.

The Company recognizes a tax position as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Company is no longer subject to examination by the U.S. Federal tax authorities for years prior to 2018 or by New Jersey tax authorities for years prior to 2016.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

**Loss Contingencies:** Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the financial statements.

**Restrictions on Cash:** A large portion of cash on hand or on deposit with the Federal Reserve Bank (“FRB”) was required to meet regulatory reserve and clearing requirements. Prior to March 2020, reserves were in the form of cash and balances with the FRB and included in interest-earning deposits in our statement of condition. The FRB suspended cash reserve requirements effective March 26, 2020.

**Comprehensive Income/(Loss):** Comprehensive income/(loss) consists of net income and the change during the period in the Company’s net unrealized gains or losses on securities available for sale and unrealized gains and losses on cash flow hedge, net of tax, less adjustments for realized gains and losses.

**Transfers of Financial Assets:** Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

**Risks and Uncertainties:** The Company expects COVID-19 to have an impact on our operations but cannot determine or estimate the full impact at this time. It is possible that estimates made in the Company’s consolidated financial statements could be materially and adversely impacted as a result of the conditions created by COVID-19, including estimates regarding expected provision for credit losses and impairment of goodwill.

**Goodwill and Other Intangible Assets:** Goodwill is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree (if any), over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed.

The Company has selected December 31 as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill, which includes assembled workforce has an indefinite life on our statement of financial condition. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill and assembled workforce are the intangible assets with an indefinite life on our balance sheet.

Other intangible assets, which primarily consist of customer relationship intangible assets arising from acquisitions, are amortized on an accelerated basis over their estimated useful lives, which range from 5 to 15 years.

## 2. INVESTMENT SECURITIES

A summary of amortized cost and approximate fair value of investment securities available for sale and held to maturity included in the Consolidated Statements of Condition as of March 31, 2022 and December 31, 2021 follows:

| (In thousands)                         | March 31, 2022 |                        |                         |                             |            |
|----------------------------------------|----------------|------------------------|-------------------------|-----------------------------|------------|
|                                        | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Allowance for Credit Losses | Fair Value |
| <b>Securities Available for Sale:</b>  |                |                        |                         |                             |            |
| U.S government-sponsored agencies      | \$ 244,761     | \$ —                   | \$ (26,498)             | \$ —                        | \$ 218,263 |
| Mortgage-backed securities—residential | 364,177        | 378                    | (24,042)                | —                           | 340,513    |
| SBA pool securities                    | 38,326         | 2                      | (2,853)                 | —                           | 35,475     |
| State and political subdivisions       | 4,523          | 3                      | (6)                     | —                           | 4,520      |
| Corporate bond                         | 2,500          | —                      | (108)                   | —                           | 2,392      |
| Total securities available for sale    | \$ 654,287     | \$ 383                 | \$ (53,507)             | \$ —                        | \$ 601,163 |
| <b>Securities Held to Maturity:</b>    |                |                        |                         |                             |            |
| U.S. government-sponsored agencies     | \$ 40,000      | \$ —                   | \$ (1,982)              | \$ —                        | \$ 38,018  |
| Mortgage-backed securities—residential | 66,816         | —                      | (4,520)                 | —                           | 62,296     |
| Total                                  | \$ 106,816     | \$ —                   | \$ (6,502)              | \$ —                        | \$ 100,314 |

  

| (In thousands)                         | December 31, 2021 |                        |                         |            |
|----------------------------------------|-------------------|------------------------|-------------------------|------------|
|                                        | Amortized Cost    | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| <b>Securities Available for Sale:</b>  |                   |                        |                         |            |
| U.S government-sponsored agencies      | \$ 280,045        | \$ —                   | \$ (7,824)              | \$ 272,221 |
| Mortgage-backed securities—residential | 481,062           | 3,849                  | (7,937)                 | 476,974    |
| SBA pool securities                    | 40,649            | 12                     | (1,100)                 | 39,561     |
| State and political subdivisions       | 5,431             | 45                     | —                       | 5,476      |
| Corporate bond                         | 2,500             | 21                     | —                       | 2,521      |
| Total securities available for sale    | \$ 809,687        | \$ 3,927               | \$ (16,861)             | \$ 796,753 |
| <b>Securities Held to Maturity:</b>    |                   |                        |                         |            |
| U.S. government-sponsored agencies     | \$ 40,000         | \$ 7                   | \$ (25)                 | \$ 39,982  |
| Mortgage-backed securities—residential | 68,680            | 67                     | (269)                   | 68,478     |
| Total                                  | \$ 108,680        | \$ 74                  | \$ (294)                | \$ 108,460 |

The following table presents a summary of the gross gains, gross losses and net tax benefit related to proceeds on sales of securities available for sale for the quarter ended March 31, 2022:

| (In thousands)            | March 31, 2022 |
|---------------------------|----------------|
| Proceeds from sales       | \$ 120,245     |
| Gross gains               | 3              |
| Gross losses              | (6,612)        |
| Net tax (benefit)/expense | 1,581          |

The following tables present the Company's available for sale and held to maturity securities with continuous unrealized losses and the approximate fair value of these investments as of March 31, 2022 and December 31, 2021.

| (In thousands)                             | March 31, 2022               |                      |                                                    |                      |                              |                      |
|--------------------------------------------|------------------------------|----------------------|----------------------------------------------------|----------------------|------------------------------|----------------------|
|                                            | Less Than 12 Months          |                      | Duration of Unrealized Loss<br>12 Months or Longer |                      | Total                        |                      |
|                                            | Approximate<br>Fair<br>Value | Unrealized<br>Losses | Approximate<br>Fair<br>Value                       | Unrealized<br>Losses | Approximate<br>Fair<br>Value | Unrealized<br>Losses |
| <b>Securities Available for Sale:</b>      |                              |                      |                                                    |                      |                              |                      |
| U.S. government-sponsored agencies         | \$ 90,578                    | \$ (9,277)           | \$ 127,685                                         | \$ (17,221)          | \$ 218,263                   | \$ (26,498)          |
| Mortgage-backed securities residential     | 132,068                      | (7,083)              | 156,945                                            | (16,959)             | 289,013                      | (24,042)             |
| SBA pool securities                        | 24,484                       | (1,653)              | 9,393                                              | (1,200)              | 33,877                       | (2,853)              |
| State and political subdivisions           | 1,609                        | (6)                  | —                                                  | —                    | 1,609                        | (6)                  |
| Corporate bond                             | 2,392                        | (108)                | —                                                  | —                    | 2,392                        | (108)                |
| <b>Total securities available for sale</b> | <b>\$ 251,131</b>            | <b>\$ (18,127)</b>   | <b>\$ 294,023</b>                                  | <b>\$ (35,380)</b>   | <b>\$ 545,154</b>            | <b>\$ (53,507)</b>   |
| <b>Securities Held to Maturity:</b>        |                              |                      |                                                    |                      |                              |                      |
| U.S. government-sponsored agencies         | \$ 38,018                    | \$ (1,982)           | \$ —                                               | \$ —                 | \$ 38,018                    | \$ (1,982)           |
| Mortgage-backed securities residential     | 62,296                       | (4,520)              | —                                                  | —                    | 62,296                       | (4,520)              |
| <b>Total securities held to maturity</b>   | <b>\$ 100,314</b>            | <b>\$ (6,502)</b>    | <b>\$ —</b>                                        | <b>\$ —</b>          | <b>\$ 100,314</b>            | <b>\$ (6,502)</b>    |
| <b>Total securities</b>                    | <b>\$ 351,445</b>            | <b>\$ (24,629)</b>   | <b>\$ 294,023</b>                                  | <b>\$ (35,380)</b>   | <b>\$ 645,468</b>            | <b>\$ (60,009)</b>   |

  

| (In thousands)                             | December 31, 2021            |                      |                                                    |                      |                              |                      |
|--------------------------------------------|------------------------------|----------------------|----------------------------------------------------|----------------------|------------------------------|----------------------|
|                                            | Less Than 12 Months          |                      | Duration of Unrealized Loss<br>12 Months or Longer |                      | Total                        |                      |
|                                            | Approximate<br>Fair<br>Value | Unrealized<br>Losses | Approximate<br>Fair<br>Value                       | Unrealized<br>Losses | Approximate<br>Fair<br>Value | Unrealized<br>Losses |
| <b>Securities Available for Sale:</b>      |                              |                      |                                                    |                      |                              |                      |
| U.S. government-sponsored agencies         | \$ 243,187                   | \$ (6,858)           | \$ 29,034                                          | \$ (966)             | \$ 272,221                   | \$ (7,824)           |
| Mortgage-backed securities residential     | 265,403                      | (7,053)              | 33,455                                             | (884)                | 298,858                      | (7,937)              |
| SBA pool securities                        | 22,057                       | (567)                | 10,562                                             | (533)                | 32,619                       | (1,100)              |
| <b>Total securities available for sale</b> | <b>\$ 530,647</b>            | <b>\$ (14,478)</b>   | <b>\$ 73,051</b>                                   | <b>\$ (2,383)</b>    | <b>\$ 603,698</b>            | <b>\$ (16,861)</b>   |
| <b>Securities Held to Maturity:</b>        |                              |                      |                                                    |                      |                              |                      |
| U.S. government-sponsored agencies         | \$ 24,975                    | \$ (25)              | \$ —                                               | \$ —                 | \$ 24,975                    | \$ (25)              |
| Mortgage-backed securities residential     | 48,307                       | (269)                | —                                                  | —                    | 48,307                       | (269)                |
| <b>Total securities held to maturity</b>   | <b>\$ 73,282</b>             | <b>\$ (294)</b>      | <b>\$ —</b>                                        | <b>\$ —</b>          | <b>\$ 73,282</b>             | <b>\$ (294)</b>      |
| <b>Total securities</b>                    | <b>\$ 603,929</b>            | <b>\$ (14,772)</b>   | <b>\$ 73,051</b>                                   | <b>\$ (2,383)</b>    | <b>\$ 676,980</b>            | <b>\$ (17,155)</b>   |

Available for sale and held to maturity securities are evaluated to determine if a decline in fair value below the amortized cost basis has resulted from a credit loss or other factors. An impairment related to credit factors would be recorded through an allowance for credit losses. The allowance is limited to the amount by which the security's amortized cost basis exceeds the fair value. An impairment that has not been recorded through an allowance for credit losses shall be recorded through other comprehensive income, net of applicable taxes. Investment securities will be written down to fair value through the Consolidated Statements of Income when management intends to sell, or may be required to sell, the securities before they recover in value. The issuers of securities currently in a continuous loss position continue to make timely principal and interest payments and none of these securities were past due or were placed in nonaccrual status at March 31, 2022. Primarily all of the investment securities are backed by loans guaranteed by either U.S. government agencies or U.S. government-sponsored entities, and management believes that default is highly unlikely given the lack of historical credit losses and governmental backing. Management believes that the unrealized losses on these securities are a function of changes in market interest rates and credit spreads, not changes in credit quality. Therefore, no allowance for credit losses was recorded at March 31, 2022.

The Company has an investment in a CRA investment fund with a fair value of \$14.0 million at March 31, 2022. This investment is classified as an equity security in our Consolidated Statements of Condition. This security had a loss of \$682,000 for the three months ended March 31, 2022. This amount is included in securities gains/(losses), net on the Consolidated Statements of Income.

### 3. LOANS AND LEASES

Loans outstanding, excluding those held for sale, by general ledger classification, as of March 31, 2022 and December 31, 2021, consisted of the following:

| (Dollars in thousands)                                 | March 31,<br>2022   | % of<br>Totals<br>Loans | December 31,<br>2021 | % of<br>Totals<br>Loans |
|--------------------------------------------------------|---------------------|-------------------------|----------------------|-------------------------|
| Residential mortgage                                   | \$ 512,684          | 10.01%                  | \$ 498,300           | 10.37%                  |
| Multifamily mortgage                                   | 1,850,097           | 36.12                   | 1,595,866            | 33.20                   |
| Commercial mortgage                                    | 669,899             | 13.09                   | 662,626              | 13.78                   |
| Commercial loans (including equipment financing) (1)   | 1,997,798           | 39.00                   | 1,955,157            | 40.67                   |
| Commercial construction                                | 17,572              | 0.34                    | 20,044               | 0.42                    |
| Home equity lines of credit                            | 38,604              | 0.75                    | 40,803               | 0.85                    |
| Consumer loans, including fixed rate home equity loans | 35,322              | 0.69                    | 33,687               | 0.70                    |
| Other loans                                            | 226                 | 0.00                    | 238                  | 0.01                    |
| Total loans                                            | <u>\$ 5,122,202</u> | <u>100.00%</u>          | <u>\$ 4,806,721</u>  | <u>100.00%</u>          |

(1) Includes PPP loans of \$9.6 million at March 31, 2022 and \$13.8 million at December 31, 2021.

In determining an appropriate amount for the allowance, the Bank segments and aggregated the loan portfolio based on common characteristics. The following pool segments identified as of March 31, 2022 are based on the CECL methodology:

| (Dollars in thousands)                   | March 31,<br>2022   | % of<br>Totals<br>Loans |
|------------------------------------------|---------------------|-------------------------|
| Primary residential mortgage             | \$ 516,350          | 10.09%                  |
| Junior lien loan on residence            | 41,747              | 0.81                    |
| Multifamily property                     | 1,850,097           | 36.15                   |
| Owner-occupied commercial real estate    | 256,345             | 5.01                    |
| Investment commercial real estate        | 1,056,755           | 20.65                   |
| Commercial and industrial (1)            | 1,019,501           | 19.92                   |
| Lease financing                          | 312,133             | 6.10                    |
| Construction                             | 22,826              | 0.45                    |
| Consumer and other                       | 41,853              | 0.82                    |
| Total loans                              | 5,117,607           | 100.00%                 |
| Net deferred costs                       | 4,595               |                         |
| Total loans including net deferred costs | <u>\$ 5,122,202</u> |                         |

(1) Includes PPP loans of \$9.6 million at March 31, 2022.

The portfolio classes identified as of December 31, 2021 are based on the incurred loss methodology and are segmented by federal Call Report codes:

| (Dollars in thousands)                   | December 31,<br>2021 | % of<br>Totals<br>Loans |
|------------------------------------------|----------------------|-------------------------|
| Primary residential mortgage             | \$ 500,243           | 10.42%                  |
| Home equity lines of credit              | 40,803               | 0.85                    |
| Junior lien loan on residence            | 3,191                | 0.07                    |
| Multifamily property                     | 1,595,866            | 33.23                   |
| Owner-occupied commercial real estate    | 252,603              | 5.26                    |
| Investment commercial real estate        | 1,003,979            | 20.90                   |
| Commercial and industrial (1)            | 992,332              | 20.66                   |
| Lease financing                          | 345,868              | 7.20                    |
| Farmland/agricultural production         | 6,871                | 0.14                    |
| Commercial construction loans            | 20,174               | 0.42                    |
| Consumer and other loans                 | 40,828               | 0.85                    |
| Total loans                              | 4,802,758            | 100.00%                 |
| Net deferred costs                       | 3,963                |                         |
| Total loans including net deferred costs | <u>\$ 4,806,721</u>  |                         |

(1) Includes PPP loans of \$13.8 million at December 31, 2021.

The following tables present the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of March 31, 2022 and December 31, 2021:

| (In thousands)                        | March 31, 2022   |                                                            |
|---------------------------------------|------------------|------------------------------------------------------------|
|                                       | Nonaccrual       | Loans Past Due 90 Days or Over And Still Accruing Interest |
| Primary residential mortgage          | \$ 2,385         | \$ —                                                       |
| Junior lien loan on residence         | 17               | —                                                          |
| Owner-occupied commercial real estate | 420              | —                                                          |
| Investment commercial real estate     | 12,500           | —                                                          |
| Commercial and industrial             | 562              | —                                                          |
| Total                                 | <u>\$ 15,884</u> | <u>\$ —</u>                                                |

| (In thousands)                        | December 31, 2021 |                                                            |
|---------------------------------------|-------------------|------------------------------------------------------------|
|                                       | Nonaccrual        | Loans Past Due 90 Days or Over And Still Accruing Interest |
| Primary residential mortgage          | \$ 1,851          | \$ —                                                       |
| Junior lien loan on residence         | 18                | —                                                          |
| Owner-occupied commercial real estate | 458               | —                                                          |
| Investment commercial real estate     | 12,750            | —                                                          |
| Commercial and industrial             | 496               | —                                                          |
| Total                                 | <u>\$ 15,573</u>  | <u>\$ —</u>                                                |

The following tables present the aging of the recorded investment in past due loans as of March 31, 2022 and December 31, 2021 by class of loans, excluding nonaccrual loans:

| (In thousands)               | March 31, 2022      |                     |                             |                |
|------------------------------|---------------------|---------------------|-----------------------------|----------------|
|                              | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or Greater Past Due | Total Past Due |
| Primary residential mortgage | \$ 332              | \$ —                | \$ —                        | \$ 332         |
| Commercial and industrial    | 274                 | —                   | —                           | 274            |
| Total                        | <u>\$ 606</u>       | <u>\$ —</u>         | <u>\$ —</u>                 | <u>\$ 606</u>  |

| (In thousands)               | December 31, 2021   |                     |                             |                 |
|------------------------------|---------------------|---------------------|-----------------------------|-----------------|
|                              | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or Greater Past Due | Total Past Due  |
| Primary residential mortgage | \$ 639              | \$ —                | \$ —                        | \$ 639          |
| Commercial and industrial    | 7,825               | 142                 | —                           | 7,967           |
| Total                        | <u>\$ 8,464</u>     | <u>\$ 142</u>       | <u>\$ —</u>                 | <u>\$ 8,606</u> |

#### Credit Quality Indicators:

The Company places all commercial loans into various credit risk rating categories based on an assessment of the expected ability of the borrowers to properly service their debt. The assessment considers numerous factors including, but not limited to, current financial information on the borrower, historical payment experience, strength of any guarantor, nature of and value of any collateral, acceptability of the loan structure and documentation, relevant public information and current economic trends. This credit risk rating analysis is performed when the loan is initially underwritten and then annually based on set criteria in the loan policy.

In addition, the Bank has engaged an independent loan review firm to validate risk ratings and to ensure compliance with our policies and procedures. This review of the following types of loans is performed quarterly:

- A large sample of relationships or new lending to existing relationships greater than \$1,000,000 booked since the prior review;

- All criticized and classified rated borrowers with relationship exposure of more than \$500,000;
- A large sample of Pass-rated (including Pass Watch) borrowers with total relationships in excess of \$1,000,000 and a small sample of Pass related relationships less than \$1,000,000;
- All leveraged loans of \$1,000,000 or greater;
- At least two borrowing relationships managed by each commercial banker;
- Any new Regulation “O” loan commitments over \$1,000,000; and
- Any other credits requested by Bank senior management or a member of the Board of Directors and any borrower for which the reviewer determines a review is warranted based upon knowledge of the portfolio, local events, industry stresses, etc.

The review excludes borrowers with commitments of less than \$500,000.

The Company uses the following regulatory definitions for criticized and classified risk ratings:

**Special Mention:** These loans have a potential weakness that deserves Management’s close attention. If left uncorrected, the potential weaknesses may result in deterioration of the repayment prospects for the loans or of the institution’s credit position at some future date.

**Substandard:** These loans are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

**Doubtful:** These loans have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable, based on currently existing facts, conditions and values.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans.

With the adoption of CECL, loans that are in the process of or expected to be in foreclosure are deemed to be collateral dependent with respect to measuring potential loss and allowance adequacy and are individually evaluated by Management. Loans that do not share common risk characteristics are also evaluated on an individual basis. All other loans are evaluated using a non-linear discounted cashflow methodology for measuring potential loss and allowance adequacy.

The following is a summary of the credit risk profile of loans by internally assigned grade as of the periods indicated, the years represent the year of origination for non-revolving loans:

| (In thousands)                              | March 31, 2022    |                     |                   |                   |                   |                     |                  |                    |                     |
|---------------------------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|---------------------|------------------|--------------------|---------------------|
|                                             | 2022              | 2021                | 2020              | 2019              | 2018              | 2017<br>and Prior   | Revolving        | Revolving-<br>Term | Total               |
| Primary residential mortgage:               |                   |                     |                   |                   |                   |                     |                  |                    |                     |
| Pass                                        | \$ 38,233         | \$ 102,596          | \$ 68,550         | \$ 45,913         | \$ 29,968         | \$ 227,138          | \$ 700           | \$ 375             | \$ 513,473          |
| Special mention                             | —                 | —                   | —                 | —                 | —                 | 319                 | —                | —                  | 319                 |
| Substandard                                 | —                 | —                   | 469               | 215               | 287               | 1,587               | —                | —                  | 2,558               |
| Doubtful                                    | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Total primary residential mortgages         | 38,233            | 102,596             | 69,019            | 46,128            | 30,255            | 229,044             | 700              | 375                | 516,350             |
| Junior lien loan on residence:              |                   |                     |                   |                   |                   |                     |                  |                    |                     |
| Pass                                        | 441               | 208                 | 53                | 721               | 422               | 1,281               | —                | 38,081             | 41,207              |
| Special mention                             | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Substandard                                 | —                 | —                   | —                 | —                 | —                 | 17                  | —                | 523                | 540                 |
| Doubtful                                    | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Total junior lien loan on residence         | 441               | 208                 | 53                | 721               | 422               | 1,298               | —                | 38,604             | 41,747              |
| Multifamily property:                       |                   |                     |                   |                   |                   |                     |                  |                    |                     |
| Pass                                        | 312,564           | 688,845             | 120,104           | 285,468           | 59,972            | 358,853             | 7,578            | 1,949              | 1,835,333           |
| Special mention                             | —                 | —                   | —                 | 2,888             | —                 | 3,564               | —                | —                  | 6,452               |
| Substandard                                 | —                 | —                   | —                 | —                 | —                 | 8,312               | —                | —                  | 8,312               |
| Doubtful                                    | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Total multifamily property                  | 312,564           | 688,845             | 120,104           | 288,356           | 59,972            | 370,729             | 7,578            | 1,949              | 1,850,097           |
| Owner-occupied commercial real estate:      |                   |                     |                   |                   |                   |                     |                  |                    |                     |
| Pass                                        | 1,731             | 44,926              | 21,276            | 12,587            | 25,860            | 146,302             | 2,112            | 884                | 255,678             |
| Special mention                             | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Substandard                                 | —                 | —                   | —                 | —                 | —                 | 420                 | 247              | —                  | 667                 |
| Doubtful                                    | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Total owner-occupied commercial real estate | 1,731             | 44,926              | 21,276            | 12,587            | 25,860            | 146,722             | 2,359            | 884                | 256,345             |
| Investment commercial real estate:          |                   |                     |                   |                   |                   |                     |                  |                    |                     |
| Pass                                        | 59,535            | 164,327             | 65,408            | 160,095           | 116,607           | 340,366             | 36,005           | 13,130             | 955,473             |
| Special mention                             | —                 | —                   | —                 | 36,220            | 7,852             | 40,257              | —                | 2,411              | 86,740              |
| Substandard                                 | —                 | —                   | —                 | 2,042             | 12,500            | —                   | —                | —                  | 14,542              |
| Doubtful                                    | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Total investment commercial real estate     | 59,535            | 164,327             | 65,408            | 198,357           | 136,959           | 380,623             | 36,005           | 15,541             | 1,056,755           |
| Commercial and industrial:                  |                   |                     |                   |                   |                   |                     |                  |                    |                     |
| Pass                                        | 77,506            | 315,130             | 135,158           | 113,694           | 40,005            | 15,034              | 13,445           | 272,328            | 982,300             |
| Special mention                             | —                 | —                   | —                 | 5,291             | 196               | —                   | 6,345            | 4,602              | 16,434              |
| Substandard                                 | —                 | —                   | 13                | —                 | 20,488            | 230                 | —                | 36                 | 20,767              |
| Doubtful                                    | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Total commercial and industrial             | 77,506            | 315,130             | 135,171           | 118,985           | 60,689            | 15,264              | 19,790           | 276,966            | 1,019,501           |
| Lease financing:                            |                   |                     |                   |                   |                   |                     |                  |                    |                     |
| Pass                                        | 5,630             | 106,238             | 70,994            | 66,563            | 39,897            | 22,811              | —                | —                  | 312,133             |
| Special mention                             | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Substandard                                 | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Doubtful                                    | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Total lease financing                       | 5,630             | 106,238             | 70,994            | 66,563            | 39,897            | 22,811              | —                | —                  | 312,133             |
| Construction loans:                         |                   |                     |                   |                   |                   |                     |                  |                    |                     |
| Pass                                        | —                 | —                   | —                 | 1,462             | —                 | 8                   | 10,195           | 11,088             | 22,753              |
| Special mention                             | —                 | —                   | —                 | —                 | —                 | 73                  | —                | —                  | 73                  |
| Substandard                                 | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Doubtful                                    | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Total commercial construction loans         | —                 | —                   | —                 | 1,462             | —                 | 81                  | 10,195           | 11,088             | 22,826              |
| Consumer and other loans:                   |                   |                     |                   |                   |                   |                     |                  |                    |                     |
| Pass                                        | —                 | 437                 | 270               | 20                | —                 | 6,197               | 3,331            | 31,598             | 41,853              |
| Special mention                             | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Substandard                                 | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Doubtful                                    | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| Total consumer and other loans              | —                 | 437                 | 270               | 20                | —                 | 6,197               | 3,331            | 31,598             | 41,853              |
| Total:                                      |                   |                     |                   |                   |                   |                     |                  |                    |                     |
| Pass                                        | 495,640           | 1,422,707           | 481,813           | 686,523           | 312,731           | 1,117,990           | 73,366           | 369,433            | 4,960,203           |
| Special mention                             | —                 | —                   | —                 | 44,399            | 8,048             | 44,213              | 6,345            | 7,013              | 110,018             |
| Substandard                                 | —                 | —                   | 482               | 2,257             | 33,275            | 10,566              | 247              | 559                | 47,386              |
| Doubtful                                    | —                 | —                   | —                 | —                 | —                 | —                   | —                | —                  | —                   |
| <b>Total Loans</b>                          | <b>\$ 495,640</b> | <b>\$ 1,422,707</b> | <b>\$ 482,295</b> | <b>\$ 733,179</b> | <b>\$ 354,054</b> | <b>\$ 1,172,769</b> | <b>\$ 79,958</b> | <b>\$ 377,005</b>  | <b>\$ 5,117,607</b> |

As of December 31, 2021, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

| (In thousands)                        | Pass                | Special<br>Mention | Substandard      | Doubtful    |
|---------------------------------------|---------------------|--------------------|------------------|-------------|
| Primary residential mortgage          | \$ 494,444          | \$ 557             | \$ 5,242         | \$ —        |
| Home equity lines of credit           | 40,274              | —                  | 529              | —           |
| Junior lien loan on residence         | 3,173               | —                  | 18               | —           |
| Multifamily property                  | 1,579,776           | 7,720              | 8,370            | —           |
| Owner-occupied commercial real estate | 251,229             | 663                | 711              | —           |
| Investment commercial real estate     | 901,877             | 87,297             | 14,805           | —           |
| Commercial and industrial             | 951,127             | 20,178             | 21,027           | —           |
| Lease financing                       | 345,868             | —                  | —                | —           |
| Farmland/agricultural production      | 6,871               | —                  | —                | —           |
| Commercial construction loans         | 20,099              | 75                 | —                | —           |
| Consumer and other loans              | 40,828              | —                  | —                | —           |
| Total                                 | <u>\$ 4,635,566</u> | <u>\$ 116,490</u>  | <u>\$ 50,702</u> | <u>\$ —</u> |

At March 31, 2022, \$15.9 million of substandard loans were also considered individually evaluated, compared to \$15.7 million at December 31, 2021.

#### Loan Modifications:

The CARES Act allows financial institutions to suspend application of certain current TDR accounting guidance under ASC 310-40 for loan modifications related to the COVID-19 pandemic made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the COVID-19 national emergency, provided certain criteria are met. The revised CARES Act extended TDR relief to loan modifications through January 1, 2022. This relief can be applied to loan modifications for borrowers that were not more than 30 days past due as of December 31, 2019 and to loan modifications that defer or delay the payment of principal or interest or change the interest rate on the loan. In April 2020, federal and state banking regulators issued the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus to provide further interpretation of when a borrower is experiencing financial difficulty, specifically indicating that if the modification is either short-term (e.g., six months) or mandated by a federal or state government in response to the COVID-19 pandemic, the borrower is not experiencing financial difficulty under ASC 310-40.

As of March 31, 2022, the Bank had modified 542 loans with a balance of \$947.0 million resulting in the deferral of principal and/or interest. The table below summarizes the outstanding deferrals as of March 31, 2022. All of these loans were performing in accordance with their terms prior to modification and are in conformance with the CARES Act. Details with respect to loan modifications are as follows:

| (Dollars in thousands)    | Number of<br>Loans | Post-Modification<br>Outstanding<br>Recorded<br>Investment |
|---------------------------|--------------------|------------------------------------------------------------|
| Commercial and industrial | 4                  | \$ 12,656                                                  |
| Total                     | <u>4</u>           | <u>\$ 12,656</u>                                           |

#### Troubled Debt Restructurings:

The Company has allocated \$2.5 million of specific reserves on TDRs as of March 31, 2022. The Company did not allocate specific reserves to customers whose loan terms had been modified in troubled debt restructurings as of December 31, 2021. There were no unfunded commitments to lend additional amounts to customers with outstanding loans that are classified as TDRs.

The following table presents loans by class modified as TDRs during the three-month period ended March 31, 2022:

| (Dollars in thousands)            | Number of<br>Loans | Pre-Modification<br>Outstanding<br>Recorded<br>Investment | Post-Modification<br>Outstanding<br>Recorded<br>Investment |
|-----------------------------------|--------------------|-----------------------------------------------------------|------------------------------------------------------------|
| Investment commercial real estate | 1                  | \$ 12,500                                                 | \$ 12,500                                                  |
| Total                             | 1                  | \$ 12,500                                                 | \$ 12,500                                                  |

There were no loans modified as TDRs during the three-month period ended March 31, 2021.

The identification of the TDRs did not have a significant impact on the allowance for credit losses.

The following table presents loans by class modified as TDRs that failed to comply with the modified terms in the twelve months following modification and resulted in a payment default at March 31, 2022:

| (Dollars in thousands)       | Number of<br>Loans | Recorded<br>Investment |
|------------------------------|--------------------|------------------------|
| Primary residential mortgage | 1                  | \$ 215                 |
| Total                        | 1                  | \$ 215                 |

The following table presents loans by class modified as TDRs that failed to comply with the modified terms in the twelve months following modification and resulted in a payment default at March 31, 2021:

| (Dollars in thousands)       | Number of<br>Loans | Recorded<br>Investment |
|------------------------------|--------------------|------------------------|
| Primary residential mortgage | 1                  | \$ 132                 |
| Total                        | 1                  | \$ 132                 |

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy. The modification of the terms of such loans may include one or more of the following: (1) a reduction of the stated interest rate of the loan to a rate that is lower than the current market rate for new debt with similar risk; (2) an extension of an interest only period for a predetermined period of time; (3) an extension of the maturity date; or (4) an extension of the amortization period over which future payments will be computed. At the time a loan is restructured, the Bank performs a full underwriting analysis, which includes, at a minimum, obtaining current financial statements and tax returns, copies of all leases, and an updated independent appraisal of the property. A loan will continue to accrue interest if it can be reasonably determined that the borrower should be able to perform under the modified terms, that the loan has not been chronically delinquent (both to debt service and real estate taxes) or in nonaccrual status since its inception, and that there have been no charge-offs on the loan. Restructured loans with previous charge-offs would not accrue interest at the time of the TDR. At a minimum, six consecutive months of contractual payments would need to be made on a restructured loan before returning it to accrual status. Once a loan is classified as a TDR, the loan is reported as a TDR until the loan is paid in full, sold or charged-off. In rare circumstances, a loan may be removed from TDR status if it meets the requirements of ASC 310-40-50-2.

#### 4. ALLOWANCE FOR CREDIT LOSSES

On January 1, 2022, the Company adopted ASU 2016-13, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. See Note 1, Summary of Significant Accounting Policies for additional information on Topic 326.

The Company does not estimate expected credit losses on accrued interest receivable (“AIR”) on loans, as AIR is reversed or written off when the full collection of the AIR related to a loan becomes doubtful. AIR on loans totaled \$20.8 million at March 31, 2022 and \$19.1 million at December 31, 2021.

The following table presents the loan balances by segment, and the corresponding balances in the allowance as of March 31, 2022. For the period ended March 31, 2022, the allowance is based on the CECL methodology.

| (In thousands)                        | March 31, 2022                     |                                                         |                                    |                                                         |                     |                  |
|---------------------------------------|------------------------------------|---------------------------------------------------------|------------------------------------|---------------------------------------------------------|---------------------|------------------|
|                                       | Total Individually Evaluated Loans | Ending ACL Attributable To Individually Evaluated Loans | Total Loans Collectively Evaluated | Ending ACL Attributable To Loans Collectively Evaluated | Total Loans         | Total Ending ACL |
| Primary residential mortgage          | \$ 385                             | \$ —                                                    | \$ 515,965                         | \$ 3,545                                                | \$ 516,350          | \$ 3,545         |
| Junior lien loan on residence         | —                                  | —                                                       | 41,747                             | 242                                                     | 41,747              | 242              |
| Multifamily property                  | —                                  | —                                                       | 1,850,097                          | 15,480                                                  | 1,850,097           | 15,480           |
| Owner-occupied commercial real estate | 328                                | —                                                       | 256,017                            | 4,903                                                   | 256,345             | 4,903            |
| Investment commercial real estate     | 12,500                             | 2,500                                                   | 1,044,255                          | 8,469                                                   | 1,056,755           | 10,969           |
| Commercial and industrial             | 266                                | —                                                       | 1,019,235                          | 18,653                                                  | 1,019,501           | 18,653           |
| Lease financing                       | —                                  | —                                                       | 312,133                            | 3,354                                                   | 312,133             | 3,354            |
| Construction loans                    | —                                  | —                                                       | 22,826                             | 532                                                     | 22,826              | 532              |
| Consumer and other loans              | —                                  | —                                                       | 41,853                             | 708                                                     | 41,853              | 708              |
| <b>Total ACL</b>                      | <b>\$ 13,479</b>                   | <b>\$ 2,500</b>                                         | <b>\$ 5,104,128</b>                | <b>\$ 55,886</b>                                        | <b>\$ 5,117,607</b> | <b>\$ 58,386</b> |

The following table presents the loan balances by portfolio class, based on impairment method, and the corresponding balances in the allowance as of December 31, 2021. For the year ended December 31, 2021, the allowance was calculated based on the incurred loss methodology:

| (In thousands)                        | December 31, 2021                                 |                                                                         |                                                   |                                                                         |                     |                   |
|---------------------------------------|---------------------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------------------|---------------------|-------------------|
|                                       | Total Loans Individually Evaluated For Impairment | Ending ALLL Attributable To Loans Individually Evaluated for Impairment | Total Loans Collectively Evaluated For Impairment | Ending ALLL Attributable To Loans Collectively Evaluated for Impairment | Total Loans         | Total Ending ALLL |
| Primary residential mortgage          | \$ 2,242                                          | \$ —                                                                    | \$ 498,001                                        | \$ 1,432                                                                | \$ 500,243          | \$ 1,432          |
| Home equity lines of credit           | —                                                 | —                                                                       | 40,803                                            | 83                                                                      | 40,803              | 83                |
| Junior lien loan on residence         | 18                                                | —                                                                       | 3,173                                             | 5                                                                       | 3,191               | 5                 |
| Multifamily property                  | —                                                 | —                                                                       | 1,595,866                                         | 9,806                                                                   | 1,595,866           | 9,806             |
| Owner-occupied commercial real estate | 458                                               | —                                                                       | 252,145                                           | 1,998                                                                   | 252,603             | 1,998             |
| Investment commercial real estate     | 12,750                                            | 4,234                                                                   | 991,229                                           | 22,849                                                                  | 1,003,979           | 27,083            |
| Commercial and industrial             | 2,584                                             | —                                                                       | 989,748                                           | 17,509                                                                  | 992,332             | 17,509            |
| Lease financing                       | —                                                 | —                                                                       | 345,868                                           | 3,440                                                                   | 345,868             | 3,440             |
| Farmland/agricultural production      | —                                                 | —                                                                       | 6,871                                             | 84                                                                      | 6,871               | 84                |
| Commercial construction loans         | —                                                 | —                                                                       | 20,174                                            | 42                                                                      | 20,174              | 42                |
| Consumer and other loans              | —                                                 | —                                                                       | 40,828                                            | 215                                                                     | 40,828              | 215               |
| <b>Total ALLL</b>                     | <b>\$ 18,052</b>                                  | <b>\$ 4,234</b>                                                         | <b>\$ 4,784,706</b>                               | <b>\$ 57,463</b>                                                        | <b>\$ 4,802,758</b> | <b>\$ 61,697</b>  |

Individually evaluated loans include nonaccrual loans of \$15.9 million at March 31, 2022 and \$15.6 million at December 31, 2021. This includes one \$12.5 million commercial real estate loan that was placed on nonaccrual status in 2021. The Company recorded a charge-off of \$7.4 million related to this loan during the fourth quarter of 2021. Individually evaluated loans also included performing TDR loans of \$2.4 million at March 31, 2022 and \$2.5 million at December 31, 2021. The allowance

allocated to TDR loans totaled \$2.5 million at March 31, 2022, of which all was allocated to one nonaccrual loan. At December 31, 2021, there was no allowance allocated to TDR loans. All accruing TDR loans were paying in accordance with restructured terms as of March 31, 2022. The Company has not committed to lend additional amounts as of March 31, 2022 to customers with outstanding loans that are classified as TDR loans.

Under Topic 326, the Company's methodology for determining the ACL on loans is based upon key assumptions, including historic net charge-off factors, economic forecasts, reversion periods, prepayments and qualitative adjustments. The allowance is measured on a collective, or pool, basis when similar risk characteristics exist. Loans that do not share common risk characteristics are evaluated on an individual basis and are excluded from the collective evaluation.

The following tables present collateral dependent loans individually evaluated by segment as of March 31, 2022:

| (In thousands)                        | March 31, 2022                 |                        |                      |                                               |
|---------------------------------------|--------------------------------|------------------------|----------------------|-----------------------------------------------|
|                                       | Unpaid<br>Principal<br>Balance | Recorded<br>Investment | Related<br>Allowance | Average<br>Individually<br>Evaluated<br>Loans |
| With no related allowance recorded:   |                                |                        |                      |                                               |
| Primary residential mortgage          | \$ 445                         | \$ 385                 | \$ —                 | \$ 343                                        |
| Owner-occupied commercial real estate | 357                            | 328                    | —                    | 342                                           |
| Commercial and industrial             | 282                            | 266                    | —                    | 282                                           |
| Total loans with no related allowance | \$ 1,084                       | \$ 979                 | \$ —                 | \$ 967                                        |
| With related allowance recorded:      |                                |                        |                      |                                               |
| Investment commercial real estate     | \$ 12,500                      | \$ 12,500              | \$ 2,500             | \$ 12,667                                     |
| Total loans with related allowance    | \$ 12,500                      | \$ 12,500              | \$ 2,500             | \$ 12,667                                     |
| Total loans individually evaluated    | \$ 13,584                      | \$ 13,479              | \$ 2,500             | \$ 13,634                                     |

The following table presents, under previously applicable GAAP, loans individually evaluated for impairment as of December 31, 2021 (the average impaired loans on the following tables represent year to date impaired loans):

| (In thousands)                                    | December 31, 2021              |                        |                      |                              |
|---------------------------------------------------|--------------------------------|------------------------|----------------------|------------------------------|
|                                                   | Unpaid<br>Principal<br>Balance | Recorded<br>Investment | Specific<br>Reserves | Average<br>Impaired<br>Loans |
| With no related allowance recorded:               |                                |                        |                      |                              |
| Primary residential mortgage                      | \$ 2,453                       | \$ 2,242               | \$ —                 | \$ 1,818                     |
| Owner-occupied commercial real estate             | 492                            | 458                    | —                    | 540                          |
| Junior lien loan on residence                     | 18                             | 18                     | —                    | 3                            |
| Commercial and industrial                         | 4,549                          | 2,584                  | —                    | 3,153                        |
| Total loans with no related allowance             | \$ 7,512                       | \$ 5,302               | \$ —                 | \$ 5,514                     |
| With related allowance recorded:                  |                                |                        |                      |                              |
| Investment commercial real estate                 | \$ 19,887                      | \$ 12,750              | \$ 4,234             | \$ 6,034                     |
| Total loans with related allowance                | \$ 19,887                      | \$ 12,750              | \$ 4,234             | \$ 6,034                     |
| Total loans individually evaluated for impairment | \$ 27,399                      | \$ 18,052              | \$ 4,234             | \$ 11,548                    |

Interest income recognized on individually evaluated loans for the quarter ended March 31, 2022 and 2021 was not material. The Company did not recognize any income on non-accruing impaired loans for the three months ended March 31, 2022 and 2021.

The activity in the allowance for credit losses for the three months ended March 31, 2022 is summarized below:

|                                       | December 31,<br>2021 |                    |                 |             |                 | March 31,<br>2022 |
|---------------------------------------|----------------------|--------------------|-----------------|-------------|-----------------|-------------------|
|                                       | Prior to adoption    | Impact of          |                 |             | Provision       | Ending            |
| (In thousands)                        | of Topic 326         | adopting Topic 326 | Charge-offs     | Recoveries  | (Credit)        | ACL               |
| Primary residential mortgage          | \$ 1,510             | \$ 1,604           | \$ —            | \$ —        | \$ 431          | \$ 3,545          |
| Junior lien loan on residence         | 88                   | 174                | —               | —           | (20)            | 242               |
| Multifamily property                  | 9,806                | 3,763              | —               | —           | 1,911           | 15,480            |
| Owner-occupied commercial real estate | 1,998                | 2,934              | —               | —           | (29)            | 4,903             |
| Investment commercial real estate     | 27,083               | (13,450)           | (250)           | —           | (2,414)         | 10,969            |
| Commercial and industrial             | 17,509               | (1,646)            | —               | 4           | 2,786           | 18,653            |
| Lease financing                       | 3,440                | 156                | —               | —           | (242)           | 3,354             |
| Construction loans                    | 48                   | 418                | —               | —           | 66              | 532               |
| Consumer and other loans              | 215                  | 511                | (20)            | 2           | —               | 708               |
| Total ACL                             | <u>\$ 61,697</u>     | <u>\$ (5,536)</u>  | <u>\$ (270)</u> | <u>\$ 6</u> | <u>\$ 2,489</u> | <u>\$ 58,386</u>  |

For the accounting policy on the allowance for loan losses that was in effect prior to the adoption of Topic 326, refer to Note 1, Summary of Significant Accounting Policies in our Annual Report on Form 10-K for the year-ended December 31, 2021. The activity in the allowance for loan and lease losses for the three months ended March 31, 2021 is summarized below:

|                                       | January 1,<br>2021 |                |              |               |               | March 31,<br>2021 |
|---------------------------------------|--------------------|----------------|--------------|---------------|---------------|-------------------|
|                                       | Beginning          |                |              |               | Provision     | Ending            |
| (In thousands)                        | ALLL               | Charge-offs    | Recoveries   |               | (Credit)      | ALLL              |
| Primary residential mortgage          | \$ 2,905           | \$ —           | \$ —         | \$ (129)      | \$ (129)      | \$ 2,776          |
| Home equity lines of credit           | 218                | —              | 9            | (29)          | (29)          | 198               |
| Junior lien loan on residence         | 15                 | —              | —            | 1             | 1             | 16                |
| Multifamily property                  | 9,945              | —              | —            | 482           | 482           | 10,427            |
| Owner-occupied commercial real estate | 3,050              | —              | —            | (186)         | (186)         | 2,864             |
| Investment commercial real estate     | 27,713             | —              | —            | (1,020)       | (1,020)       | 26,693            |
| Commercial and industrial             | 19,047             | —              | 7            | 1,071         | 1,071         | 20,125            |
| Lease financing                       | 3,936              | —              | —            | 31            | 31            | 3,967             |
| Farmland/agricultural production      | 43                 | —              | —            | 4             | 4             | 47                |
| Commercial construction loans         | 158                | —              | —            | 3             | 3             | 161               |
| Consumer and other loans              | 279                | (15)           | 1            | (3)           | (3)           | 262               |
| Total ALLL                            | <u>\$ 67,309</u>   | <u>\$ (15)</u> | <u>\$ 17</u> | <u>\$ 225</u> | <u>\$ 225</u> | <u>\$ 67,536</u>  |

#### Allowance for Credit Losses on Off Balance Sheet Commitments

The following table presets the activity in the ACL for off balance sheet commitments for the three months ended March 31, 2022:

|                               | December 31,<br>2021 |                    |                 |                 | March 31, 2022 |
|-------------------------------|----------------------|--------------------|-----------------|-----------------|----------------|
|                               | Prior to adoption    | Impact of          |                 | Provision       | Ending         |
| (In thousands)                | of Topic 326         | adopting Topic 326 |                 | (Credit)        | ACL            |
| Off balance sheet commitments | \$ —                 | \$ 302             | \$ (114)        | \$ (114)        | \$ 188         |
| Total ACL                     | <u>\$ —</u>          | <u>\$ 302</u>      | <u>\$ (114)</u> | <u>\$ (114)</u> | <u>\$ 188</u>  |

## 5. DEPOSITS

Certificates of deposit that met or exceeded \$250,000 totaled \$131.5 million and \$140.4 million at March 31, 2022 and December 31, 2021, respectively. These totals excluded brokered certificates of deposit.

The following table sets forth the details of total deposits as of March 31, 2022 and December 31, 2021:

|                                           | March 31,<br>2022 |         | December 31,<br>2021 |         |
|-------------------------------------------|-------------------|---------|----------------------|---------|
| (Dollars in thousands)                    |                   |         |                      |         |
| Noninterest-bearing demand deposits       | \$ 1,023,208      | 18.99%  | \$ 956,482           | 18.16%  |
| Interest-bearing checking (1)             | 2,362,987         | 43.86   | 2,287,894            | 43.45   |
| Savings                                   | 162,116           | 3.01    | 154,914              | 2.94    |
| Money market                              | 1,304,017         | 24.21   | 1,307,051            | 24.82   |
| Certificates of deposit - retail          | 384,909           | 7.14    | 409,608              | 7.78    |
| Certificates of deposit - listing service | 31,348            | 0.58    | 31,382               | 0.60    |
| Subtotal deposits                         | 5,268,585         | 97.79   | 5,147,331            | 97.75   |
| Interest-bearing demand - Brokered        | 85,000            | 1.58    | 85,000               | 1.61    |
| Certificates of deposit - Brokered        | 33,831            | 0.63    | 33,818               | 0.64    |
| Total deposits                            | \$ 5,387,416      | 100.00% | \$ 5,266,149         | 100.00% |

(1) Interest-bearing checking includes \$665.0 million at March 31, 2022 and \$647.8 million at December 31, 2021 of reciprocal balances in the Reich & Tang or Promontory Demand Deposit Marketplace program.

The scheduled maturities of certificates of deposit, including brokered certificates of deposit, as of March 31, 2022, are as follows:

|                |                   |
|----------------|-------------------|
| (In thousands) |                   |
| 2022           | \$ 294,833        |
| 2023           | 80,394            |
| 2024           | 34,021            |
| 2025           | 29,271            |
| 2026           | 11,027            |
| Over 5 Years   | 542               |
| Total          | <u>\$ 450,088</u> |

## 6. FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

At March 31, 2022, the Company had \$122.1 million of overnight borrowings at the FHLB at a rate of 72 basis points compared to no overnight borrowings as of December 31, 2021. At March 31, 2022, unused short-term overnight borrowing commitments totaled \$1.8 billion from the FHLB, \$22.0 million from correspondent banks and \$1.6 billion at the Federal Reserve Bank of New York.

## 7. BUSINESS SEGMENTS

The Company assesses its results among two operating segments, Banking and Peapack Private. Management uses certain methodologies to allocate income and expense to the business segments. A funds transfer pricing methodology is used to assign interest income and interest expense. Certain indirect expenses are allocated to segments. These include support unit expenses such as technology and operations and other support functions. Taxes are allocated to each segment based on the effective rate for the period shown.

### Banking

The Banking segment includes: commercial (includes C&I and equipment finance), commercial real estate, multifamily, residential and consumer lending activities; treasury management services; C&I advisory services; escrow management; deposit

generation; operation of ATMs; telephone and internet banking services; merchant credit card services and customer support and sales.

#### Peapack Private

Peapack Private, which includes the operations of PGB Trust & Investments of Delaware and Murphy Capital, consists of: investment management services provided for individuals and institutions; personal trust services, including services as executor, trustee, administrator, custodian and guardian; and other financial planning, tax preparation and advisory services.

The following tables present the statements of income and total assets for the Company's reportable segments for the three months ended March 31, 2022 and 2021.

| (In thousands)                     | Three Months Ended March 31, 2022 |                 |              |
|------------------------------------|-----------------------------------|-----------------|--------------|
|                                    | Banking                           | Peapack Private | Total        |
| Net interest income                | \$ 37,999                         | \$ 1,623        | \$ 39,622    |
| Noninterest income                 | (429)                             | 15,143          | 14,714       |
| Total income                       | 37,570                            | 16,766          | 54,336       |
| Provision for credit losses        | 2,375                             | —               | 2,375        |
| Compensation and employee benefits | 16,403                            | 6,046           | 22,449       |
| Premises and equipment expense     | 3,931                             | 716             | 4,647        |
| FDIC insurance expense             | 471                               | —               | 471          |
| Other operating expense            | 4,166                             | 2,436           | 6,602        |
| Total operating expense            | 27,346                            | 9,198           | 36,544       |
| Income before income tax expense   | 10,224                            | 7,568           | 17,792       |
| Income tax expense                 | 2,300                             | 2,051           | 4,351        |
| Net income                         | \$ 7,924                          | \$ 5,517        | \$ 13,441    |
| Total assets at period end         | \$ 6,155,011                      | \$ 100,653      | \$ 6,255,664 |

  

| (In thousands)                             | Three Months Ended March 31, 2021 |                 |              |
|--------------------------------------------|-----------------------------------|-----------------|--------------|
|                                            | Banking                           | Peapack Private | Total        |
| Net interest income                        | \$ 30,226                         | \$ 1,567        | \$ 31,793    |
| Noninterest income                         | 5,140                             | 12,680          | 17,820       |
| Total income                               | 35,366                            | 14,247          | 49,613       |
| Provision for loan and lease losses        | 225                               | —               | 225          |
| Compensation and employee benefits         | 16,428                            | 5,562           | 21,990       |
| Premises and equipment expense             | 3,570                             | 543             | 4,113        |
| FDIC insurance expense                     | 585                               | —               | 585          |
| Other operating expense                    | 2,391                             | 2,515           | 4,906        |
| Total operating expense                    | 23,199                            | 8,620           | 31,819       |
| Income before income tax (benefit)/expense | 12,167                            | 5,627           | 17,794       |
| Income tax (benefit)/expense               | 3,159                             | 1,457           | 4,616        |
| Net income                                 | \$ 9,008                          | \$ 4,170        | \$ 13,178    |
| Total assets at period end                 | \$ 5,883,553                      | \$ 86,074       | \$ 5,969,627 |

## 8. FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value:

Investment Securities: The fair values for investment securities are determined by quoted market prices (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Loans Held for Sale, at Fair Value: The fair value of loans held for sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan or other observable market data, such as outstanding commitments from third party investors (Level 2).

Derivatives: The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2). Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services.

Individually Evaluated Loans: The fair value of collateral dependent loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Individually evaluated loans may, in some cases, also be measured by the discounted cash flow methodology where payments are anticipated. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Other Real Estate Owned: Nonrecurring adjustments to certain commercial and residential real estate properties classified as other real estate owned ("OREO") are measured at fair value, less estimated costs to sell. Fair values are based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for both collateral-dependent impaired loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by Management. Once received, a third party conducts a review of the appraisal for compliance with the Uniform Standards of Professional Appraisal Practice and appropriate analysis methods for the type of property. Subsequently, a member of the Credit Department reviews the assumptions and approaches utilized in the appraisal, as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. Appraisals on collateral dependent impaired loans and other real estate owned (consistent for all loan types) are obtained on an annual basis, unless a significant change in the market or other factors warrants a more frequent appraisal. On an annual basis, Management compares the actual selling price of any collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to the appraisal value to arrive at fair value for other properties. The most recent analysis performed indicated that a discount up to 15 percent should be applied to appraisals on properties. The discount is determined based on the nature of the underlying properties, aging of appraisals and other factors. For each collateral-dependent impaired loan, we consider other factors, such as certain indices or other market information, as well as property specific circumstances to determine if an adjustment to the appraised value is needed. In situations where there is evidence of change in value, the Bank will determine if there is a need for an adjustment to the specific reserve on the collateral dependent impaired loans. When the Bank applies an interim adjustment, it generally shows the adjustment as an incremental specific reserve against the loan until it has received the full updated appraisal. All collateral-dependent impaired loans and other real estate owned valuations were supported by an appraisal less than 12 months old or in the process of obtaining an appraisal as of March 31, 2022.

The following table summarizes, at the dates indicated, assets measured at fair value on a recurring basis, including financial assets for which the Corporation has elected the fair value option:

**Assets Measured on a Recurring Basis**

| (In thousands)                         | March 31,<br>2022 | Fair Value Measurements Using                                                    |                                                           |                                                    |
|----------------------------------------|-------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                        |                   | Quoted<br>Prices in<br>Active<br>Markets For<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets:                                |                   |                                                                                  |                                                           |                                                    |
| Available for sale:                    |                   |                                                                                  |                                                           |                                                    |
| U.S. government-sponsored agencies     | \$ 218,263        | \$ —                                                                             | \$ 218,263                                                | \$ —                                               |
| Mortgage-backed securities-residential | 340,513           | —                                                                                | 340,513                                                   | —                                                  |
| SBA pool securities                    | 35,475            | —                                                                                | 35,475                                                    | —                                                  |
| State and political subdivisions       | 4,520             | —                                                                                | 4,520                                                     | —                                                  |
| Corporate bond                         | 2,392             | —                                                                                | 2,392                                                     | —                                                  |
| CRA investment fund                    | 14,003            | 14,003                                                                           | —                                                         | —                                                  |
| Loans held for sale, at fair value     | 605               | —                                                                                | 605                                                       | —                                                  |
| Derivatives:                           |                   |                                                                                  |                                                           |                                                    |
| Cash flow hedges                       | 391               | —                                                                                | 391                                                       | —                                                  |
| Loan level swaps                       | 8,908             | —                                                                                | 8,908                                                     | —                                                  |
| Total                                  | <u>\$ 625,070</u> | <u>\$ 14,003</u>                                                                 | <u>\$ 611,067</u>                                         | <u>\$ —</u>                                        |
| Liabilities:                           |                   |                                                                                  |                                                           |                                                    |
| Derivatives:                           |                   |                                                                                  |                                                           |                                                    |
| Cash flow hedges                       | \$ 1,074          | \$ —                                                                             | \$ 1,074                                                  | \$ —                                               |
| Loan level swaps                       | 9,034             | —                                                                                | 9,034                                                     | —                                                  |
| Total                                  | <u>\$ 10,108</u>  | <u>\$ —</u>                                                                      | <u>\$ 10,108</u>                                          | <u>\$ —</u>                                        |

## Assets Measured on a Recurring Basis

|                                        |                      | Fair Value Measurements Using                                                    |                                                           |                                                    |
|----------------------------------------|----------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                        |                      | Quoted<br>Prices in<br>Active<br>Markets For<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (In thousands)                         | December 31,<br>2021 |                                                                                  |                                                           |                                                    |
| Assets:                                |                      |                                                                                  |                                                           |                                                    |
| Securities available for sale:         |                      |                                                                                  |                                                           |                                                    |
| U.S. government-sponsored agencies     | \$ 272,221           | \$ —                                                                             | \$ 272,221                                                | \$ —                                               |
| Mortgage-backed securities-residential | 476,974              | —                                                                                | 476,974                                                   | —                                                  |
| SBA pool securities                    | 39,561               | —                                                                                | 39,561                                                    | —                                                  |
| State and political subdivisions       | 5,476                | —                                                                                | 5,476                                                     | —                                                  |
| Corporate bond                         | 2,521                | —                                                                                | 2,521                                                     | —                                                  |
| CRA investment fund                    | 14,685               | 14,685                                                                           | —                                                         | —                                                  |
| Loans held for sale, at fair value     | 3,040                | —                                                                                | 3,040                                                     | —                                                  |
| Derivatives:                           |                      |                                                                                  |                                                           |                                                    |
| Loan level swaps                       | 32,326               | —                                                                                | 32,326                                                    | —                                                  |
| Total                                  | \$ 846,804           | \$ 14,685                                                                        | \$ 832,119                                                | \$ —                                               |

|                     |                  |             |                  |             |
|---------------------|------------------|-------------|------------------|-------------|
| <b>Liabilities:</b> |                  |             |                  |             |
| <b>Derivatives:</b> |                  |             |                  |             |
| Cash flow hedges    | \$ 3,479         | \$ —        | \$ 3,479         | \$ —        |
| Loan level swaps    | 34,569           | —           | 34,569           | —           |
| Total               | <u>\$ 38,048</u> | <u>\$ —</u> | <u>\$ 38,048</u> | <u>\$ —</u> |

The Company has elected the fair value option for certain loans held for sale. These loans are intended for sale and the Company believes that the fair value is the best indicator of the resolution of these loans. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company's policy on loans held for investment. None of these loans are 90 days or more past due nor on nonaccrual as of March 31, 2022 and December 31, 2021.

The following tables present residential loans held for sale, at fair value at the dates indicated:

| (In thousands)                                      | March 31, 2022 | December 31, 2021 |
|-----------------------------------------------------|----------------|-------------------|
| Residential loans contractual balance               | \$ 595         | \$ 2,992          |
| Fair value adjustment                               | 10             | 48                |
| Total fair value of residential loans held for sale | <u>\$ 605</u>  | <u>\$ 3,040</u>   |

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2022.

The following tables summarize, at the dates indicated, assets measured at fair value on a non-recurring basis:

| (In thousands)                    | March 31,<br>2022 | Fair Value Measurements Using                                                    |                                                           |                                                    |
|-----------------------------------|-------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                   |                   | Quoted<br>Prices in<br>Active<br>Markets For<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets:                           |                   |                                                                                  |                                                           |                                                    |
| Individually evaluated loans:     |                   |                                                                                  |                                                           |                                                    |
| Investment commercial real estate | \$ 10,000         | \$ —                                                                             | \$ —                                                      | \$ 10,000                                          |

|                                   |                      | Fair Value Measurements Using                                                    |                                                           |                                                    |
|-----------------------------------|----------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                   |                      | Quoted<br>Prices in<br>Active<br>Markets For<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (In thousands)                    | December 31,<br>2021 |                                                                                  |                                                           |                                                    |
| Assets:                           |                      |                                                                                  |                                                           |                                                    |
| Impaired loans:                   |                      |                                                                                  |                                                           |                                                    |
| Investment commercial real estate | \$ 8,516             | \$ —                                                                             | \$ —                                                      | \$ 8,516                                           |

The carrying amounts and estimated fair values of financial instruments at March 31, 2022 are as follows:

| (In thousands)                                      | Carrying<br>Amount | Fair Value Measurements at March 31, 2022 using |            |           |              |
|-----------------------------------------------------|--------------------|-------------------------------------------------|------------|-----------|--------------|
|                                                     |                    | Level 1                                         | Level 2    | Level 3   | Total        |
| Financial assets                                    |                    |                                                 |            |           |              |
| Cash and cash equivalents                           | \$ 113,960         | \$ 113,960                                      | \$ —       | \$ —      | \$ 113,960   |
| Securities available for sale                       | 601,163            | —                                               | 601,163    | —         | 601,163      |
| Securities held to maturity                         | 106,816            | —                                               | 100,314    | —         | 100,314      |
| CRA investment fund                                 | 14,003             | 14,003                                          | —          | —         | 14,003       |
| FHLB and FRB stock                                  | 18,570             | —                                               | —          | —         | N/A          |
| Loans held for sale, at fair value                  | 605                | —                                               | 605        | —         | 605          |
| Loans held for sale, at lower of cost or fair value | 26,350             | —                                               | 29,644     | —         | 29,644       |
| Loans, net of allowance for credit losses           | 5,063,816          | —                                               | —          | 4,887,836 | 4,887,836    |
| Accrued interest receivable                         | 22,890             | —                                               | 2,071      | 20,819    | 22,890       |
| Accrued interest receivable loan level swaps (1)    | 3,642              | —                                               | 3,642      | —         | 3,642        |
| Cash flow hedges                                    | 391                | —                                               | 391        | —         | 391          |
| Loan level swaps                                    | 8,908              | —                                               | 8,908      | —         | 8,908        |
| Financial liabilities                               |                    |                                                 |            |           |              |
| Deposits                                            | \$ 5,387,416       | \$ 4,937,328                                    | \$ 446,422 | \$ —      | \$ 5,383,750 |
| Short-term borrowings                               | 122,085            | —                                               | 122,085    | —         | 122,085      |
| Subordinated debt                                   | 132,772            | —                                               | —          | 131,839   | 131,839      |
| Accrued interest payable                            | 1,928              | 163                                             | 400        | 1,365     | 1,928        |
| Accrued interest payable loan level swaps (2)       | 3,642              | —                                               | 3,642      | —         | 3,642        |
| Cash flow hedges                                    | 1,074              | —                                               | 1,074      | —         | 1,074        |
| Loan level swap                                     | 9,034              | —                                               | 9,034      | —         | 9,034        |

- (1) Included in other assets in the Consolidated Statement of Condition.  
(2) Included in accrued expenses and other liabilities in the Consolidated Statement of Condition.

The carrying amounts and estimated fair values of financial instruments at December 31, 2021 are as follows:

|                                                     |                 | Fair Value Measurements at December 31, 2021 using |            |           |              |
|-----------------------------------------------------|-----------------|----------------------------------------------------|------------|-----------|--------------|
| (In thousands)                                      | Carrying Amount | Level 1                                            | Level 2    | Level 3   | Total        |
| Financial assets                                    |                 |                                                    |            |           |              |
| Cash and cash equivalents                           | \$ 146,804      | \$ 146,804                                         | \$ —       | \$ —      | \$ 146,804   |
| Securities available for sale                       | 796,753         | —                                                  | 796,753    | —         | 796,753      |
| Securities held to maturity                         | 108,680         | —                                                  | 108,460    | —         | 108,460      |
| CRA investment fund                                 | 14,685          | 14,685                                             | —          | —         | 14,685       |
| FHLB and FRB stock                                  | 12,950          | —                                                  | —          | —         | N/A          |
| Loans held for sale, at fair value                  | 3,040           | —                                                  | 3,040      | —         | 3,040        |
| Loans held for sale, at lower of cost or fair value | 34,051          | —                                                  | 37,538     | —         | 37,538       |
| Loans, net of allowance for loan and lease losses   | 4,745,024       | —                                                  | —          | 4,767,293 | 4,767,293    |
| Accrued interest receivable                         | 21,589          | —                                                  | 2,443      | 19,146    | 21,589       |
| Accrued interest receivable loan level swaps (1)    | 4,842           | —                                                  | 4,842      | —         | 4,842        |
| Loan level swaps                                    | 32,326          | —                                                  | 32,326     | —         | 32,326       |
| Financial liabilities                               |                 |                                                    |            |           |              |
| Deposits                                            | \$ 5,266,149    | \$ 4,791,341                                       | \$ 476,659 | \$ —      | \$ 5,268,000 |
| Subordinated debt                                   | 132,701         | —                                                  | —          | 140,556   | 140,556      |
| Accrued interest payable                            | 651             | 130                                                | 446        | 75        | 651          |
| Accrued interest payable loan level swaps (2)       | 4,842           | —                                                  | 4,842      | —         | 4,842        |
| Cash flow hedges                                    | 3,479           | —                                                  | 3,479      | —         | 3,479        |
| Loan level swaps                                    | 34,569          | —                                                  | 34,569     | —         | 34,569       |

- (1) Included in other assets in the Consolidated Statement of Condition.  
(2) Included in accrued expenses and other liabilities in the Consolidated Statement of Condition.

## 9. REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized within noninterest income.

The following tables present the sources of noninterest income for the periods indicated:

| (In thousands)                     | For the Three Months Ended March 31, |                  |
|------------------------------------|--------------------------------------|------------------|
|                                    | 2022                                 | 2021             |
| <b>Service charges on deposits</b> |                                      |                  |
| Overdraft fees                     | \$ 113                               | \$ 93            |
| Interchange income                 | 342                                  | 317              |
| Other                              | 497                                  | 436              |
| Wealth management fees (1)         | 14,834                               | 12,131           |
| Corporate advisory fee income      | 1,561                                | 1,098            |
| Other (2)                          | (2,633)                              | 3,745            |
| Total noninterest other income     | <u>\$ 14,714</u>                     | <u>\$ 17,820</u> |

- (1) Includes investment brokerage fees.  
(2) All of the other category is outside the scope of ASC 606.

The following table presents the sources of noninterest income by operating segment for the periods indicated:

| (In thousands)<br>Revenue by Operating Segment | For the Three Months Ended<br>March 31,<br>2022 |                      |                  | For the Three Months Ended<br>March 31,<br>2021 |                      |                  |
|------------------------------------------------|-------------------------------------------------|----------------------|------------------|-------------------------------------------------|----------------------|------------------|
|                                                | Banking                                         | Wealth<br>Management | Total            | Banking                                         | Wealth<br>Management | Total            |
| Service charges on deposits                    |                                                 |                      |                  |                                                 |                      |                  |
| Overdraft fees                                 | \$ 113                                          | \$ —                 | \$ 113           | \$ 93                                           | \$ —                 | \$ 93            |
| Interchange income                             | 342                                             | —                    | 342              | 317                                             | —                    | 317              |
| Other                                          | 497                                             | —                    | 497              | 436                                             | —                    | 436              |
| Wealth management fees (1)                     | —                                               | 14,834               | 14,834           | —                                               | 12,131               | 12,131           |
| Corporate advisory fee income                  | 1,561                                           | —                    | 1,561            | 1,098                                           | —                    | 1,098            |
| Other (2)                                      | (2,942)                                         | 309                  | (2,633)          | 3,196                                           | 549                  | 3,745            |
| Total noninterest income                       | <u>\$ (429)</u>                                 | <u>\$ 15,143</u>     | <u>\$ 14,714</u> | <u>\$ 5,140</u>                                 | <u>\$ 12,680</u>     | <u>\$ 17,820</u> |

(1) Includes investment brokerage fees.

(2) All of the other category is outside the scope of ASC 606.

A description of the Company's revenue streams accounted for under ASC 606 follows:

**Service charges on deposit accounts:** The Company earns fees from its deposit customers for certain transaction account maintenance, and overdraft fees. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

**Interchange income:** The Company earns interchange fees from debit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. Interchange income is presented gross of cardholder rewards. Cardholder rewards are included in other expenses in the statement of income. Cardholder rewards reduced interchange income for the first quarter of 2022 by \$30,000 compared to \$29,000 for the same quarter in 2021.

**Wealth management fees (gross):** The Company earns wealth management fees from its contracts with wealth management clients to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time as the Company charges its clients on a monthly or quarterly basis in accordance with its investment advisory agreements. Fees are generally assessed based on a tiered scale of the market value of AUM at month end. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed (i.e. trade date).

**Investment brokerage fees (net):** The Company earns fees from investment brokerage services provided to its customers by a third-party service provider. The Company receives commissions from the third-party service provider twice a month based upon customer activity for the month. The fees are recognized monthly, and a receivable is recorded until commissions are generally paid by the 15<sup>th</sup> of the following month. Because the Company (i) acts as an agent in arranging the relationship between the customer and the third-party service provider and (ii) does not control the services rendered to the customers, investment brokerage fees are presented net of related costs.

**Corporate advisory fee income:** The Company provides our clients with financial advisory and underwriting services. Investment banking revenues, which includes mergers and acquisition advisory fees and private placement fees, are recorded when the performance obligation for the transaction is satisfied under the terms of each engagement. Reimbursed expenses are reported in other revenue on the statement of operations. Expenses related to investment banking are recognized as non-compensation expenses on the statement of operations. Amounts received and unearned are included on the statement of financial condition. Expenses related to investment banking deals not completed are recognized in non-compensation expenses on the statement of operations.

The Company's mergers and acquisition advisory fees generally consist of a nonrefundable up-front fee and success fee. The nonrefundable fee is recorded as deferred revenue upon receipt and recognized at a point in time when the performance obligation is satisfied, or when the transaction is deemed by management to be terminated. Management's judgement is required in determining when a transaction is considered to be terminated.

**Gains/(losses) on sales of OREO:** The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform its obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain/(loss) on sale if a significant financing component is present.

**Other:** All of the other income items are outside the scope of ASC 606.

## 10. OTHER OPERATING EXPENSES

The following table presents the major components of other operating expenses for the periods indicated:

| (In thousands)                    | Three Months Ended<br>March 31, |                 |
|-----------------------------------|---------------------------------|-----------------|
|                                   | 2022                            | 2021            |
| Professional and legal fees       | \$ 1,138                        | \$ 1,256        |
| Telephone                         | 334                             | 334             |
| Advertising                       | 290                             | 214             |
| Amortization of intangible assets | 431                             | 368             |
| Branch restructure                | 372                             | —               |
| Other operating expenses          | 3,364                           | 2,734           |
| Total other operating expenses    | <u>\$ 5,929</u>                 | <u>\$ 4,906</u> |

## 11. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The following is a summary of the accumulated other comprehensive income/(loss) balances, net of tax, for the three months ended March 31, 2022 and 2021:

| (In thousands)                                                                  | Balance at<br>January 1,<br>2022 | Other<br>Comprehensive<br>Income/(Loss)<br>Before<br>Reclassifications | Amount<br>Reclassified<br>From<br>Accumulated<br>Other<br>Comprehensive<br>Income/(Loss) | Other<br>Comprehensive<br>Income/(Loss)<br>Three Months<br>Ended<br>March 31,<br>2022 | Balance at<br>March 31,<br>2022 |
|---------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------|
| Net unrealized holding gain/(loss) on securities available for sale, net of tax | \$ (9,873)                       | \$ (35,602)                                                            | \$ 5,028                                                                                 | \$ (30,574)                                                                           | \$ (40,447)                     |
| Gain/(loss) on cash flow hedges                                                 | (2,501)                          | 2,010                                                                  | —                                                                                        | 2,010                                                                                 | (491)                           |
| Accumulated other comprehensive gain/(loss), net of tax                         | <u>\$ (12,374)</u>               | <u>\$ (33,592)</u>                                                     | <u>\$ 5,028</u>                                                                          | <u>\$ (28,564)</u>                                                                    | <u>\$ (40,938)</u>              |

| (In thousands)                                                                  | Balance at<br>January 1,<br>2021 | Other<br>Comprehensive<br>Income/(Loss)<br>Before<br>Reclassifications | Amount<br>Reclassified<br>From<br>Accumulated<br>Other<br>Comprehensive<br>Income/(Loss) | Other<br>Comprehensive<br>Income/(Loss)<br>Three Months<br>Ended<br>March 31,<br>2021 | Balance at<br>March 31,<br>2021 |
|---------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------|
| Net unrealized holding gain/(loss) on securities available for sale, net of tax | \$ 5,521                         | \$ (13,415)                                                            | \$ —                                                                                     | \$ (13,415)                                                                           | \$ (7,894)                      |
| Gain/(loss) on cash flow hedges                                                 | (6,913)                          | 1,043                                                                  | —                                                                                        | 1,043                                                                                 | (5,870)                         |
| Accumulated other comprehensive gain/(loss), net of tax                         | <u>\$ (1,392)</u>                | <u>\$ (12,372)</u>                                                     | <u>\$ —</u>                                                                              | <u>\$ (12,372)</u>                                                                    | <u>\$ (13,764)</u>              |

The following represents the reclassifications out of accumulated other comprehensive income/(loss) for the three months ended March 31, 2022 and 2021:

| (In thousands)                                                 | Three Months Ended<br>March 31, |      | Affected Line Item in Income Statement |
|----------------------------------------------------------------|---------------------------------|------|----------------------------------------|
|                                                                | 2022                            | 2021 |                                        |
| Unrealized gains/(losses) on securities available for sale:    |                                 |      |                                        |
| Reclassification adjustment for amounts included in net income | \$ 6,609                        | \$ — | Securities losses, net                 |
| Tax effect                                                     | (1,581)                         | —    | Income tax expense                     |
| Total reclassifications, net of tax                            | \$ 5,028                        | \$ — |                                        |

## 12. DERIVATIVES

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Interest Rate Swaps Designated as Cash Flow Hedges: Interest rate swaps with a notional amount of \$230.0 million as of March 31, 2022 and \$230.0 million as of December 31, 2021 were designated as cash flow hedges of certain interest-bearing deposits. On a quarterly basis, the Company performs a qualitative hedge effectiveness assessment. This assessment takes into consideration any adverse developments related to the counterparty's risk of default and any negative events or circumstances that affect the factors that originally enabled the Company to assess that it could reasonably support, qualitatively, an expectation that the hedging relationship was and will continue to be highly effective. As of March 31, 2022, there were no events or market conditions that would result in hedge ineffectiveness. The aggregate fair value of the swaps is recorded in other assets/liabilities with changes in fair value recorded in other comprehensive income. The amount included in accumulated other comprehensive income would be reclassified to current earnings should the hedges no longer be considered effective. The Company expects the hedges to remain fully effective during the remaining terms of the swaps.

In March 2022, the Company entered into four forward starting interest rate swaps with a total notional amount of \$100.0 million. These swaps will effectively extend the interest rate protection of four existing swaps that are maturing in 2023 for an additional five years. As such, they are designated as cash flow hedges of certain interest-bearing deposits. The Company will receive variable amounts and pay fixed amounts. The weighted-average fixed pay rate on these forward swaps was 2.25% as of March 31, 2022. As of March 31, 2022, an unrealized loss of \$18,000 was recorded in accumulated other comprehensive income related to these forward starting swaps. The tables below do not include the impact of these forward swaps.

The following table presents information about the interest rate swaps designated as cash flow hedges as of March 31, 2022 and December 31, 2021:

| (Dollars in thousands)        | March 31,<br>2022 | December 31,<br>2021 |
|-------------------------------|-------------------|----------------------|
| Notional amount               | \$ 230,000        | \$ 230,000           |
| Weighted average pay rate     | 1.99%             | 1.99%                |
| Weighted average receive rate | 0.23%             | 0.20%                |
| Weighted average maturity     | 0.79 years        | 1.04 years           |
| Unrealized loss, net          | \$ (665)          | \$ (3,479)           |
| Number of contracts           | 11                | 13                   |

| (In thousands)                                           | March 31, 2022  |            |
|----------------------------------------------------------|-----------------|------------|
|                                                          | Notional Amount | Fair Value |
| Interest rate swaps related to interest-bearing deposits | \$ 230,000      | \$ (665)   |

|                                     |         |       |
|-------------------------------------|---------|-------|
| Total included in other assets      | 80,000  | 234   |
| Total included in other liabilities | 150,000 | (899) |

  

|                                                          | December 31, 2021 |            |
|----------------------------------------------------------|-------------------|------------|
| (In thousands)                                           | Notional Amount   | Fair Value |
| Interest rate swaps related to interest-bearing deposits | \$ 230,000        | \$ (3,479) |
| Total included in other assets                           | —                 | —          |
| Total included in other liabilities                      | 230,000           | (3,479)    |

### Cash Flow Hedges

The following table presents the net gain/(loss) recorded in accumulated other comprehensive income/(loss) and the consolidated financial statements relating to the cash flow derivative instruments for the three months ended March 31, 2022 and 2021:

| (In thousands)                                                               | For the Three Months Ended March 31, |          |
|------------------------------------------------------------------------------|--------------------------------------|----------|
|                                                                              | 2022                                 | 2021     |
| Interest rate contracts                                                      |                                      |          |
| Gain/(loss) recognized in other comprehensive income (effective portion)     | \$ 2,796                             | \$ 1,450 |
| Gain/(loss) reclassified from other comprehensive income to interest expense | —                                    | —        |
| Gain/(loss) recognized in other noninterest income                           | —                                    | —        |

Net interest expense recorded on these swap transactions totaled \$999,000 and \$1.2 million for the three months ended March 31, 2022 and 2021, respectively.

### Derivatives Not Designated as Accounting Hedges

The Company offers facility specific/loan level swaps to its customers and offsets its exposure from such contracts by entering mirror image swaps with a financial institution/swap counterparty (loan level / back-to-back swap program). The customer accommodations and any offsetting swaps are treated as non-hedging derivative instruments which do not qualify for hedge accounting (“standalone derivatives”). The notional amount of the swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual contracts. The fair value of the swaps is recorded as both an asset and a liability, in other assets and other liabilities, respectively, in equal amounts for these transactions.

The Company maintains a valuation allowance on these loan level swaps of \$126,000 at both March 31, 2022 and December 31, 2021, respectively. The accrued interest receivable and payable related to these swaps of \$3.6 million and \$4.8 million at March 31, 2022 and December 31, 2021, respectively, is recorded in other assets and other liabilities. At December 31, 2021, the Company recorded a total swap valuation provision of \$2.1 million related to a commercial real estate loan placed on nonaccrual status during the third quarter of 2021. This swap was terminated during the first quarter of 2022.

Information about these swaps is as follows:

| (Dollars in thousands)         | March 31,<br>2022 | December 31,<br>2021 |
|--------------------------------|-------------------|----------------------|
| Notional amount                | \$ 677,502        | \$ 702,210           |
| Fair value                     | \$ 9,034          | \$ 32,326            |
| Weighted average pay rates     | 3.98%             | 4.00%                |
| Weighted average receive rates | 2.20%             | 1.83%                |
| Weighted average maturity      | 5.2 years         | 5.5 years            |
| Number of contracts            | 85                | 86                   |

### 13. SUBORDINATED DEBT

In December 2017, the Company issued \$35.0 million in aggregate principal amount of fixed-to-floating subordinated notes (the “2017 Notes”) to certain institutional investors. The 2017 Notes are non-callable for five years, have a stated maturity of December 15, 2027, and bear interest at a fixed rate of 4.75 percent until December 15, 2022. From December 16, 2022 to the maturity date or early redemption date, the interest rate will reset quarterly to a level equal to the then current three-month London Interbank Offered Rate (“LIBOR”) rate plus 254 basis points, payable quarterly in arrears. Debt issuance costs incurred totaled \$875,000 and are being amortized to maturity.

In December 2020, the Company issued \$100.0 million in aggregate principal amount of fixed to floating subordinates notes (the “2020 Notes”) to certain institutional investors. The 2020 Notes are non-callable for five years, have a stated maturity of December 22, 2030, and bear interest at a fixed rate of 3.50 percent until December 22, 2025. From December 23, 2025 to the maturity date or early redemption date, the interest rate will reset quarterly to a level equal to the then current three-month Secured Overnight Financing Rate (“SOFR”) plus 326 basis points, payable quarterly in arrears. Debt issuance costs incurred totaled \$1.9 million and are being amortized to maturity.

The Company may use the proceeds from the issuance of the 2020 Notes to refinance then-outstanding debt, for stock repurchases, acquisitions of wealth management firms, as well as other general corporate purposes.

Subordinated debt is presented net of issuance costs on the Consolidated Statements of Condition. The subordinated debt issuances are included in the Company’s regulatory total capital amount and ratio.

In connection with the issuance of the 2020 Notes, the Company obtained ratings from Kroll Bond Rating Agency (“KBRA”) and Moody’s Investors Services (“Moody’s”). KBRA assigned an investment grade rating of BBB- and Moody’s assigned an investment grade rating of Baa3 for the 2020 Notes at the time of issuance.

### 14. LEASES

The Company maintains certain property and equipment under direct financing and operating leases. As of March 31, 2022, the Company’s operating lease ROU asset and operating lease liability totaled \$14.7 million and \$15.2 million, respectively. As of December 31, 2021, the Company’s operating lease ROU asset and operating lease liability totaled \$9.8 million and \$10.1 million, respectively. A weighted average discount rate of 2.66 percent and 2.78 percent was used in the measurement of the ROU asset and lease liability as of March 31, 2022 and December 31, 2021, respectively.

The Company’s leases have remaining lease terms between one month to 15 years, with a weighted average lease term of 7.69 years at March 31, 2022. The Company’s leases had remaining lease terms between four months to 15 years, with a weighted average lease term of 6.09 years at December 31, 2021. The Company’s lease agreements may include options to extend or terminate the lease. The Company’s decision to exercise renewal options is based on an assessment of its current business needs and market factors at the time of the renewal.

Total operating lease costs were \$868,000 and \$701,000 for the three months ended March 31, 2022 and 2021, respectively. The variable lease costs were \$77,000 and \$84,000 for the three months ended March 31, 2022 and 2021, respectively.

The following is a schedule of the Company’s operating lease liabilities by contractual maturity as of March 31, 2022:

(In thousands)

|                                       |    |        |
|---------------------------------------|----|--------|
| 2022                                  | \$ | 1,995  |
| 2023                                  |    | 2,816  |
| 2024                                  |    | 2,299  |
| 2025                                  |    | 2,048  |
| 2026                                  |    | 1,487  |
| Thereafter                            |    | 6,194  |
| Total lease payments                  |    | 16,839 |
| Less: imputed interest                |    | 1,684  |
| Total present value of lease payments | \$ | 15,155 |

The following table shows the supplemental cash flow information related to the Company’s direct finance and operating leases for the three months ended March 31, 2022 and 2021:

| (In thousands)                                               | For the Three Months Ended |          |
|--------------------------------------------------------------|----------------------------|----------|
|                                                              | 2022                       | 2021     |
| Right-of-use asset obtained in exchange for lease obligation | \$ 5,446                   | \$ 1,412 |
| Operating cash flows from operating leases                   | 665                        | 619      |
| Operating cash flows from direct finance leases              | 68                         | 79       |
| Financing cash flows from direct finance leases              | 187                        | 187      |

## 15. ACCOUNTING PRONOUNCEMENTS

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“ASU 2020-04”). The amendments in ASU 2020-04 provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in ASU 2020-04 apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. The amendments in this ASU can be adopted immediately and are effective through December 31, 2022. The Company is evaluating alternative reference rates including SOFR in preparation for a rate index replacement and the adoption of ASU 2020-04.

In March 2022, FASB issued ASU 2022-01, Derivatives and Hedging (Topic 815) (“ASU 2022-01”) which clarifies the guidance in ASC 815 on fair value hedge accounting of interest rate risk for portfolios and financial assets. Among other things, the amended guidance established the “last-of-layer” method for making the fair value hedge accounting for these portfolios more accessible and renamed that method the “portfolio layer” method. ASU 2022-01 is effective January 1, 2023 and is not expected to have a material impact on our consolidated financial statements.

In March 2022, FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326); Troubled Debt Restructurings and Vintage Disclosures* (“ASU 2022-02”). ASU 2022-02 eliminates the accounting guidance on troubled debt restructurings for creditors in ASC 310-40 and amends the guidance on “vintage disclosures” to require disclosure of current-period gross write-offs by year of origination. ASU 2022-02 also updates the requirements related to accounting for credit losses under ASC 326 and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. The amendments in this update will be effective for fiscal years beginning after December 15, 2022 for entities that have adopted the amendments in ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*. The Company is evaluating the additional disclosure requirements and does not expect them to have a material effect on the consolidated financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**FORWARD LOOKING STATEMENTS:** This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are not historical facts and include expressions about Management's confidence and strategies and Management's expectations about operations, growth, financial results, new and existing programs and products, investments, relationships, opportunities and market conditions. These statements may be identified by such forward-looking terminology as "expect", "look", "believe", "anticipate", "may", or similar statements or variations of such terms. Actual results may differ materially from such forward-looking statements. Factors that may cause results to differ materially from those contemplated by such forward-looking statements include, among others, those risk factors identified in the Company's Form 10-K for the year ended December 31, 2021, in addition to/which include the following:

- our ability to successfully grow our business and implement our strategic plan, including our ability to generate revenues to offset the increased personnel and other costs related to the strategic plan;
- the impact of anticipated higher operating expenses in 2022 and beyond;
- our ability to successfully integrate wealth management firm acquisitions;
- our ability to manage our growth;
- our ability to successfully integrate our expanded employee base;
- an unexpected decline in the economy, in particular in our New Jersey and New York market areas;
- declines in our net interest margin caused by the interest rate environment and/or our highly competitive market;
- declines in the value in our investment portfolio;
- impact from a pandemic event on our business, operations, customers, allowance for credit losses and capital levels;
- higher than expected increases in our allowance for credit losses;
- higher than expected increases in credit losses or in the level of delinquent, nonperforming, classified and criticized loans;
- inflation and changes in interest rates, which may adversely impact or margins and yields, reduce the fair value of our financial instruments, reduce our loan originations and lead to higher operating costs;
- decline in real estate values within our market areas;
- legislative and regulatory actions (including the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Basel III and related regulations) that may result in increased compliance costs;
- successful cyberattacks against our IT infrastructure and that of our IT and third-party providers;
- higher than expected FDIC insurance premiums;
- adverse weather conditions;
- the current or anticipated impact of military conflict, terrorism or other geopolitical events;
- our inability to successfully generate new business in new geographic markets;
- a reduction in our lower-cost funding sources;
- our inability to adapt to technological changes;
- claims and litigation pertaining to fiduciary responsibility, environmental laws and other matters;
- our inability to retain key employees;
- demands for loans and deposits in our market areas;
- adverse changes in securities markets;
- changes in accounting policies and practices; and
- other unexpected material adverse changes in our operations or earnings.

Further, given its ongoing and dynamic nature, it is difficult to predict the continued impact of the COVID-19 pandemic on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when the coronavirus can be controlled and abated. As the result of the COVID-19 pandemic and the related adverse local and national economic consequences, we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline, making it difficult to grow assets and income;
- if the economy worsens, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income;
- collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase;
- our allowance for credit losses may increase if borrowers experience financial difficulties, which will adversely affect our net income;

- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us;
- a material decrease in net income or a net loss over several quarters could result in an elimination or a decrease in the rate of our quarterly cash dividend;
- our wealth management revenues may decline with continuing market turmoil;
- a worsening of business and economic conditions or in the financial markets could result in an impairment of certain intangible assets, such as goodwill;
- the unanticipated loss or unavailability of key employees due to the outbreak, which could harm our ability to operate our business or execute our business strategy, especially as we may not be successful in finding and integrating suitable successors;
- our cyber security risks are increased as the result of an increase in the number of employees working remotely; and
- FDIC premiums may increase if the agency experience additional resolution costs.

Moreover, our operations depend on the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of key employees due to the pandemic could hinder our ability to operate our business or execute our business strategy.

Except as may be required by applicable law or regulation, the Company undertakes no duty to update any forward-looking statements to conform the statement to actual results or change in the Company's expectations. Although we believe that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES:** Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to the Company's Audited Consolidated Financial Statements for the year ended December 31, 2021 contains a summary of the Company's significant accounting policies.

Management believes that the Company's policy with respect to the methodology for the determination of the allowance for credit losses involves a higher degree of complexity and requires Management to make difficult and subjective judgments, which often require assumptions or estimates about highly uncertain matters. Changes in these judgments, assumptions or estimates could materially impact results of operations. This critical policy and its application are periodically reviewed with the Audit Committee and the Board of Directors.

On January 1, 2022, the Company adopted ASU 2016-13 (*Topic 326*), which replaced the incurred loss methodology with CECL for financial instruments measured at amortized cost and other commitments to extend credit. The allowance for credit losses is a valuation allowance for Management's estimate of expected credit losses in the loan portfolio. The process to determine expected credit losses utilizes analytic tools and Management judgement and is reviewed on a quarterly basis. When Management is reasonably certain that a loan balance is not fully collectable, an individually evaluated analysis is completed whereby a specific reserve may be established or a full or partial charge off is recorded against the allowance. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance via a quantitative analysis which considers available information from internal and external sources related to past loan loss and prepayment experience and current conditions, as well as the incorporation of reasonable and supportable forecasts. Management evaluates a variety of factors including available published economic information in arriving at its forecast. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. Also included in the allowance for credit losses are qualitative reserves that are expected, but, in the Management's assessment, may not be adequately represented in the quantitative analysis or the forecasts described above. Factors may include changes in lending policies and procedures, nature and volume of the portfolio, experience and depth of Management and the effect of external factors such as competition, legal and regulatory requirements, among others. The allowance is available for any loan that, in Management's judgment, should be charged off.

Although Management uses the best information available, the level of the allowance for credit losses remains an estimate, which is subject to significant judgment and short-term change. Various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for credit losses. Such agencies may require the Company to make additional provisions for credit losses based upon information available to them at the time of their examination. Furthermore, the majority of the Company's loans are secured by real estate in New Jersey and, to a lesser extent, New York City. Accordingly, the collectability of a substantial portion of the carrying value of the Company's loan portfolio is susceptible to changes in local market conditions and any adverse economic conditions. Future adjustments to the provision for credit losses and allowance for credit losses may be necessary due to economic, operating, regulatory and other conditions beyond the Company's control.

The Company accounts for its debt securities in accordance with ASC 320, “Investments - Debt Securities” and its equity security in accordance with ASC 321, “Investments – Equity Securities”. All securities are classified as available for sale and are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income/(loss), net of tax, with the exception of the Company’s investment in a CRA investment fund which is classified as an equity security. In accordance with ASU 2016-01, “Financial Instruments” unrealized holding gains and losses are marked to market through the income statement.

**EXECUTIVE SUMMARY:** The following table presents certain key aspects of our performance for the three months ended March 31, 2022 and 2021.

| (Dollars in thousands, except per share data)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | For the Three Months Ended March 31, |            | Change       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|------------|--------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2022                                 | 2021       | 2022 vs 2021 |
| <b>Results of Operations:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                      |            |              |
| Net interest income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | \$ 39,622                            | \$ 31,793  | \$ 7,829     |
| Provision for credit losses (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2,375                                | 225        | 2,150        |
| Net interest income after provision for credit losses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 37,247                               | 31,568     | 5,679        |
| Wealth management fee income (2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 14,834                               | 12,131     | 2,703        |
| Other income (3)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (120)                                | 5,689      | (5,809)      |
| Operating expense (4)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 34,169                               | 31,594     | 2,575        |
| Income before income tax expense                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 17,792                               | 17,794     | (2)          |
| Income tax expense                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 4,351                                | 4,616      | (265)        |
| Net income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$ 13,441                            | \$ 13,178  | \$ 263       |
| Total revenue (5)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | \$ 54,336                            | \$ 49,613  | \$ 4,723     |
| Diluted average shares outstanding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 18,946,683                           | 19,531,689 | (585,006)    |
| Diluted earnings per share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$ 0.71                              | \$ 0.67    | \$ 0.04      |
| Return on average assets annualized ("ROAA")                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 0.87%                                | 0.89%      | (0.02)%      |
| Return on average equity annualized ("ROAE")                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 9.88                                 | 10.03      | (0.15)       |
| <p>(1) Commencing on January 1, 2022, the allowance calculation is based on the current expected credit loss methodology. Prior to January 1, 2022, the calculation was based on the incurred loss methodology.</p> <p>(2) The March 2022 quarter included a full quarter of wealth management fee income and expense related to the July 2021 acquisition of Princeton Portfolio Strategies Group (“PPSG”).</p> <p>(3) The quarter ended March 31, 2022 included a \$6.6 million loss on sale of securities associated with a balance sheet repositioning executed in the quarter.</p> <p>(4) The March 2022 and 2021 quarters each included \$1.5 million of severance expense related to certain staff reorganizations within several areas of the Bank.</p> <p>(5) Total revenue equals net interest income plus wealth management fee income and other income.</p> |                                      |            |              |

|                                                     | March 31,<br>2022 | December 31,<br>2021 | Change<br>2022 vs 2021 |
|-----------------------------------------------------|-------------------|----------------------|------------------------|
| <b>Selected Balance Sheet Ratios:</b>               |                   |                      |                        |
| Total capital (Tier I + II) to risk-weighted assets | 13.94%            | 14.64%               | (0.70)%                |
| Tier I leverage ratio                               | 8.37              | 8.29                 | 0.08                   |
| Loans to deposits                                   | 95.08             | 91.28                | 3.80                   |
| Allowance for credit losses to total loans          | 1.14              | 1.28                 | (0.14)                 |
| Allowance for credit losses to nonperforming loans  | 367.58            | 396.18               | (28.60)                |
| Nonperforming loans to total loans                  | 0.31              | 0.32                 | (0.01)                 |

For the quarter ended March 31, 2022, the Company recorded total revenue of \$54.34 million, pretax income of \$17.79 million, net income of \$13.44 million and diluted earnings per share of \$0.71, compared to revenue of \$49.61 million, pretax income of \$17.79 million, net income of \$13.18 million and diluted earnings per share of \$0.67 for the same period last year. The 2022 quarter included increased net interest income, wealth management income and income from capital markets activities (which includes mortgage banking income, back-to-back swap income, SBA loan income, and corporate advisory fee income), offset by a loss on securities sales of \$6.6 million associated with a balance sheet repositioning executed during the first quarter of 2022.

Fee income generated by capital markets activities totaled \$4.65 million for the first quarter of 2022, an increase of \$1.08 million from \$3.57 million for the same period in 2021. Income from these programs are not linear each quarter, as some quarters will be higher than others.

**OFF-BALANCE SHEET ARRANGEMENTS:** For a discussion of our off-balance sheet arrangements, see the information set forth in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2021 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Off-Balance Sheet Arrangements and Aggregate Contractual Obligations."

## EARNINGS ANALYSIS

### NET INTEREST INCOME ("NII") / NET INTEREST MARGIN ("NIM") / AVERAGE BALANCE SHEET:

The primary source of the Company's operating income is net interest income, which is the difference between interest and dividends earned on earning assets and fees earned on loans, and interest paid on interest-bearing liabilities. Earning assets include loans, investment securities, interest-earning deposits and federal funds sold. Interest-bearing liabilities include interest-bearing checking, savings and time deposits, Federal Home Loan Bank advances, subordinated debt and other borrowings. Net interest income is determined by the difference between the average yields earned on earning assets and the average cost of interest-bearing liabilities ("net interest spread") and the relative amounts of earning assets and interest-bearing liabilities. Net interest margin is calculated as net interest income as a percent of total interest earning assets on an annualized basis. The Company's net interest income, spread and margin are affected by regulatory, economic and competitive factors that influence interest rates, loan demand and deposit flows and general levels of nonperforming assets.

The following table summarize the Company's net interest income and margin for the periods indicated:

| (Dollars in thousands)                             | Three Months Ended<br>March 31, 2022 |              | Three Months Ended<br>March 31, 2021 |              |
|----------------------------------------------------|--------------------------------------|--------------|--------------------------------------|--------------|
|                                                    | NII                                  | NIM          | NII                                  | NIM          |
| NII/NIM excluding the below                        | \$ 39,274                            | 2.68%        | \$ 30,565                            | 2.49%        |
| Prepayment premiums received on loan paydowns      | 351                                  | 0.02%        | 704                                  | 0.05%        |
| Effect of maintaining excess interest earning cash | (3)                                  | -0.01%       | (195)                                | -0.21%       |
| Effect of PPP loans                                | —                                    | 0.00%        | 719                                  | -0.05%       |
| NII/NIM as reported                                | <u>\$ 39,622</u>                     | <u>2.69%</u> | <u>\$ 31,793</u>                     | <u>2.28%</u> |

Net interest income, on a fully tax-equivalent basis, increased \$7.9 million for the first quarter of 2022 to \$39.9 million as compared to \$32.1 million for the same quarter in 2021. The net interest margin increased 41 basis points to 2.69 percent from 2.28 percent when comparing the three months ended March 31, 2022 and 2021, respectively. As a commercial bank, the Company is asset sensitive with a large portion of its commercial loan portfolio tied to one-month LIBOR. The increase in NIM for the three months ended March 31, 2022, when compared to the same period in 2021 was due to the Bank lowering its cost of interest-bearing liabilities and increasing its yield on the average balance of interest-earning assets, offset by an increase in the average balance of interest-bearing liabilities.

NIM also improved during the first quarter of 2022, as the Company executed a balance sheet reposition, whereby the Company added \$250 million of multifamily loans, funded by the sale of \$125 million of lower-yielding, like duration securities and deposit growth. To manage a neutral overall duration effect on the balance sheet, thereby protecting the balance sheet against the impact of rising rates, we executed an additional \$100 million of forward starting five-year pay fixed swaps. The repositioning resulted in an attractive earn-back period on the loss on sale of securities, with future net interest margin improving by four basis points, with no impact to tangible capital or tangible book value per share.

The following table summarizes the loans that the Company closed during the periods indicated:

| (In thousands)                                      | For the Three Months Ended |                   |
|-----------------------------------------------------|----------------------------|-------------------|
|                                                     | March 31,<br>2022          | March 31,<br>2021 |
| Residential mortgage loans originated for portfolio | \$ 41,547                  | \$ 15,814         |
| Residential mortgage loans originated for sale      | 15,669                     | 45,873            |
| Total residential mortgage loans                    | 57,216                     | 61,687            |
| Commercial real estate loans                        | 25,575                     | 38,363            |
| Multifamily                                         | 265,650                    | 85,009            |
| C&I loans (A) (B)                                   | 143,029                    | 129,141           |
| Small business administration (C)                   | 26,093                     | 58,730            |
| Wealth lines of credit (A)                          | 9,400                      | 2,475             |
| Total commercial loans                              | 469,747                    | 313,718           |
| Installment loans                                   | 131                        | 63                |
| Home equity lines of credit (A)                     | 1,341                      | 1,899             |
| Total loans closed                                  | \$ 528,435                 | \$ 377,367        |

(A) Includes loans and lines of credit that closed in the period but were not necessarily funded.

(B) Includes equipment finance leases and loans.

(C) Includes PPP loans of \$47 million for the quarter ended March 31, 2021.

At March 31, 2021, December 31, 2021 and March 31, 2021, the Bank had a concentration in commercial real estate (“CRE”) loans as defined by applicable regulatory guidance as follows:

|                                                                                                      | March 31,<br>2022 | December 31,<br>2021 | March 31,<br>2021 |
|------------------------------------------------------------------------------------------------------|-------------------|----------------------|-------------------|
| Multifamily real estate loans as a percent of total regulatory capital of the Bank                   | 268%              | 237%                 | 191%              |
| Non-owner occupied commercial real estate loans as a percent of total regulatory capital of the Bank | 156               | 149                  | 160               |
| Total CRE concentration                                                                              | 424%              | 386%                 | 351%              |

The Bank believes it addresses the key elements in the risk management framework laid out by its regulators for the effective management of CRE concentration risks.

The following table reflects the components of the average balance sheet and of net interest income for the periods indicated:

| <b>Average Balance Sheet</b><br><b>Unaudited</b><br><b>Three Months Ended</b> |                 |                |                  |                 |                |                  |
|-------------------------------------------------------------------------------|-----------------|----------------|------------------|-----------------|----------------|------------------|
| (Dollars in thousands)                                                        | March 31, 2022  |                |                  | March 31, 2021  |                |                  |
|                                                                               | Average Balance | Income/Expense | Annualized Yield | Average Balance | Income/Expense | Annualized Yield |
| <b>ASSETS:</b>                                                                |                 |                |                  |                 |                |                  |
| Interest-earning assets:                                                      |                 |                |                  |                 |                |                  |
| Investments:                                                                  |                 |                |                  |                 |                |                  |
| Taxable (1)                                                                   | \$ 928,828      | \$ 3,606       | 1.55%            | \$ 761,187      | \$ 2,629       | 1.38%            |
| Tax-exempt (1) (2)                                                            | 4,701           | 48             | 4.08             | 7,980           | 98             | 4.91             |
| Loans (2) (3):                                                                |                 |                |                  |                 |                |                  |
| Residential mortgages                                                         | 508,408         | 3,656          | 2.88             | 501,590         | 3,954          | 3.15             |
| Commercial mortgages                                                          | 2,353,032       | 18,175         | 3.09             | 1,840,363       | 14,420         | 3.13             |
| Commercial                                                                    | 2,008,464       | 18,203         | 3.63             | 1,932,692       | 16,455         | 3.41             |
| Commercial construction                                                       | 18,087          | 160            | 3.54             | 15,606          | 139            | 3.56             |
| Installment                                                                   | 34,475          | 254            | 2.95             | 37,695          | 276            | 2.93             |
| Home equity                                                                   | 40,245          | 324            | 3.22             | 48,853          | 399            | 3.27             |
| Other                                                                         | 283             | 6              | 8.48             | 246             | 5              | 8.13             |
| Total loans                                                                   | 4,962,994       | 40,778         | 3.29             | 4,377,045       | 35,648         | 3.26             |
| Federal funds sold                                                            | —               | —              | —                | 102             | —              | 0.00             |
| Interest-earning deposits                                                     | 127,121         | 29             | 0.09             | 555,331         | 128            | 0.09             |
| Total interest-earning assets                                                 | 6,023,644       | 44,461         | 2.95%            | 5,701,645       | 38,503         | 2.70%            |
| Noninterest-earning assets:                                                   |                 |                |                  |                 |                |                  |
| Cash and due from banks                                                       | 7,455           | —              | —                | 11,129          | —              | —                |
| Allowance for credit losses                                                   | (61,001)        | —              | —                | (71,160)        | —              | —                |
| Premises and equipment                                                        | 23,022          | —              | —                | 22,634          | —              | —                |
| Other assets                                                                  | 168,239         | —              | —                | 228,134         | —              | —                |
| Total noninterest-earning assets                                              | 137,715         | —              | —                | 190,737         | —              | —                |
| Total assets                                                                  | \$ 6,161,359    | —              | —                | \$ 5,892,382    | —              | —                |
| <b>LIABILITIES:</b>                                                           |                 |                |                  |                 |                |                  |
| Interest-bearing deposits:                                                    |                 |                |                  |                 |                |                  |
| Checking                                                                      | \$ 2,330,340    | \$ 1,238       | 0.21%            | \$ 1,908,380    | \$ 978         | 0.20%            |
| Money markets                                                                 | 1,294,100       | 539            | 0.17             | 1,259,597       | 794            | 0.25             |
| Savings                                                                       | 156,554         | 5              | 0.01             | 135,202         | 17             | 0.05             |
| Certificates of deposit - retail                                              | 426,166         | 606            | 0.57             | 533,488         | 1,470          | 1.10             |
| Subtotal interest-bearing deposits                                            | 4,207,160       | 2,388          | 0.23             | 3,836,667       | 3,259          | 0.34             |
| Interest-bearing demand - brokered                                            | 85,000          | 373            | 1.76             | 110,000         | 493            | 1.79             |
| Certificates of deposit - brokered                                            | 33,823          | 261            | 3.09             | 33,769          | 261            | 3.09             |
| Total interest-bearing deposits                                               | 4,325,983       | 3,022          | 0.28             | 3,980,436       | 4,013          | 0.40             |
| FHLB advances and borrowings                                                  | 55,513          | 64             | 0.46             | 186,006         | 209            | 0.45             |
| Finance lease liabilities                                                     | 5,662           | 68             | 4.80             | 6,608           | 79             | 4.78             |
| Subordinated debt                                                             | 132,731         | 1,364          | 4.11             | 181,795         | 2,145          | 4.72             |
| Total interest-bearing liabilities                                            | 4,519,889       | 4,518          | 0.40%            | 4,354,845       | 6,446          | 0.59%            |
| Noninterest-bearing liabilities:                                              |                 |                |                  |                 |                |                  |
| Demand deposits                                                               | 978,288         | —              | —                | 848,325         | —              | —                |
| Accrued expenses and other liabilities                                        | 119,003         | —              | —                | 163,569         | —              | —                |
| Total noninterest-bearing liabilities                                         | 1,097,291       | —              | —                | 1,011,894       | —              | —                |
| Shareholders' equity                                                          | 544,179         | —              | —                | 525,643         | —              | —                |
| Total liabilities and shareholders' equity                                    | \$ 6,161,359    | —              | —                | \$ 5,892,382    | —              | —                |
| Net interest income (tax-equivalent basis)                                    | —               | \$ 39,943      | —                | —               | \$ 32,057      | —                |
| Net interest spread                                                           | —               | —              | 2.55%            | —               | —              | 2.11%            |
| Net interest margin (4)                                                       | —               | —              | 2.69%            | —               | —              | 2.28%            |
| Tax equivalent adjustment                                                     | —               | \$ (321)       | —                | —               | \$ (264)       | —                |
| Net interest income                                                           | —               | \$ 39,622      | —                | —               | \$ 31,793      | —                |

- (1) Average balances for available for sale securities are based on amortized cost.
- (2) Interest income is presented on a tax-equivalent basis using a 21 percent federal tax rate.
- (3) Loans are stated net of unearned income and include nonaccrual loans.
- (4) Net interest income on a tax-equivalent basis as a percentage of total average interest-earning assets.

The effect of volume and rate changes on net interest income (on a tax-equivalent basis) for the periods indicated are shown below:

|                                    | For the Three Months Ended March 31, 2022 |            |                                 |
|------------------------------------|-------------------------------------------|------------|---------------------------------|
|                                    | Difference due to                         |            | Change In<br>Income/<br>Expense |
|                                    | Change In:                                |            |                                 |
| (In Thousands):                    | Volume                                    | Rate       |                                 |
| <b>ASSETS:</b>                     |                                           |            |                                 |
| Investments                        | \$ 607                                    | \$ 320     | \$ 927                          |
| Loans                              | 4,569                                     | 561        | 5,130                           |
| Interest-earning deposits          | (99)                                      | —          | (99)                            |
| Total interest income              | \$ 5,077                                  | \$ 881     | \$ 5,958                        |
| <b>LIABILITIES:</b>                |                                           |            |                                 |
| Interest-bearing checking          | \$ 276                                    | \$ (16)    | \$ 260                          |
| Money market                       | (8)                                       | (247)      | (255)                           |
| Savings                            | 1                                         | (13)       | (12)                            |
| Certificates of deposit - retail   | (250)                                     | (614)      | (864)                           |
| Certificates of deposit - brokered | —                                         | —          | —                               |
| Interest bearing demand brokered   | (112)                                     | (8)        | (120)                           |
| Borrowed funds                     | (196)                                     | 51         | (145)                           |
| Capital lease obligation           | (11)                                      | —          | (11)                            |
| Subordinated debt                  | (504)                                     | (277)      | (781)                           |
| Total interest expense             | \$ (804)                                  | \$ (1,124) | \$ (1,928)                      |
| Net interest income                | \$ 5,881                                  | \$ 2,005   | \$ 7,886                        |

Interest income on interest-earning assets, on a fully tax-equivalent basis, totaled \$44.5 million for the first quarter of 2022 compared to \$38.5 million for the same period of 2021, reflecting an increase of \$6.0 million, or 15 percent. This increase reflected increases in the average balance and yield of interest-earning assets, as well as an increase in the average yield on interest-earnings assets.

The average balance of interest-earning assets totaled \$6.02 billion for the first quarter of 2022, an increase of \$322.0 million, or 6 percent, from the same period of 2021. This increase in interest-earnings assets reflected growth in the average balance of loans of \$585.9 million or 13 percent to \$4.96 billion for the quarter ended March 31, 2022, from \$4.38 billion for the same 2021 period and growth in the average balance of investments of \$164.4 million or 21 percent to \$933.5 million for the quarter ended March 31, 2022, from \$769.2 million for the same 2021 quarter. These increases were partially offset by a decline in the average balance of interest-earning deposits of \$428.2 million to \$127.1 million for the quarter ended March 31, 2022, from \$555.3 million for the same quarter in 2021.

The growth in loans was driven by growth in commercial mortgages of \$512.7 million or 28 percent to \$2.35 billion from \$1.84 billion as part of the Company's balance sheet repositioning executed in the first quarter of 2022 and growth in commercial loans of \$75.8 million or 4 percent to \$2.01 billion from \$1.93 billion.

The average balance of investments increased \$164.4 million or 21 percent for the three months ended March 31, 2022, to \$933.5 million from \$769.2 million for the same three-month period in 2021. This growth in investments was due to the purchase of securities during 2021 to utilize with the Company's excess liquidity. During the first quarter of 2022, the Company executed a balance sheet repositioning which included the sale of \$125 million of investments at lower yields to partially fund like duration, higher yielding multifamily loans.

For the first quarters of 2022 and 2021, the average yields earned on interest-earning assets were 2.95 percent and 2.70 percent, respectively, an increase of 25 basis points. This was due to an increase of three basis points in total average loans to 3.29 percent for the quarter ended March 31, 2022, compared to 3.26 percent for the same period of 2021 coupled with an increase in the average balance of loans by \$585.9 million when comparing the 2022 period to the same 2021 period. Investments increased 15 basis points to 1.57 percent for the quarter ended March 31, 2022, as compared to 1.42 percent for the same 2021 period and the average balance increased by \$164.4 million for the March 2022 quarter. The yield on interest-earning deposits remained flat at nine basis points for both periods ended March 31, 2022 and 2021, respectively. However, the balance significantly decreased, which helped to improve the average yield on interest-earning assets. With the transformation to a commercial bank balance sheet and business model, the Company's interest rate sensitivity models indicate the Company is asset sensitive as of March 31, 2022, and that net interest income would improve in a rising rate environment but decline in a falling rate environment.

The increase in yield of totals loans of three basis points was driven by an increase in yield on commercial loans of 22 basis points to 3.63 percent for March 31, 2022, when compared to 3.41 percent for quarter ended March 31, 2021 and growth in the average balance of commercial loans of \$75.8 million. The commercial loan yield slightly improved in the quarter ended March 31, 2022, due to the increase in target Fed Funds from 0 percent to 25 percent in March 2022 given these loans typically have floating rates. The increase in the yield on commercial loans was partially offset by a decrease of four basis points in commercial mortgages when comparing the quarter ended March 31, 2022, to the same period in 2021. This was due in part to a decline in prepayment penalties of \$278,000 for the quarter ended March 31, 2022, when compared to the same period in 2021. The increases in the average balances of commercial loans and commercial mortgages were funded by the balance sheet repositioning and the use of the Company's liquidity, as seen by the decline in interest-earning deposits of \$428.2 million during the first quarter of 2022.

During the three months ended March 31, 2022 and 2021, the Company recorded a yield on investments of 1.57 percent and 1.42 percent, respectively. The increase in yield was due to the Company strategically purchasing higher yielding investments during 2021 to maintain the size of the portfolio in anticipation of maturities and to utilize excess liquidity.

The average balance of interest-bearing liabilities totaled \$4.52 billion for the first quarter of 2022, an increase of \$165.0 million, or 4 percent, from the same period of 2021. The increase of interest-bearing liabilities reflected growth of interest-bearing deposits of \$345.5 million or 9 percent to \$4.33 billion for the three months ended March 31, 2022 from \$3.98 billion for the same period of 2021, offset by decreases in the average balance of borrowings of \$130.5 million or 70 percent to \$55.5 million for the three months ended March 31, 2022 from \$186.0 million for the same period of 2021, and a decrease in average subordinated debt of \$49.1 million or 27 percent to \$132.7 million at March 31, 2022 from \$181.8 million for the same 2021 period.

The average balance of interest-bearing deposits was due to the growth in customer deposits (excluding brokered CDs and brokered interest-bearing demand deposits, but including reciprocal funds discussed below) due to an increase in retail deposits from our branch network; an increase in interest-bearing checking deposits as maturing CDs shifted into these accounts; a focus on providing high-touch client service; new deposit relationships related to PPP; and a full array of treasury management products that support core deposit growth. This growth was partially offset by a decline of \$25.0 million in the average balance of brokered deposits for the three months ended March 31, 2022, when compared to the same 2021 period.

The Company is a participant in the Reich & Tang Demand Deposit Marketplace ("DDM") program and the Promontory Program. The Company uses these deposit sweep services to place customer funds into interest-bearing demand (checking) accounts issued by other participating banks. Customer funds are placed at one or more participating banks to ensure that each deposit customer is eligible for the full amount of FDIC insurance. As a program participant, the Company receives reciprocal amounts of deposits from other participating banks. Such reciprocal deposit balances are included in the Company's interest-bearing checking balances. The average balance of reciprocal deposits was \$713.8 million and \$713.6 million for the three months ended March 31, 2022 and 2021, respectively.

The decrease in borrowings was principally due to the Company's participation in the Paycheck Protection Program Loan Facility in 2021 to fund PPP loan originations, which decreased due to PPP loan forgiveness that occurred during the latter part of 2021, offset by a slight increase in overnight borrowings.

In June 2021, the Company redeemed \$50.0 million of subordinated debt bearing interest at an annual rate of 6.0 percent issued in June 2016 that was set to re-price to approximately 5.0 percent. In December 2020, the Company issued \$100.0 million of subordinated debt (\$98.2 million net of issuance costs) bearing interest at an annual rate of 3.50 percent for the first five years, and thereafter at an adjustable rate until maturity in December 2025 or earlier redemption. In December 2017, the Company issued \$35.0 million of subordinated debt (\$34.1 million net of issuance costs) bearing interest at an annual rate of 4.75 percent for the first five years, and thereafter at an adjustable rate until maturity in December 2027 or earlier redemption.

For the quarters ended March 31, 2022 and 2021, the cost of interest-bearing liabilities was 40 basis points and 59 basis points, respectively, reflecting a decrease of 19 basis points. This decrease was driven by total-interest bearing deposits decreasing from 40 basis points for the three months ended March 31, 2021 to 28 basis points for the same 2022 period. The decrease in the average rate paid on deposits was principally due to repricing of our deposit base to align with the Federal Reserve rate decreases and the decline in higher costing certificates of deposits. The Company believes that high touch client service allows the Company to gain a competitive advantage in the pricing of interest-bearing deposits. The cost of subordinated debt decreased to 4.11 percent for the three months ended March 31, 2022 from 4.72 percent for the three months ended March 31, 2021.

**INVESTMENT SECURITIES:** Investment securities available for sale are purchased, sold and/or maintained as a part of the Company's overall balance sheet, liquidity and interest rate risk management strategies, and in response to changes in interest rates, liquidity needs, prepayment speeds and/or other factors. These securities are carried at estimated fair value, and unrealized

changes in fair value are recognized as a separate component of shareholders' equity, net of income taxes. Realized gains and losses are recognized in income at the time the securities are sold. Investment securities held to maturity are those securities that the Company has both the ability and intent to hold to maturity. These securities are carried at amortized cost. Equity securities are carried at fair value with unrealized gains and losses recorded in non-interest income.

At March 31, 2022, the Company had investment securities available for sale with a fair value of \$601.2 million compared with \$796.8 million at December 31, 2021. The decrease was due to the sale of residential mortgage-backed securities and U.S. government-sponsored agencies of \$121.2 million associated with a balance sheet repositioning executed in the quarter. A net unrealized loss (net of income tax) of \$40.4 million and of \$9.9 million were included in shareholders' equity at March 31, 2022 and December 31, 2021, respectively.

At March 31, 2022, the Company had investment securities held to maturity with a carrying cost of \$106.8 million and an estimated fair value of \$100.3 million compared with a carrying cost of \$108.7 million and an estimated fair value of \$108.5 million at December 31, 2021.

The Company has one equity security (a CRA investment security) with a fair value of \$14.0 million at March 31, 2022 compared with a fair value of \$14.7 million at December 31, 2021, with changes in fair value recognized in the Consolidated Statements of Income. The Company recorded a \$682,000 unrealized loss on the Consolidated Statements of Income for the three months ended March 31, 2022 as compared to an unrealized loss of \$265,000 for the three months ended March 31, 2021.

The carrying value of investment securities available for sale as of March 31, 2022 and December 31, 2021 are shown below:

| (In thousands)                                                                          | March 31, 2022    |                      | December 31, 2021 |                      |
|-----------------------------------------------------------------------------------------|-------------------|----------------------|-------------------|----------------------|
|                                                                                         | Amortized Cost    | Estimated Fair Value | Amortized Cost    | Estimated Fair Value |
| Investment securities - available for sale:                                             |                   |                      |                   |                      |
| U.S. government-sponsored agencies                                                      | \$ 244,761        | \$ 218,263           | \$ 280,045        | \$ 272,221           |
| Mortgage-backed securities-residential (principally U.S. government-sponsored entities) | 364,177           | 340,513              | 481,062           | 476,974              |
| SBA pool securities                                                                     | 38,326            | 35,475               | 40,649            | 39,561               |
| State and political subdivisions                                                        | 4,523             | 4,520                | 5,431             | 5,476                |
| Corporate bond                                                                          | 2,500             | 2,392                | 2,500             | 2,521                |
| Total investment securities - available for sale                                        | <u>\$ 654,287</u> | <u>\$ 601,163</u>    | <u>\$ 809,687</u> | <u>\$ 796,753</u>    |
| Investment securities - held to maturity:                                               |                   |                      |                   |                      |
| U.S. government-sponsored agencies                                                      | 40,000            | 38,018               | 40,000            | 39,982               |
| Mortgage-backed securities-residential (principally U.S. government-sponsored entities) | 66,816            | 62,296               | 68,680            | 68,478               |
| Total investment securities - held to maturity                                          | <u>\$ 106,816</u> | <u>\$ 100,314</u>    | <u>\$ 108,680</u> | <u>\$ 108,460</u>    |
| Total                                                                                   | <u>\$ 761,103</u> | <u>\$ 701,477</u>    | <u>\$ 918,367</u> | <u>\$ 905,213</u>    |

The following table presents the contractual maturities and yields of debt securities available for sale and held to maturity as of March 31, 2022. The weighted average yield is a computation of income within each maturity range based on the amortized cost of securities:

| (Dollars in thousands)                             | Within<br>1 Year | After 1<br>But<br>Within<br>5 Years | After 5<br>But<br>Within<br>10 Years | After<br>10<br>Years | Total      |
|----------------------------------------------------|------------------|-------------------------------------|--------------------------------------|----------------------|------------|
| <b>Investment securities - available for sale:</b> |                  |                                     |                                      |                      |            |
| U.S. government-sponsored agencies                 | \$ —             | \$ —                                | \$ 99,756                            | \$ 118,507           | \$ 218,263 |
|                                                    | —                | —                                   | 1.34%                                | 1.74%                | 1.56%      |
| Mortgage-backed securities-residential (1)         | 24,794           | 18,051                              | 24,301                               | 273,367              | 340,513    |
|                                                    | 1.06%            | 3.07%                               | 1.56%                                | 1.64%                | 1.67%      |
| SBA pool securities                                | —                | —                                   | 5,330                                | 30,145               | 35,475     |
|                                                    | —                | —                                   | 2.05%                                | 1.26%                | 1.38%      |
| State and political subdivisions (2)               | 2,641            | 1,879                               | —                                    | —                    | 4,520      |
|                                                    | 2.28%            | 2.22%                               | —                                    | —                    | 2.26%      |
| Corporate bond                                     | —                | —                                   | 2,392                                | —                    | 2,392      |
|                                                    | —                | —                                   | 3.00%                                | —                    | 3.00%      |
| Total investments - available for sale             | \$ 27,435        | \$ 19,930                           | \$ 131,779                           | \$ 422,019           | \$ 601,163 |
|                                                    | 1.18%            | 2.99%                               | 1.44%                                | 1.64%                | 1.62%      |
| <b>Investment securities - held to maturity:</b>   |                  |                                     |                                      |                      |            |
| U.S. government-sponsored agencies                 | —                | 15,000                              | 25,000                               | —                    | 40,000     |
|                                                    | —                | 1.35%                               | 1.64%                                | —                    | 1.53%      |
| Mortgage-backed securities-residential (1)         | —                | —                                   | —                                    | 66,816               | 66,816     |
|                                                    | —                | —                                   | —                                    | 1.74%                | 1.74%      |
| Total investments - held to maturity               | \$ —             | \$ 15,000                           | \$ 25,000                            | \$ 66,816            | 106,816    |
|                                                    | —                | 1.35%                               | 1.64%                                | 1.74%                | 1.66%      |
| Total                                              | \$ 27,435        | \$ 34,930                           | \$ 156,779                           | \$ 488,835           | \$ 707,979 |
|                                                    | 1.18%            | 2.29%                               | 1.47%                                | 1.66%                | 1.63%      |

(1) Shown using stated final maturity.

(2) Yields presented on a fully tax-equivalent basis.

Federal funds sold and interest-earning deposits are an additional part of the Company's liquidity and interest rate risk management strategies. The combined average balance of these investments during the three months ended March 31, 2022 was \$127.1 million compared to \$555.4 million for the quarter ended March 31, 2021.

**OTHER INCOME:** The following table presents other income, excluding income from wealth management, which is summarized and discussed subsequently:

| (In thousands)                                             | For the Three Months Ended March 31, |                 | Change            |  |
|------------------------------------------------------------|--------------------------------------|-----------------|-------------------|--|
|                                                            | 2022                                 | 2021            | 2022 vs 2021      |  |
| Service charges and fees                                   | \$ 952                               | \$ 846          | \$ 106            |  |
| Bank owned life insurance                                  | 313                                  | 611             | (298)             |  |
| Gain on sale of loans (mortgage banking)                   | 247                                  | 1,025           | (778)             |  |
| Gain on loans held for sale at lower of cost or fair value | —                                    | 282             | (282)             |  |
| Fee income related to loan level, back-to-back swaps       | —                                    | —               | —                 |  |
| Gain on sale of SBA loans                                  | 2,844                                | 1,449           | 1,395             |  |
| Corporate advisory fee income                              | 1,561                                | 1,098           | 463               |  |
| Other income                                               | 1,254                                | 643             | 611               |  |
| Loss on securities sale, net                               | (6,609)                              | —               | (6,609)           |  |
| Fair value adjustment for CRA equity security              | (682)                                | (265)           | (417)             |  |
| Total other income (excluding wealth management income)    | <u>\$ (120)</u>                      | <u>\$ 5,689</u> | <u>\$ (5,809)</u> |  |

During the three months ended March 31, 2022, the Company recorded a \$6.6 million loss on securities due to the Company's balance sheet repositioning, by selling lower yielding securities and replacing them with higher yielding like duration multifamily loans. The Company believes that the repositioning will improve future NIM by 4 basis points with no impact to tangible capital or tangible book value per share. When excluding these losses on the sale of securities, the Company recorded total other income, excluding wealth management fee income, of \$6.5 million for the first quarter of 2022, reflecting an increase of \$800,000, or 14 percent, compared to the same period in 2021.

For the first quarter of 2022, income from the sale of newly originated residential mortgage loans was \$247,000 compared to \$1.0 million for the same quarter in 2021. This decrease for the three months ended March 31, 2022, was the result of the decreased volume of residential mortgage loans originated for sale due to a slowdown in refinancing and home purchase activity in the higher interest rate environment.

The Company provides loans that are partially guaranteed by the SBA, to provide working capital and/or financing the purchase of equipment, inventory or commercial real estate that could be used for start-up business. All SBA loans are underwritten and documented as prescribed by the SBA. The Company generally sells the guaranteed portion of the SBA loans in the secondary market, with the non-guaranteed portion of SBA loans held in the loan portfolio. The first quarter of 2022 included \$2.8 million of gains on sales of SBA loans as compared to \$1.4 million for the same quarter in 2021. The first quarter of 2022 benefitted from the addition of an SBA team hired by the Company in the fourth quarter of 2021.

The Company recorded corporate advisory fee income for the first quarter of 2022 of \$1.6 million compared to \$1.1 million for the same three-month period ended March 31, 2021.

Income from the back-to-back swap, SBA programs, and corporate advisory fee income are dependent on volume, and thus are not linear from quarter to quarter, as some quarters will be higher than others.

The first quarter of 2021 included \$302,000 of additional income related to a net life insurance death benefit under the Company's BOLI policies.

The remainder of the increase for the three months ended March 31, 2022, when compared to the same 2021 period was primarily due to an increase in commercial lending fees primarily unused credit line fees, loan servicing income, and letter of credit fees.

**OPERATING EXPENSES:** The following table presents the components of operating expenses for the periods indicated:

| (In thousands)                     | For the Three Months Ended March 31, |                  | Change          |
|------------------------------------|--------------------------------------|------------------|-----------------|
|                                    | 2022                                 | 2021             | 2022 vs 2021    |
| Compensation and employee benefits | \$ 22,449                            | \$ 21,990        | \$ 459          |
| Premises and equipment             | 4,647                                | 4,113            | 534             |
| FDIC assessment                    | 471                                  | 585              | (114)           |
| Other Operating Expenses:          |                                      |                  |                 |
| Professional and legal fees        | 1,138                                | 1,256            | (118)           |
| Telephone                          | 334                                  | 334              | -               |
| Advertising                        | 290                                  | 214              | 76              |
| Amortization of intangible assets  | 431                                  | 368              | 63              |
| Swap valuation allowance           | 673                                  | —                | 673             |
| Office restructure                 | 372                                  | —                | 372             |
| Other                              | 3,364                                | 2,734            | 630             |
| Total operating expenses           | <u>\$ 34,169</u>                     | <u>\$ 31,594</u> | <u>\$ 2,575</u> |

Operating expenses totaled \$34.2 million for the three months ended March 31, 2022, compared to \$31.6 million for the same 2021 period, reflecting an increase of \$2.6 million or 8 percent. Increased operating expenses were principally attributable to: a swap valuation allowance of \$673,000; expenses associated with the acquisition of PPSG completed in July 2021; \$372,000 in expenses associated with the consolidation of private banking offices; increased corporate and health insurance costs; hiring in line with the Company's strategic plan; and normal salary increases, which were partially offset by decreased FDIC expense. The first quarters of 2021 and 2022 also each included \$1.5 million of severance expense related to certain staff reorganizations within several areas of the Bank.

**PEAPACK PRIVATE:** This division includes: investment management services provided for individuals and institutions; personal trust services, including services as executor, trustee, administrator, custodian and guardian; and other financial planning, tax preparation and advisory services. Peapack Private provides wealth management, trust and investment services at the Bank's headquarters in Bedminster, at private banking locations in Morristown, New Providence, Princeton, Red Bank, Summit and Teaneck, New Jersey and at the Bank's subsidiaries, PGB Trust & Investments of Delaware, in Greenville, Delaware and Murphy Capital, in Bedminster, New Jersey.

The market value of the assets under management and/or administration ("AUM/AUA") of Peapack Private was \$10.7 billion at March 31, 2022, reflecting a 4 percent decrease from \$11.1 billion at December 31, 2021 and an increase of 13 percent from \$9.4 billion at March 31, 2021. Effective December 18, 2020, the Bank completed the hires of the teams from Lucas, based in Red Bank, New Jersey, and from Noyes, based in New Vernon, New Jersey, which collectively contributed approximately \$400 million of AUM/AUA at the time of acquisition. Effective July 1, 2021, the Bank closed on the acquisition of Princeton Portfolio Strategies Group ("PPSG"), a registered investment advisor headquartered in Princeton, New Jersey, which contributed approximately \$520 million of AUM/AUA at the time of acquisition.

In the March 2022 quarter, Peapack Private generated \$14.8 million in fee income compared to \$12.1 million for the March 2021 quarter, reflecting a 22 percent increase. The growth in fee income was due to several factors, including the acquisitions noted above, new business, partially offset by normal levels of disbursements and outflows and negative market performance.

Operating expenses relative to Peapack Private reflected increases due to overall growth in the business, new hires and acquisitions when comparing the three months ended March 31, 2022, to the same period for 2021. Expenses are in line with the Company's Strategic Plan, particularly the hiring of key management and revenue-producing personnel.

Peapack Private currently generates adequate revenue to support the salaries, benefits and other expenses of the wealth division and Management believes it will continue to do so as the Company grows organically and/or by acquisition. Management believes that the Bank generates adequate liquidity to support the expenses of Peapack Private should it be necessary.

**NONPERFORMING ASSETS:** OREO, loans past due in excess of 90 days and still accruing, and nonaccrual loans are considered nonperforming assets.

The following table sets forth asset quality data as of the dates indicated:

| (Dollars in thousands)                                                         | As of             |                      |                       |                  |                   |
|--------------------------------------------------------------------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
|                                                                                | March 31,<br>2022 | December 31,<br>2021 | September 30,<br>2021 | June 30,<br>2021 | March 31,<br>2021 |
| Loans past due 90 days or more and still accruing                              | \$ —              | \$ —                 | \$ —                  | \$ —             | \$ —              |
| Nonaccrual loans (1)                                                           | 15,884            | 15,573               | 25,925                | 5,962            | 11,767            |
| Other real estate owned                                                        | —                 | —                    | —                     | —                | 50                |
| Total nonperforming assets                                                     | <u>\$ 15,884</u>  | <u>\$ 15,573</u>     | <u>\$ 25,925</u>      | <u>\$ 5,962</u>  | <u>\$ 11,817</u>  |
| Performing TDRs (2)(3)                                                         | \$ 2,375          | \$ 2,479             | \$ 416                | \$ 190           | \$ 197            |
| Loans past due 30 through 89 days and still accruing (4)                       | \$ 606            | \$ 8,606             | \$ 1,193              | \$ 1,678         | \$ 1,622          |
| Loans subject to special mention                                               | \$ 110,252        | \$ 116,490           | \$ 115,935            | \$ 148,601       | \$ 166,013        |
| Classified loans (1)                                                           | \$ 47,386         | \$ 50,702            | \$ 51,937             | \$ 11,178        | \$ 25,714         |
| Individually evaluated loans (1)                                               | \$ 16,147         | \$ 18,052            | \$ 26,341             | \$ 6,498         | \$ 11,964         |
| Nonperforming loans as a % of total loans (5)                                  | 0.31%             | 0.32%                | 0.56%                 | 0.13%            | 0.27%             |
| Nonperforming assets as a % of total assets (5)                                | 0.25%             | 0.26%                | 0.42%                 | 0.10%            | 0.20%             |
| Nonperforming assets as a % of total loans<br>plus other real estate owned (5) | 0.31%             | 0.32%                | 0.57%                 | 0.13%            | 0.27%             |

(1) Excludes one commercial loan held for sale of \$5.0 million at December 31, 2021. Excludes one commercial loan held for sale of \$5.6 million at September 30, 2021, June 30, 2021 and March 31, 2021. Includes one impaired commercial real estate loan with a balance of \$19.9 million at September 30, 2021.

(2) Amounts reflect TDRs that are paying according to restructured terms.

(3) Amount excludes \$13.6 million at March 31, 2022, \$1.1 million at December 31, 2021, \$4.0 million at September 30, 2021, \$3.9 million at June 30, 2021 and \$3.9 million at March 31, 2021 of TDRs included in nonaccrual loans.

(4) Includes \$6.9 million for one equipment lease principally due to administrative issues with the servicer and the lessee/borrower at December 31, 2021. Payment was received in January 2022.

(5) Nonperforming loans/assets do not include performing TDRs.

**PROVISION FOR CREDIT LOSSES:** The provision for credit losses was \$2.4 million and \$225,000 for the first quarters of 2022 and 2021, respectively. The increased provision for credit losses for the three months ended March 31, 2022, when compared to the three months ended March 31, 2021, was due principally to loan growth of \$309.3 million, excluding PPP loans.

The allowance for credit losses was \$58.4 million as of March 31, 2022, compared to \$61.7 million at December 31, 2021. As a percentage of loans, the allowance for credit losses was 1.14 percent and 1.28 percent at March 31, 2022 and December 31, 2021, respectively. The specific reserves recorded on individually evaluated loans were \$2.5 million at March 31, 2022 compared to \$4.2 million as of December 31, 2021. Total individually evaluated loans were \$16.1 million and \$18.1 million as of March 31, 2022 and December 31, 2021, respectively. The general component of the allowance decreased from \$57.5 million at December 31, 2021 to \$55.9 million at March 31, 2022.

The adoption of CECL resulted in a day 1 reduction of \$5.5 million. The lower allowance was in part attributed to historically low charge-offs combined with the shorter duration of the loan portfolio employed in our CECL analysis. Further, the incurred loss method required significant qualitative factors, including factors related to Covid, and the use of a multiplier for potential losses on criticized and classified loans, neither of which are included within the CECL methodology. The CECL methodology utilizes significantly less qualitative factors as it uses economic factors and historical losses over a full economic cycle and calculates losses based on DCF on an individual loan basis. Accordingly, the CECL model quantitatively accounts for some of the qualitative factors utilized in the incurred loss methodology.

On January 1, 2022, the Company adopted ASU 2016-13 (*Topic 326*) which replaced the incurred loss methodology with CECL for financial instruments measured at amortized cost and other commitments to extend credit. The allowance for credit losses is a valuation allowance for Management's estimate of expected credit losses in the loan portfolio. The process to determine expected credit losses utilizes analytic tools and Management judgement and is reviewed on a quarterly basis. When Management is reasonably certain that a loan balance is not fully collectable, an analysis is completed whereby a specific reserve may be

established or a full or partial charge off is recorded against the allowance. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance via a quantitative analysis which considers available information from internal and external sources related to past loan loss and prepayment experience and current conditions, as well as the incorporation of reasonable and supportable forecasts. Management evaluates a variety of factors including available published economic information in arriving at its forecast. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. Also included in the allowance for credit losses are qualitative reserves that are expected, but, in the Management's assessment, may not be adequately represented in the quantitative analysis or the forecasts described above. Factors may include changes in lending policies and procedures, nature and volume of the portfolio, experience and depth of management and the effect of external factors such as competition, legal and regulatory requirements, amount others. The allowance is available for any loan that, in Management's judgment, should be charged off.

A summary of the allowance for credit losses for the quarterly periods indicated follows:

| (Dollars in thousands)                                               | March 31,<br>2022 | December 31,<br>2021 | September 30,<br>2021 | June 30,<br>2021 | March 31,<br>2021 |
|----------------------------------------------------------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| <b>Allowance for credit losses:</b>                                  |                   |                      |                       |                  |                   |
| Beginning of period                                                  | \$ 61,697         | \$ 65,133            | \$ 63,505             | \$ 67,536        | \$ 67,309         |
| Day one CECL adjustment                                              | (5,536)           | —                    | —                     | —                | —                 |
| Provision for credit losses (1)                                      | 2,489             | 3,750                | 1,600                 | 900              | 225               |
| (Charge-offs)/recoveries, net                                        | (264)             | (7,186)              | 28                    | (4,931)          | 2                 |
| End of period                                                        | <u>\$ 58,386</u>  | <u>\$ 61,697</u>     | <u>\$ 65,133</u>      | <u>\$ 63,505</u> | <u>\$ 67,536</u>  |
| <br>Allowance for credit losses as a % of<br>total loans (2)         | <br>1.14%         | <br>1.28%            | <br>1.42%             | <br>1.39%        | <br>1.54%         |
| <br>General allowance for credit losses as<br>a % of total loans (2) | <br>1.09%         | <br>1.20%            | <br>1.27%             | <br>1.39%        | <br>1.47%         |
| <br>Allowance for credit losses as a % of<br>non-performing loans    | <br>367.58%       | <br>396.18%          | <br>251.24%           | <br>1065.16%     | <br>573.94%       |

- (1) Commencing on January 1, 2022, the allowance calculation is based on the current expected credit loss methodology. Prior to January 1, 2022, the allowance calculation was based on the incurred loss methodology. Provision to rollforward the ACL excludes a credit of \$114,000 related to the off-balance sheet commitments.
- (2) The March 31, 2021, June 30, 2021, September 30, 2021, December 31, 2021 and March 31, 2022 allowance coverage ratios include PPP loans of \$186.9 million, \$83.8 million, \$48.7 million, \$13.8 million and \$9.6 million, respectively, in total loans. PPP loans are fully guaranteed by the SBA and as such do not have an associated reserve for those same periods.

**INCOME TAXES:** Income tax expense for the quarter ended March 31, 2022 was \$4.4 million as compared to \$4.6 million for the same period in 2021. The effective tax rate for the three months ended March 31, 2022 was 24.45 percent compared to 25.94 percent for the same quarter in 2021. The March 2022 and 2021 quarters both benefitted from the vesting of restricted stock at prices higher than grant prices. The March 2021 quarter also benefitted from life insurance proceeds that were not taxable.

**CAPITAL RESOURCES:** A solid capital base provides the Company with the ability to support future growth and financial strength and is essential to executing the Company's Strategic Plan – "Expanding Our Reach." The Company's capital strategy is intended to provide stability to expand its business, even in stressed environments. Quarterly stress testing is integral to the Company's capital management process.

The Company strives to maintain capital levels in excess of internal "triggers" and in excess of those considered to be well capitalized under regulatory guidelines applicable to banks. Maintaining an adequate capital position supports the Company's goal of providing shareholders an attractive and stable long-term return on investment.

Capital was benefitted by net income of \$13.4 million for the three months ended March 31, 2022, which was offset by the purchase of shares through the Company's stock repurchase program and a change in the unrealized loss on securities, net of tax of \$30.6 million. The Company repurchased 299,878 shares, at an average price of \$37.26, for a total cost of \$11.2 million during the three months ended March 31, 2022.

The Company employs quarterly capital stress testing – adverse case and severely adverse case. In the most recent completed stress test based on December 31, 2021 financial information, under severely adverse case, and no growth scenarios, the Bank remains well capitalized over a two-year stress period. With a Pandemic stress overlay, the Bank still remains well capitalized over the two-year stress period.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of Total, Common Equity Tier 1 and Tier 1 capital (each as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). At March 31, 2022 and December 31, 2021, all of the Bank’s capital ratios remain above the levels required to be considered “well capitalized” and the Company’s capital ratios remain above regulatory requirements.

To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, common equity Tier I and Tier I leverage ratios as set forth in the table.

As a result of the Economic Growth, Regulatory Relief, and Consumer Protection Act, the federal banking agencies were required to develop a “Community Bank Leverage Ratio” (the ratio of a bank’s tangible equity capital to average total consolidated assets) for financial institutions with assets of less than \$10 billion. A “qualifying community bank” that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered “well capitalized” under Prompt Corrective Action statutes. The federal banking agencies set the minimum capital for the Community Bank Leverage Ratio (“CBLR”) at 9 percent, effective January 1, 2020. Under the CARES Act, the Community Bank Leverage Ratio was temporarily lowered to 8 percent. The Bank did not opt into the CBLR and will continue to comply with the requirements under Basel III. The Bank’s leverage ratio was 10.29 percent at March 31, 2022.

The Bank’s regulatory capital amounts and ratios are presented in the following table:

| (Dollars in thousands)                         | Actual     |        | To Be Well Capitalized Under Prompt Corrective Action Provisions |        | For Capital Adequacy Purposes |       | For Capital Adequacy Purposes Including Capital Conservation Buffer (A) |        |
|------------------------------------------------|------------|--------|------------------------------------------------------------------|--------|-------------------------------|-------|-------------------------------------------------------------------------|--------|
|                                                | Amount     | Ratio  | Amount                                                           | Ratio  | Amount                        | Ratio | Amount                                                                  | Ratio  |
| <u>As of March 31, 2022:</u>                   |            |        |                                                                  |        |                               |       |                                                                         |        |
| Total capital (to risk-weighted assets)        | \$ 690,096 | 13.65% | \$ 505,769                                                       | 10.00% | \$ 404,615                    | 8.00% | \$ 531,057                                                              | 10.50% |
| Tier I capital (to risk-weighted assets)       | 631,522    | 12.49  | 404,615                                                          | 8.00   | 303,461                       | 6.00  | 429,903                                                                 | 8.50   |
| Common equity tier I (to risk-weighted assets) | 631,498    | 12.49  | 328,750                                                          | 6.50   | 227,596                       | 4.50  | 354,038                                                                 | 7.00   |
| Tier I capital (to average assets)             | 631,522    | 10.29  | 306,772                                                          | 5.00   | 245,417                       | 4.00  | 245,417                                                                 | 4.00   |
| <u>As of December 31, 2021:</u>                |            |        |                                                                  |        |                               |       |                                                                         |        |
| Total capital (to risk-weighted assets)        | \$ 672,614 | 14.05% | \$ 478,628                                                       | 10.00% | \$ 382,902                    | 8.00% | \$ 502,559                                                              | 10.50% |
| Tier I capital (to risk-weighted assets)       | 612,762    | 12.80  | 382,902                                                          | 8.00   | 287,177                       | 6.00  | 406,834                                                                 | 8.50   |
| Common equity tier I (to risk-weighted assets) | 612,738    | 12.80  | 311,108                                                          | 6.50   | 215,382                       | 4.50  | 335,039                                                                 | 7.00   |
| Tier I capital (to average assets)             | 612,762    | 9.99   | 306,538                                                          | 5.00   | 245,231                       | 4.00  | 245,231                                                                 | 4.00   |

(A) See footnote on following table

The Company's regulatory capital amounts and ratios are presented in the following table:

| (Dollars in thousands)                         | Actual     |        | To Be Well Capitalized Under Prompt Corrective Action Provisions |       | For Capital Adequacy Purposes |       | For Capital Adequacy Purposes Including Capital Conservation Buffer (A) |        |
|------------------------------------------------|------------|--------|------------------------------------------------------------------|-------|-------------------------------|-------|-------------------------------------------------------------------------|--------|
|                                                | Amount     | Ratio  | Amount                                                           | Ratio | Amount                        | Ratio | Amount                                                                  | Ratio  |
| <b>As of March 31, 2022:</b>                   |            |        |                                                                  |       |                               |       |                                                                         |        |
| Total capital (to risk-weighted assets)        | \$ 705,184 | 13.94% | N/A                                                              | N/A   | \$ 404,638                    | 8.00% | \$ 531,087                                                              | 10.50% |
| Tier I capital (to risk-weighted assets)       | 513,838    | 10.16  | N/A                                                              | N/A   | 303,478                       | 6.00  | 429,928                                                                 | 8.50   |
| Common equity tier I (to risk-weighted assets) | 513,814    | 10.16  | N/A                                                              | N/A   | 227,609                       | 4.50  | 354,058                                                                 | 7.00   |
| Tier I capital (to average assets)             | 513,838    | 8.37   | N/A                                                              | N/A   | 245,421                       | 4.00  | 245,421                                                                 | 4.00   |
| <b>As of December 31, 2021:</b>                |            |        |                                                                  |       |                               |       |                                                                         |        |
| Total capital (to risk-weighted assets)        | \$ 700,790 | 14.64% | N/A                                                              | N/A   | \$ 382,944                    | 8.00% | \$ 502,614                                                              | 10.50% |
| Tier I capital (to risk-weighted assets)       | 508,231    | 10.62  | N/A                                                              | N/A   | 287,208                       | 6.00  | 406,878                                                                 | 8.50   |
| Common equity tier I (to risk-weighted assets) | 508,207    | 10.62  | N/A                                                              | N/A   | 215,406                       | 4.50  | 335,076                                                                 | 7.00   |
| Tier I capital (to average assets)             | 508,231    | 8.29   | N/A                                                              | N/A   | 245,242                       | 4.00  | 245,242                                                                 | 4.00   |

(A) The Basel Rules require the Company and the Bank to maintain a 2.5% "capital conservation buffer" on top of the minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of (i) CET1 to risk-weighted assets, (ii) Tier 1 capital to risk-weighted assets or (iii) total capital to risk-weighted assets above the respective minimum but below the capital conservation buffer face constraints on dividends, equity repurchases and discretionary bonus payments to executive officers based on the amount of the shortfall.

The Dividend Reinvestment Plan of Peapack-Gladstone Financial Corporation, or the "Reinvestment Plan," allows shareholders of the Company to purchase additional shares of common stock using cash dividends without payment of any brokerage commissions or other charges. Shareholders may also make voluntary cash payments of up to \$200,000 per quarter to purchase additional shares of common stock, which up to January 30, 2019 were purchased at a three percent discount to market for plan participants. On January 30, 2019, the Company eliminated the three percent discount feature. Voluntary share purchases in the "Reinvestment Plan" can be filled from the Company's authorized but unissued shares and/or in the open market, at the discretion of the Company. All shares purchased during the quarter ended March 31, 2022 were purchased in the open market.

On April 28, 2022, the Board of Directors declared a regular cash dividend of \$0.05 per share payable on May 26, 2022 to shareholders of record on May 12, 2022.

Management believes the Company's capital position and capital ratios are adequate. Further, Management believes the Company has sufficient common equity to support its planned growth for the immediate future. The Company continually assesses other potential sources of capital to support future growth.

**LIQUIDITY:** Liquidity refers to an institution's ability to meet short-term requirements including funding of loans, deposit withdrawals and maturing obligations, as well as long-term obligations, including potential capital expenditures. The Company's liquidity risk management is intended to ensure the Company has adequate funding and liquidity to support its assets across a range of market environments and conditions, including stressed conditions. Principal sources of liquidity include cash, temporary investments, securities available for sale, customer deposit inflows, loan repayments and secured borrowings. Other liquidity sources include loan sales.

Management actively monitors and manages the Company's liquidity position and believes it is sufficient to meet future needs. Cash and cash equivalents, including interest-earning deposits, totaled \$114.0 million at March 31, 2022. In addition, the Company had \$601.2 million in securities designated as available for sale at March 31, 2022. These securities can be sold, or used as collateral for borrowings, in response to liquidity concerns. Available for sale and held to maturity securities with a carrying value of \$570.6 million and \$106.8 million, as of March 31, 2022, respectively, were pledged to secure public funds and for other purposes required or permitted by law. In addition, the Company generates significant liquidity from scheduled and unscheduled principal repayments of loans and mortgage-backed securities.

As of March 31, 2022, the Company had approximately \$1.8 billion of secured funding available from the Federal Home Loan Bank. Additionally, the Company had \$1.6 billion of secured funding available from the Federal Reserve Discount Window, none of which was drawn.

Brokered interest-bearing demand ("overnight") deposits were \$85.0 million at March 31, 2022. The interest rate paid on these deposits allows the Bank to fund asset growth at attractive rates and engage in interest rate swaps to hedge its asset-liability interest rate risk. The Company ensures ample available collateralized liquidity as a backup to these short-term brokered deposits. As of March 31, 2022, the Company had transacted pay fixed, receive floating interest rate swaps totaling \$330.0 million in notional amount, which includes \$100.0 million of forward-starting swaps.

The Company has a Board-approved Contingency Funding Plan in place. This plan provides a framework for managing adverse liquidity stress and contingent sources of liquidity. The Company conducts liquidity stress testing on a regular basis to ensure sufficient liquidity in a stressed environment. The Company believes it has sufficient liquidity given the current environment created by the COVID-19 pandemic.

Management believes the Company's liquidity position and sources are adequate.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

**ASSET/LIABILITY MANAGEMENT:** The Company's Asset/Liability Committee ("ALCO") is responsible for developing, implementing and monitoring asset/liability management strategies and advising the Board of Directors on such strategies, as well as the related level of interest rate risk. In this regard, interest rate risk simulation models are prepared on a quarterly basis. These models demonstrate balance sheet gaps and predict changes to net interest income and economic/market value of portfolio equity under various interest rate scenarios. In addition, these models, as well as ALCO processes and reporting, are subject to annual independent third-party review.

ALCO is generally authorized to manage interest rate risk through the management of capital, cash flows and duration of assets and liabilities, including sales and purchases of assets, as well as additions of wholesale borrowings and other sources of medium/longer-term funding. ALCO is authorized to engage in interest rate swaps as a means of extending the duration of shorter-term liabilities.

The following strategies are among those used to manage interest rate risk:

- Actively market C&I loans, which tend to have adjustable-rate features, and which generate customer relationships that can result in higher core deposit accounts;
- Actively market equipment finance leases and loans, which tend to have shorter terms and higher interest rates than real estate loans;
- Limit residential mortgage portfolio originations to adjustable-rate and/or shorter-term and/or “relationship” loans that result in core deposit and/or wealth management relationships;
- Actively market core deposit relationships, which are generally longer duration liabilities;
- Utilize medium to longer term certificates of deposit and/or wholesale borrowings to extend liability duration;
- Utilize interest rate swaps to extend liability duration;
- Utilize a loan level / back-to-back interest rate swap program, which converts a borrower’s fixed rate loan to adjustable rate for the Company;
- Closely monitor and actively manage the investment portfolio, including management of duration, prepayment and interest rate risk;
- Maintain adequate levels of capital; and
- Utilize loan sales.

The interest rate swap program is administered by the ALCO and follows procedures and documentation in accordance with regulatory guidance and standards as set forth in ASC 815 for cash flow hedges. The program incorporates pre-purchase analysis, liability designation, sensitivity analysis, correlation analysis, daily mark-to-market analysis and collateral posting as required. The Board is advised of all swap activity. The Company is receiving floating and paying fixed interest rates with total notional value of \$230.0 million as of March 31, 2022. The Company’s interest rate swaps include \$100.0 million of forward starting swaps that extend swaps set to mature in 2023 for an additional five years.

In addition, the Company initiated a loan level / back-to-back swap program in support of its commercial lending business. Pursuant to this program, the Company extends a floating rate loan and executes a floating to fixed swap with the borrower. At the same time, the Company executes a third-party swap, the terms of which fully offset the fixed exposure and, result in a final floating rate exposure for the Company. As of March 31, 2022, \$677.5 million of notional value in swaps were executed and outstanding with borrowers under this program.

As noted above, the ALCO uses simulation modeling to analyze the Company’s net interest income sensitivity, as well as the Company’s economic value of portfolio equity under various interest rate scenarios. The models are based on the actual maturity and repricing characteristics of rate sensitive assets and liabilities. The models incorporate certain prepayment and interest rate assumptions, which management believes to be reasonable as of March 31, 2022. The models assume changes in interest rates without any proactive change in the balance sheet by management. In the models, the forecasted shape of the yield curve remained static as of March 31, 2022.

In an immediate and sustained 100 basis point increase in market rates at March 31, 2022, net interest income would increase approximately 1.2 percent for year 1 and 4.6 percent for year 2, compared to a flat interest rate scenario. The Company’s interest rate sensitivity models indicate the Company is asset sensitive as of March 31, 2022 and that net interest income would improve in a rising rate environment but decline in a falling rate environment.

In an immediate and sustained 200 basis point increase in market rates at March 31, 2022, net interest income for year 1 would increase approximately 1.8 percent, when compared to a flat interest rate scenario. In year 2 net interest income would increase 8.3 percent, when compared to a flat interest rate scenario.

The table below shows the estimated changes in the Company's economic value of portfolio equity ("EVPE") that would result from an immediate parallel change in the market interest rates at March 31, 2022.

| (Dollars in thousands)<br>Change In<br>Interest<br>Rates<br>(Basis Points) | Estimated Increase/<br>Decrease in EVPE |             |         | EVPE as a Percentage of<br>Present Value of Assets (2) |                                       |
|----------------------------------------------------------------------------|-----------------------------------------|-------------|---------|--------------------------------------------------------|---------------------------------------|
|                                                                            | Estimated<br>EVPE (1)                   | Amount      | Percent | EVPE<br>Ratio (3)                                      | Increase/(Decrease)<br>(basis points) |
| +200                                                                       | \$ 765,286                              | \$ (34,752) | (4.34)% | 12.95%                                                 | 5                                     |
| +100                                                                       | 782,608                                 | (17,430)    | (2.18)  | 12.93                                                  | 3                                     |
| Flat interest rates                                                        | 800,038                                 | —           | —       | 12.90                                                  | —                                     |
| -100                                                                       | 814,386                                 | 14,348      | 1.79    | 12.82                                                  | (8)                                   |

(1) EVPE is the discounted present value of expected cash flows from assets and liabilities.  
(2) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.  
(3) EVPE ratio represents EVPE divided by the present value of assets.

Certain shortcomings are inherent in the methodologies used in determining interest rate risk. Simulation modeling requires making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the modeling assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the information provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

#### ITEM 4. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are designed to provide reasonable assurance that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the forms and rules of the Securities and Exchange Commission and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Quarterly Report on Form 10-Q, our management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2022. Based on that evaluation, our Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of March 31, 2022 because of a material weakness in our internal control over financial reporting relating to the design of the controls over accounting for credit losses in accordance with the CECL accounting standard, ASC 2016-13, Financial Instruments – Credit Losses including the timing of the operation of these controls.

We have taken certain measures to remediate the material weakness related to the design of the controls related to application of the CECL accounting standard, including designing and implementing formal procedures and controls related to the timing of the operation of such controls.

While we believe that the efforts taken to date and those planned for remediation will improve the effectiveness of our internal control over financial reporting, these remediation efforts are ongoing and will require time to operate for management to be able to conclude that the design is effective to remediate the material weakness identified. We may conclude that additional measures are necessary to remediate the material weaknesses in our internal control over financial reporting, which may necessitate additional evaluation and implementation time.

Notwithstanding the material weaknesses, the Company has concluded that the consolidated financial statements included in this report present fairly, in all material respects, the financial position and results of operations of the Company as of and for the three months ended March 31, 2022 in conformity with generally accepted accounting principles in the United States of America. The

Company filed its Quarterly Report on Form 10-Q for the period ended March 31, 2022 on Wednesday, May 18, 2022, which was two business days following the filing deadline as extended pursuant to Rule 12b-25 of the Securities Exchange Act of 1934, as amended.

## Changes in Internal Control Over Financial Reporting

Other than described above, during the most recent fiscal quarter, there has been no change in our internal controls over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. Legal Proceedings

In the normal course of its business, lawsuits and claims may be brought against the Company and its subsidiaries. There is no currently pending or threatened litigation or proceedings against the Company or its subsidiaries, which if adversely decided, we believe would have a material adverse effect on the Company.

### ITEM 1A. Risk Factors

There have been no material changes in risk factors applicable to the Company from those disclosed in "Risk Factors" in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

### ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

|                    | <b>Total<br/>Number of Shares<br/>Purchased<br/>As Part of<br/>Publicly Announced<br/>Plans or Programs</b> | <b>Total<br/>Number of Shares<br/>Withheld (1)</b> | <b>Average Price Paid<br/>Per Share</b> | <b>Maximum Number of<br/>Shares That May<br/>Yet Be Purchased<br/>Under the Plans<br/>Or Programs (2)</b> |
|--------------------|-------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------|
| January 1, 2022 -  |                                                                                                             |                                                    |                                         |                                                                                                           |
| January 31, 2022   | 8,610                                                                                                       | —                                                  | \$ 36.75                                | \$ 1,240,310                                                                                              |
| February 1, 2022 - |                                                                                                             |                                                    |                                         |                                                                                                           |
| February 28, 2022  | 140,215                                                                                                     | 220                                                | 37.56                                   | \$ 1,100,095                                                                                              |
| March 1, 2022 -    |                                                                                                             |                                                    |                                         |                                                                                                           |
| March 31, 2022     | 151,053                                                                                                     | 67,779                                             | 36.98                                   | \$ 949,042                                                                                                |
| <b>Total</b>       | <b>299,878</b>                                                                                              | <b>67,999</b>                                      | <b>37.10</b>                            |                                                                                                           |

- (1) Represents shares withheld to satisfy tax withholding obligations upon the exercise of stock options and/or the vesting of restricted stock awards/units.
- (2) On January 27, 2022, the Company's Board of Directors approved a plan to repurchase up to 920,000 shares, which was approximately 5 percent of the outstanding shares as of that date, through March 31, 2023. The timing and amount of shares repurchased will depend on certain factors, including but not limited to, market conditions and prices, the Company's liquidity and capital requirements and alternative uses of capital.

### ITEM 3. Defaults Upon Senior Securities

None.

### ITEM 4. Mine Safety Disclosures

Not applicable.

### ITEM 5. Other Information

None.

## ITEM 6. Exhibits

|         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3       | Articles of Incorporation and By-Laws: <ul style="list-style-type: none"><li>A. <a href="#"><u>Certificate of Incorporation of the Registrant, as amended, incorporated herein by reference to Exhibit 3 of the Registrant's Quarterly Report on Form 10-Q filed on November 9, 2009 (File No. 001-16197).</u></a></li><li>B. <a href="#"><u>By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K filed on December 20, 2017 (File No. 001-16197).</u></a></li></ul> |
| 10.1    | Amended and Restated Deferred Compensation Agreements, originally effective as of August 4, 2017, and amended and restated as of March 24, 2022, by and among Peapack-Gladstone Financial Corporation, Peapack-Gladstone Bank, and each of Douglas L. Kennedy, John P. Babcock, and Jeffrey J. Carfora, incorporated herein by reference to Exhibits <a href="#"><u>10.1</u></a> , <a href="#"><u>10.2</u></a> , and <a href="#"><u>10.3</u></a> of the Registrant's Form 8-K filed on March 30, 2022 (File No. 001-16197).               |
| 10.2    | <a href="#"><u>Form of Employment Agreement, by and among Peapack-Gladstone Financial Corporation, Peapack-Gladstone Bank and each of Douglas L. Kennedy, Jeffrey J. Carfora, John P. Babcock, and Gregory M. Smith, incorporated herein by reference to Exhibit 10.1 of the Registrant's form 8-K filed on March 3, 2022 (File No. 001-161697).</u></a>                                                                                                                                                                                  |
| 10.3    | <a href="#"><u>Change in Control Agreement by and among Peapack-Gladstone Financial Corporation, Peapack-Gladstone Bank and Robert A. Plante, incorporated herein by reference to Exhibit 10.2 of the Registrant's Form 8-K filed on March 3, 2022 (File No. 001-16197).</u></a>                                                                                                                                                                                                                                                          |
| 31.1    | <a href="#"><u>Certification of Douglas L. Kennedy, Chief Executive Officer of the Corporation, pursuant to Securities Exchange Act Rule 13a-14(a).</u></a>                                                                                                                                                                                                                                                                                                                                                                               |
| 31.2    | <a href="#"><u>Certification of Jeffrey J. Carfora, Chief Financial Officer of the Corporation, pursuant to Securities Exchange Act Rule 13a-14(a).</u></a>                                                                                                                                                                                                                                                                                                                                                                               |
| 32      | <a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Douglas L. Kennedy, Chief Executive Officer of the Corporation and Jeffrey J. Carfora, Chief Financial Officer of the Corporation.</u></a>                                                                                                                                                                                                                                               |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because iXBRL tags are embedded within the Inline XBRL document.                                                                                                                                                                                                                                                                                                                                                                       |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 104     | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### **PEAPACK-GLADSTONE FINANCIAL CORPORATION** (Registrant)

DATE: May 18, 2022

By: /s/ Douglas L. Kennedy  
Douglas L. Kennedy  
President and Chief Executive Officer  
(Principal Executive Officer)

DATE: May 18, 2022

By: /s/ Jeffrey J. Carfora  
Jeffrey J. Carfora  
Senior Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

DATE: May 18, 2022

By: /s/ Francesco S. Rossi  
Francesco S. Rossi  
Chief Accounting Officer  
(Principal Accounting Officer)

## CERTIFICATION

I, Douglas L. Kennedy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Peapack-Gladstone Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 18, 2022

By: /s/ Douglas L. Kennedy

Name: Douglas L. Kennedy

Title: President and Chief Executive Officer

## CERTIFICATION

I, Jeffrey J. Carfora, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Peapack-Gladstone Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 18, 2022

By: /s/ Jeffrey J. Carfora

Name: Jeffrey J. Carfora

Title: Senior Executive Vice President,  
Chief Financial Officer

**CERTIFICATIONS PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Peapack-Gladstone Financial Corporation (the “Corporation”), for the quarterly period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Douglas L. Kennedy, as Chief Executive Officer of the Corporation, and Jeffrey J. Carfora, as Chief Financial Officer of the Corporation, each hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Douglas L. Kennedy

\_\_\_\_\_  
Name: Douglas L. Kennedy  
Title: President and Chief Executive Officer  
Date: May 18, 2022

/s/ Jeffrey J. Carfora

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Name: Jeffrey J. Carfora  
Title: Senior Executive Vice President  
Chief Financial Officer  
Date: May 18, 2022