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 June 30, 2024

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	**22-3537895**
(State or other jurisdiction of incorporation or organization)	(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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 August 1, 2024: 17,677,747

PEAPACK-GLADSTONE FINANCIAL CORPORATION

PART I FINANCIAL INFORMATION

PART II OTHER INFORMATION

Item 1. Financial Statements

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

	(unaudited) June 30, 2024	(audited) December 31, 2023
ASSETS		
Cash and due from banks	$ 5,586	$ 5,887
Federal funds sold	—	—
Interest-earning deposits	310,143	181,784
Total cash and cash equivalents	315,729	187,671
Securities available for sale	591,884	550,617
Securities held to maturity (fair value $90,863 at June 30, 2024 and $94,415 at December 31, 2023)	105,013	107,755
CRA equity security, at fair value	12,971	13,166
FHLB and FRB stock, at cost (A)	12,478	31,044
Loans held for sale, at fair value	228	100
Loans held for sale, at lower of cost or fair value	8,076	6,695
Loans	5,260,994	5,429,325
Less: allowance for credit losses	67,984	65,888
Net loans	5,193,010	5,363,437
Premises and equipment	24,932	24,166
Accrued interest receivable	33,534	30,676
Bank owned life insurance	47,716	47,581
Goodwill	36,212	36,212
Other intangible assets	9,258	9,802
Finance lease right-of-use assets	1,055	2,087
Operating lease right-of-use assets	38,683	12,096
Deferred tax assets, net	9,454	505
Due from broker	3,184	—
Other assets	61,933	53,247
TOTAL ASSETS	$ 6,505,350	$ 6,476,857
LIABILITIES		
Deposits:		
Noninterest-bearing demand deposits	$ 950,368	$ 957,687
Interest-bearing deposits:		
Checking	3,229,814	2,882,193
Savings	105,602	111,573
Money market accounts	824,158	740,559
Certificates of deposit - retail	502,810	443,791
Certificates of deposit - listing service	7,454	7,804
Subtotal deposits	5,620,206	5,143,607
Interest-bearing demand - brokered	10,000	10,000
Certificates of deposit - brokered	26,000	120,507
Total deposits	5,656,206	5,274,114
Short-term borrowings	—	403,814
Finance lease liabilities	1,427	3,430
Operating lease liabilities	41,347	12,876
Subordinated debt, net	133,417	133,274
Due to brokers	9,981	—
Accrued expenses and other liabilities	74,650	65,668
TOTAL LIABILITIES	5,917,028	5,893,176
SHAREHOLDERS' EQUITY		
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, 21,515,730 at June 30, 2024 and 21,388,917 at December 31, 2023; outstanding shares, 17,666,490 at June 30, 2024 and 17,739,677 at December 31, 2023)	17,936	17,831
Surplus	345,164	346,954
Treasury stock at cost (3,849,240 shares at June 30, 2024 and 3,649,240 shares at December 31, 2023)	(114,917)	(110,320)
Retained earnings	408,481	394,094
Accumulated other comprehensive loss, net of income tax	(68,342)	(64,878)
TOTAL SHAREHOLDERS' EQUITY	588,322	583,681
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 6,505,350	$ 6,476,857

(A)FHLB means "Federal Home Loan Bank" and FRB means "Federal Reserve Bank."

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 June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
INTEREST INCOME				
Interest and fees on loans	$ 71,645	$ 68,490	$ 144,176	$ 132,962
Interest on investments:				
Taxable	5,168	4,900	10,304	9,371
Tax-exempt	—	9	—	17
Interest on loans held for sale	7	2	12	4
Interest on interest-earning deposits	2,418	1,451	3,940	2,989
Total interest income	79,238	74,852	158,432	145,343
INTEREST EXPENSE				
Interest on savings and interest-bearing deposit accounts	35,364	26,117	68,411	47,500
Interest on certificates of deposit	5,367	2,462	10,222	4,191
Interest on borrowed funds	381	5,384	3,848	6,680
Interest on finance lease liability	22	50	60	103
Interest on subordinated debt	1,686	1,597	3,370	3,236
Subtotal - interest expense	42,820	35,610	85,911	61,710
Interest on interest-bearing demand - brokered	134	125	260	333
Interest on certificates of deposits - brokered	1,242	196	2,844	401
Total interest expense	44,196	35,931	89,015	62,444
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	35,042	38,921	69,417	82,899
Provision for credit losses	3,911	1,696	4,538	3,209
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	31,131	37,225	64,879	79,690
OTHER INCOME				
Wealth management fee income	16,419	14,252	30,826	28,014
Service charges and fees	1,345	1,320	2,667	2,578
Bank owned life insurance	328	305	831	602
Gain on loans held for sale at fair value (mortgage banking)	34	15	90	36
Gain on loans held for sale at lower of cost or fair value	23	—	23	—
Gain on sale of SBA loans	449	838	849	1,703
Corporate advisory fee income	103	15	921	95
Other income	2,938	2,039	4,244	3,606
Fair value adjustment for CRA equity security	(84)	(209)	(195)	—
Total other income	21,555	18,575	40,256	36,634
OPERATING EXPENSES				
Compensation and employee benefits	29,884	26,354	58,360	50,940
Premises and equipment	5,776	4,729	10,857	9,103
FDIC insurance expense	870	729	1,815	1,440
Other operating expense	6,596	5,880	12,135	11,783
Total operating expenses	43,126	37,692	83,167	73,266
INCOME BEFORE INCOME TAX EXPENSE	9,560	18,108	21,968	43,058
Income tax expense	2,030	4,963	5,807	11,558
NET INCOME	$ 7,530	$ 13,145	$ 16,161	$ 31,500
EARNINGS PER SHARE				
Basic	$ 0.42	$ 0.73	$ 0.91	$ 1.76
Diluted	$ 0.42	$ 0.73	$ 0.91	$ 1.74
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
Basic	17,747,070	17,930,611	17,729,355	17,886,154
Diluted	17,792,296	18,078,848	17,811,895	18,153,267

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	$ 7,530	$ 13,145	$ 16,161	$ 31,500
Comprehensive income/(loss):				
Unrealized gains/(losses) on available for sale securities:				
Unrealized holding gains/(losses) arising during the period	(572)	(7,022)	(7,337)	1,747
	(572)	(7,022)	(7,337)	1,747
Tax effect	153	3,226	1,958	3,178
Net of tax	(419)	(3,796)	(5,379)	4,925
Unrealized gains/(losses) on cash flow hedges:				
Unrealized holding gains/(losses) arising during the period	(225)	4,775	2,647	2,043
Reclassification adjustment for amounts included in net income	—	(42)	—	(84)
	(225)	4,733	2,647	1,959
Tax effect	62	(1,489)	(732)	(670)
Net of tax	(163)	3,244	1,915	1,289
Total other comprehensive income/(loss)	(582)	(552)	(3,464)	6,214
Total comprehensive income	$ 6,948	$ 12,593	$ 12,697	$ 37,714

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 June 30, 2024 and June 30, 2023

(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 April 1, 2024 17,761,538 common shares outstanding	$ —	$ 17,932	$ 343,111	$ (112,742)	$ 401,838	$ (67,760)	$ 582,379
Net income	—	—	—	—	7,530	—	7,530
Comprehensive loss	—	—	—	—	—	(582)	(582)
Restricted stock units issued, 605 shares	—	1	(1)	—	—	—	—
Restricted stock units repurchased on vesting to pay taxes, (267) shares	—	(1)	(6)	—	—	—	(7)
Amortization of restricted stock units	—	—	1,289	—	—	—	1,289
Modification of restricted stock units distributed in cash	—	—	662	—	—	—	662
Cash dividends declared on common stock ($0.05 per share)	—	—	—	—	(887)	—	(887)
Share repurchase, (100,000) shares	—	—	—	(2,175)	—	—	(2,175)
Issuance of shares for Employee Stock Purchase Plan, 4,614 shares	—	4	109	—	—	—	113
Balance at June 30, 2024 17,666,490 common shares outstanding	$ —	$ 17,936	$ 345,164	$ (114,917)	$ 408,481	$ (68,342)	$ 588,322

(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 April 1, 2023 18,014,757 common shares outstanding	$ —	$ 17,750	$ 339,060	$ (100,677)	$ 366,270	$ (67,445)	$ 554,958
Net income	—	—	—	—	13,145	—	13,145
Comprehensive loss	—	—	—	—	—	(552)	(552)
Restricted stock units issued 77,986 shares	—	65	3	—	—	—	68
Restricted stock units repurchased on vesting to pay taxes, (31,996) shares	—	(27)	(854)	—	—	—	(881)
Amortization of restricted stock units	—	—	3,643	—	—	—	3,643
Cash dividends declared on common stock ($0.05 per share)	—	—	—	—	(890)	—	(890)
Share repurchase, (184,000) shares	—	—	—	(4,716)	—	—	(4,716)
Common stock options exercised, 1,100 net of 60 used to exercise and related taxes benefits, 1,040 shares	—	1	14	—	—	—	15
Issuance of shares for Employee Stock Purchase Plan, 10,108 shares	—	8	271	—	—	—	279
Balance at June 30, 2023 17,887,895 common shares outstanding	$ —	$ 17,797	$ 342,137	$ (105,393)	$ 378,525	$ (67,997)	$ 565,069

Six Months Ended June 30, 2024 and June 30, 2023

(In thousands, except share and per share data)	Preferred Stock	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2024 17,739,677 common shares outstanding	$ —	$ 17,831	$ 346,954	$ (110,320)	$ 394,094	$ (64,878)	$ 583,681
Net income	—	—	—	—	16,161	—	16,161
Comprehensive loss	—	—	—	—	—	(3,464)	(3,464)
Restricted stock units issued, 147,679 shares	—	123	(123)	—	—	—	—
Restricted stock units repurchased on vesting to pay taxes, (36,625) shares	—	(31)	(846)	—	—	—	(877)
Amortization of restricted stock units	—	—	3,138	—	—	—	3,138
Modification of restricted stock units distributed in cash	—	—	(4,336)	—	—	—	(4,336)
Cash dividends declared on common stock ($0.10 per share)	—	—	—	—	(1,774)	—	(1,774)
Share repurchase, (200,000) shares	—	—	—	(4,597)	—	—	(4,597)
Issuance of shares for Employee Stock Purchase Plan, 15,759 shares	—	13	377	—	—	—	390
Balance at June 30, 2024 17,666,490 common shares outstanding	$ —	$ 17,936	$ 345,164	$ (114,917)	$ 408,481	$ (68,342)	$ 588,322

(In thousands, except share and per share data)	Preferred Stock	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2023 17,813,451 common shares outstanding	$ —	$ 17,513	$ 338,706	$ (97,826)	$ 348,798	$ (74,211)	$ 532,980
Net income	—	—	—	—	31,500	—	31,500
Comprehensive income	—	—	—	—	—	6,214	6,214
Restricted stock units issued, 430,620 shares	—	359	(291)	—	—	—	68
Restricted stock units repurchased on vesting to pay taxes, (108,143) shares	—	(90)	(3,168)	—	—	—	(3,258)
Amortization of restricted stock units	—	—	6,309	—	—	—	6,309
Cash dividends declared on common stock ($0.10 per share)	—	—	—	—	(1,773)	—	(1,773)
Share repurchase, (267,014) shares	—	—	—	(7,567)	—	—	(7,567)
Common stock options exercised, 1,400 net of 60 used to exercise and related taxes benefits, 1,340 shares	—	1	18	—	—	—	19
Issuance of shares for Employee Stock Purchase Plan, 17,641 shares	—	14	563	—	—	—	577
Balance at June 30, 2023 17,887,895 common shares outstanding	$ —	$ 17,797	$ 342,137	$ (105,393)	$ 378,525	$ (67,997)	$ 565,069

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
OPERATING ACTIVITIES:		
Net income	$ 16,161	$ 31,500
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,855	1,769
Amortization of premium and accretion of discount on securities, net	174	328
Amortization of restricted stock	3,138	6,309
Amortization of intangible assets	544	709
Amortization of subordinated debt costs	143	144
Provision for credit losses	4,538	3,209
Deferred tax benefit	(7,723)	(4,475)
Stock-based compensation and employee stock purchase plan expense	75	106
Fair value adjustment for equity security	195	—
Loans originated for sale (A)	(13,660)	(20,987)
Proceeds from sales of loans held for sale (A)	18,128	24,155
Gain on loans held for sale (A)	(939)	(1,739)
Gain on loans held for sale at lower of cost or fair value	(23)	—
Loss on disposal of fixed assets	4	6
Increase in cash surrender value of life insurance, net	(135)	(235)
(Increase)/decrease in accrued interest receivable	(2,858)	4,292
Decrease in other assets	(31,520)	(3,137)
Increase in accrued expenses and other liabilities	31,864	2,071
NET CASH PROVIDED BY OPERATING ACTIVITIES	19,961	44,025
INVESTING ACTIVITIES:		
Principal repayments, maturities and calls of securities available for sale	312,459	316,474
Principal repayments, maturities and calls of securities held to maturity	2,701	2,161
Redemptions of FHLB and FRB stock	59,579	51,784
Purchase of securities held to maturity	—	(10,347)
Purchase of securities available for sale	(351,215)	(300,887)
Purchase of FHLB and FRB stock	(41,013)	(56,514)
Proceeds from sales of loans held for sale at lower of cost or fair value	23	—
Net decrease/(increase) in loans, net of participations sold	160,853	(151,104)
Proceeds from sales of other real estate	—	116
Purchase of premises and equipment	(2,390)	(1,378)
Disposal of premises and equipment	16	(6)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	141,013	(149,701)
FINANCING ACTIVITIES:		
Net increase/(decrease) in deposits	382,092	(6,667)
Net (decrease)/increase in short-term borrowings	(403,814)	105,830
Dividends paid on common stock	(1,774)	(1,773)
Exercise of stock options, net of stock swaps	—	19
Restricted stock repurchased on vesting to pay taxes	(877)	(3,258)
Issuance of restricted stock	—	68
Modification of restricted stock units distributed in cash	(4,336)	—
Issuance of shares for employee stock purchase plan	390	577
Shares repurchased	(4,597)	(7,567)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(32,916)	87,229
Net increase/(decrease) in cash and cash equivalents	128,058	(18,447)
Cash and cash equivalents at beginning of period	187,671	190,075
Cash and cash equivalents at end of period	$ 315,729	$ 171,628
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$ 80,605	$ 58,182
Income tax, net	1,251	3,323
Security purchases due from broker	9,981	—
Right-of-use asset obtained in exchange for operating lease liabilities	28,321	1,926

(A)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.

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, 2023 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 June 30, 2024, and the results of operations, comprehensive income, changes in shareholders' equity and cash flow statements for the three and six months ended June 30, 2024 and 2023. The results of operations for the three and six months ended June 30, 2024 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:

- Peapack Capital Corporation ("PCC")
- 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.
- Peapack-Gladstone Realty, Inc.
- PGB Securities, Inc.

While the following notes to the consolidated financial statements include the consolidated results of the Company, the Bank and their subsidiaries, these notes 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.

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 investment management services to individuals and institutions. Management uses certain methodologies to allocate income and expense to the business segments.

The Banking segment includes: commercial (including commercial and industrial ("C&I") and equipment financing), commercial real estate, multifamily, commercial construction, 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, custodian; and other financial planning and advisory services. This segment also includes the activity from the Delaware subsidiary, PGB Trust & Investments of Delaware. The majority of wealth management fees are collected on a monthly or quarterly basis and are calculated on either a fixed or tiered fee schedule, based upon the market value of assets under management and/or administration ("AUMs"). Other non AUM-based revenues such as personal or fiduciary tax return preparation fees, executor fees, trust termination fees and/or financial planning and advisory fees are charged as services are rendered.

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: 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. Under ASU 2016-13, held-to-maturity securities in a loss position are evaluated to determine if the decline in fair value has resulted from a credit-related loss or other factors, and then recognize a charge to earnings for the decline in fair value. 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 $161.2 million and $162.9 million as of June 30, 2024 and December 31, 2023, respectively. SBA loans held for sale totaled $3.3 million and $7.2 million at June 30, 2024 and December 31, 2023, 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 status 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: 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.

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.

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 and 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. The ACL results in two forms of allocations, specific and general. These two components represent the total ACL deemed adequate to cover current expected credit losses 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 are subjective 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 may 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 aggregates 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 (which is comprised of 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. 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). 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, other changes in general economic conditions or changes in rent regulation 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 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". 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. To mitigate the risk characteristics of commercial and industrial loans, these loans often include commercial real estate as collateral 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.

<u>Construction</u>. The Bank provides commercial construction loans for properties located in the Tri-state area. Risks common to commercial construction loans are cost overruns, inaccurate estimates of the period of construction, 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.

<u>Consumer and Other</u>. 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.

Loan Modifications: On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2022-02, which replaced the accounting and recognition of TDRs. 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.

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. An 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 statement of condition 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 2021 Long-Term Stock Incentive Plan allows 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 incentive plans approved in 2006 and 2012.

Options granted under this plan 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. The Company has a policy of using authorized but unissued shares to satisfy option exercises.

Upon adoption of 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.

Changes in options outstanding during the six months ended June 30, 2024 were as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In thousands)
Balance, January 1, 2024	1,400	$ 19.15		
Exercised during 2024	—	—		
Expired during 2024	(1,400)	19.15		
Forfeited during 2024	—	—		
Balance, June 30, 2024	—	$ —	—	$ —
Vested and expected to vest	—	$ —	—	$ —
Exercisable at June 30, 2024	—	$ —	—	$ —

There were no stock options granted during the three or six months ended June 30, 2024.

As of June 30, 2024, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Company's stock incentive plans.

During the first quarter of 2024, the Company adopted the Peapack-Gladstone Financial Corporation 2024 Phantom Stock Plan ("Phantom Plan"). The Phantom Plan allows the Company to issue performance-based and service-based awards which will be paid in cash. The award of a phantom unit entitles the participant to a cash payment equal to the value of the unit on the vesting date, which is the fair market value of a common share of the Company's stock on such vesting date.

The Company issued performance-based and service-based phantom units in 2024. Service-based phantom units vest ratably over a three-year period. There were 237,811 service-based phantom units granted under the Phantom Plan during the first six months of 2024. Additionally, there are 120,835 restricted stock units that will settle in cash in 2025 and 2026.

The performance-based phantom units 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 three years. There were 60,047 performance-based units granted under the Phantom Plan in the first six months of 2024.

Phantom units are recorded in salary and employee benefits expense based on the fair value of the units on the balance sheet date. The fair value of these awards is updated at each balance sheet date and changes in the fair value of the vested portions of the awards are recorded as increases or decreases to compensation expense within salary and employee benefits in the Consolidated Statements of Income. All of the outstanding phantom units at June 30, 2024 met the criteria to be treated under liability classification in accordance with ASC 718, given that these awards will settle in cash on the vesting date.

Compensation expense for the phantom units is based on the fair value of the units as of the balance sheet date as further discussed below, and such costs are recognized ratably over the service period of the awards. As the fair value of liability awards is required to be re-measured each period end, stock compensation expense amounts recognized in future periods for these awards will vary. The estimated future cash payments of these awards are presented as liabilities within "Accrued expenses and other liabilities" in the Consolidated Statement of Condition. As of June 30, 2024, there was $8.4 million of unrecognized compensation costs related to non-vested phantom units.

The Company issued performance-based and service-based restricted stock units in 2023. Service-based units vest ratably over a three- or five-year period. There were no service-based restricted stock units granted under the 2021 Long-Term Stock Incentive Plan during the first six months of 2024.

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 no performance-based restricted stock units granted under the 2021 Long-Term Stock Incentive Plan in the first six months of 2024.

Changes in non-vested shares dependent on performance criteria for the six months ended June 30, 2024 were as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2024	176,364	$ 32.40
Granted during 2024	4,705	31.36
Vested during 2024 (1)	(45,592)	31.36
Forfeited during 2024	—	—
Balance, June 30, 2024	135,477	$ 32.71

(1) Includes 45,592 shares that settled in cash.

Changes in service-based restricted stock awards/units for the six months ended June 30, 2024 were as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2024	626,742	$ 29.62
Granted during 2024	—	—
Vested during 2024 (1)	(248,028)	27.83
Shares to be settled in cash	(120,835)	22.13
Forfeited during 2024	(4,701)	31.79
Balance, June 30, 2024	253,178	$ 27.84

(1) Includes 100,349 shares that settled in cash.

As of June 30, 2024, there was $9.2 million of total unrecognized compensation cost related to service-based and performance-based restricted stock units. That cost is expected to be recognized over a weighted average period of 1.12 years. Stock compensation expense recorded for the second quarters of 2024 and 2023 totaled $3.2 million and $3.6 million, respectively. Stock compensation expense recorded for the six months ended June 30, 2024 and 2023 totaled $5.9 million and $6.3 million, respectively.

Employee Stock Purchase Plan ("ESPP"): The 2014 ESPP expired in April 2024 and was replaced by the 2024 ESPP, which was approved by shareholders on April 30, 2024 and allowed for the issuance of 150,000 shares.

The ESPP allows for the purchase of shares during four three-month Offering Periods of each calendar year. The Offering Periods end on March 31, June 30, September 30 and December 31 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 $43,000 and $58,000 of expense in salaries and employee benefits expense for the three months ended June 30, 2024 and 2023, respectively, related to the ESPP. Total shares issued under the ESPP during the second quarter ended June 30, 2024 and 2023 were 4,614 and 10,108, respectively.

The Company recorded $75,000 and $106,000 of expense in salaries and employee benefits expense for the six months ended June 30, 2024 and 2023, respectively, related to the ESPP. Total shares issued under the ESPP during the six months ended June 30, 2024 and 2023 were 15,759 and 17,641, 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share data)	**2024**	**2023**	**2024**	**2023**
Net income available to common shareholders	$ 7,530	$ 13,145	$ 16,161	$ 31,500
Basic weighted average shares outstanding	17,747,070	17,930,611	17,729,355	17,886,154
Plus: common stock equivalents	45,226	148,237	82,540	267,113
Diluted weighted average shares outstanding	17,792,296	18,078,848	17,811,895	18,153,267
Net income per share				
Basic	$ 0.42	$ 0.73	$ 0.91	$ 1.76
Diluted	0.42	0.73	0.91	1.74

For the three months ended June 30, 2024 and 2023, restricted stock units totaling 250,510 and 556,743, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive. For the six months ended June 30, 2024 and 2023, restricted stock units totaling 277,945 and 420,090, respectively, 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.

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 2020 or by New Jersey tax authorities for years prior to 2018.

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: Cash on hand or on deposit with the Federal Reserve Bank of New York was required to meet regulatory reserve and clearing requirements.

Comprehensive Income: Comprehensive income 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.

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 any net assets acquired and liabilities assumed as of the date of acquisition in a purchase business combination. 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. Goodwill was primarily attributable to the Bank's wealth management acquisitions. Management monitors the impact of changes in the financial markets and includes these assessments in our impairment process.

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.

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 June 30, 2024 and December 31, 2023 follows:

	June 30, 2024				
(In thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Allowance for Credit Losses**	**Fair Value**
Securities Available for Sale:					
U.S government-sponsored agencies	$ 244,803	$ —	$ (49,801)	$ —	$ 195,002
Mortgage-backed securities–residential	410,158	226	(47,352)	—	363,032
SBA pool securities	25,478	1	(3,796)	—	21,683
Corporate bond	14,000	23	(1,856)	—	12,167
Total securities available for sale	$ 694,439	$ 250	$ (102,805)	$ —	$ 591,884
Securities Held to Maturity:					
U.S. government-sponsored agencies	$ 40,000	$ —	$ (3,471)	$ —	$ 36,529
Mortgage-backed securities–residential	65,013	—	(10,679)	—	54,334
Total securities held to maturity	$ 105,013	$ —	$ (14,150)	$ —	$ 90,863

	December 31, 2023				
(In thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Allowance for Credit Losses**	**Fair Value**
Securities Available for Sale:					
U.S government-sponsored agencies	$ 244,794	$ —	$ (47,103)	$ —	$ 197,691
Mortgage-backed securities–residential	363,893	80	(43,177)	—	320,796
SBA pool securities	27,148	—	(3,744)	—	23,404
Corporate bond	10,000	—	(1,274)	—	8,726
Total securities available for sale	$ 645,835	$ 80	$ (95,298)	$ —	$ 550,617
Securities Held to Maturity:					
U.S. government-sponsored agencies	$ 40,000	$ —	$ (3,369)	$ —	$ 36,631
Mortgage-backed securities–residential	67,755	—	(9,971)	—	57,784
Total securities held to maturity	$ 107,755	$ —	$ (13,340)	$ —	$ 94,415

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 June 30, 2024 and December 31, 2023.

	June 30, 2024					
	Duration of Unrealized Loss					
	Less Than 12 Months		12 Months or Longer		Total	
(In thousands)	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses
Securities Available for Sale:						
U.S. government-sponsored agencies	$ —	$ —	$ 195,002	$ (49,801)	$ 195,002	$ (49,801)
Mortgage-backed securities residential	33,028	(774)	230,103	(46,578)	263,131	(47,352)
SBA pool securities	—	—	21,333	(3,796)	21,333	(3,796)
Corporate bond	—	—	8,144	(1,856)	8,144	(1,856)
Total securities available for sale	$ 33,028	$ (774)	$ 454,582	$ (102,031)	$ 487,610	$ (102,805)
Securities Held to Maturity:						
U.S. government-sponsored agencies	$ —	$ —	$ 36,529	$ (3,471)	$ 36,529	$ (3,471)
Mortgage-backed securities residential	—	—	54,334	(10,679)	54,334	(10,679)
Total securities held to maturity	$ —	$ —	$ 90,863	$ (14,150)	$ 90,863	$ (14,150)
Total securities	$ 33,028	$ (774)	$ 545,445	$ (116,181)	$ 578,473	$ (116,955)

	December 31, 2023					
	Duration of Unrealized Loss					
	Less Than 12 Months		12 Months or Longer		Total	
(In thousands)	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses
Securities Available for Sale:						
U.S. government-sponsored agencies	$ —	$ —	$ 197,691	$ (47,103)	$ 197,691	$ (47,103)
Mortgage-backed securities residential	36,634	(963)	217,513	(42,214)	254,147	(43,177)
SBA pool securities	655	(1)	22,749	(3,743)	23,404	(3,744)
Corporate bond	—	—	8,726	(1,274)	8,726	(1,274)
Total securities available for sale	$ 37,289	$ (964)	$ 446,679	$ (94,334)	$ 483,968	$ (95,298)
Securities Held to Maturity:						
U.S. government-sponsored agencies	$ —	$ —	$ 36,631	$ (3,369)	$ 36,631	$ (3,369)
Mortgage-backed securities residential	9,647	(135)	48,137	(9,836)	57,784	(9,971)
Total securities held to maturity	$ 9,647	$ (135)	$ 84,768	$ (13,205)	$ 94,415	$ (13,340)
Total securities	$ 46,936	$ (1,099)	$ 531,447	$ (107,539)	$ 578,383	$ (108,638)

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 is 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 June 30, 2024. Substantially 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 for the six months ended June 30, 2024 or 2023, respectively.

The Company has an investment in a CRA investment fund with a fair value of $13.0 million at June 30, 2024. This investment is classified as an equity security in our Consolidated Statements of Condition. This security had a loss of $84,000 and $195,000 for the three and six months ended June 30, 2024. This amount was included in the fair value adjustment for CRA equity security on the Consolidated Statements of Income.

3. LOANS AND LEASES

Loans outstanding, excluding those held for sale, by general ledger classification, as of June 30, 2024 and December 31, 2023, consisted of the following:

(Dollars in thousands)	June 30, 2024	% of Totals Loans	December 31, 2023	% of Total Loans
Residential mortgage	$ 578,829	11.00 %	$ 578,327	10.65 %
Multifamily mortgage	1,796,687	34.15	1,836,390	33.82
Commercial mortgage	600,859	11.42	637,625	11.74
Commercial loans (including equipment financing)	2,155,594	40.97	2,260,524	41.64
Commercial construction	22,157	0.42	17,721	0.33
Home equity lines of credit	37,117	0.71	36,464	0.67
Consumer loans, including fixed rate home equity loans	69,579	1.32	62,036	1.14
Other loans	172	0.01	238	0.01
Total loans	$ 5,260,994	100.00 %	$ 5,429,325	100.00 %

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 June 30, 2024 and December 31, 2023 are based on the CECL methodology:

(Dollars in thousands)	June 30, 2024	% of Totals Loans	December 31, 2023	% of Total Loans
Primary residential mortgage	$ 584,645	11.12 %	$ 585,126	10.78 %
Junior lien loan on residence	40,444	0.77	40,203	0.74
Multifamily property	1,796,687	34.17	1,836,390	33.85
Owner-occupied commercial real estate	256,035	4.87	255,110	4.70
Investment commercial real estate	1,012,489	19.25	1,061,197	19.56
Commercial and industrial	1,244,905	23.67	1,314,781	24.23
Lease financing	228,894	4.35	251,423	4.63
Construction	22,643	0.43	17,987	0.33
Consumer and other	71,789	1.37	63,906	1.18
Total loans	5,258,531	100.00 %	5,426,123	100.00 %
Net deferred costs	2,463		3,202	
Total loans including net deferred costs	$ 5,260,994		$ 5,429,325	

The following tables present the recorded investment in nonaccrual and loans past due 90 days or over still on accrual by class of loans as of June 30, 2024 and December 31, 2023:

	June 30, 2024		
(In thousands)	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due 90 Days or Over And Still Accruing Interest
Primary residential mortgage	$ 1,521	$ 2,112	$ —
Junior lien loan on residence	98	98	—
Multifamily property	20,225	33,558	—
Investment commercial real estate	—	11,748	—
Commercial and industrial	6,036	30,684	—
Lease financing	3,003	3,871	—
Consumer and other	4	4	—
Total	$ 30,887	$ 82,075	$ —

	December 31, 2023		
(In thousands)	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due 90 Days or Over And Still Accruing Interest
Primary residential mortgage	$ 1,263	$ 1,263	$ —
Junior lien loan on residence	100	100	—
Multifamily property	16,645	16,645	—
Investment commercial real estate	9,881	9,881	—
Commercial and industrial	3,965	31,430	—
Lease financing	946	2,002	—
Consumer and other	3	3	—
Total	$ 32,803	$ 61,324	$ —

The following tables present the aging of the recorded investment in past due loans as of June 30, 2024 and December 31, 2023 by class of loans, excluding nonaccrual loans:

	June 30, 2024			
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Primary residential mortgage	$ 1,774	$ 97	$ —	$ 1,871
Junior lien loan on residence	417	—	—	417
Multifamily property	13,571	—	—	13,571
Investment commercial real estate	—	17,326	—	17,326
Commercial and industrial	943	435	—	1,378
Lease financing	—	151	—	151
Total	$ 16,705	$ 18,009	$ —	$ 34,714

	December 31, 2023			
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Primary residential mortgage	$ 2,448	$ 1,061	$ —	$ 3,509
Junior lien on residence	84	—	—	84
Multifamily property	11,814	—	—	11,814
Commercial and industrial	7,297	11,498	—	18,795
Consumer and other	387	—	—	387
Total	$ 22,030	$ 12,559	$ —	$ 34,589

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 Federal Reserve Board 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 cash flow 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 June 30, 2024 and December 31, 2023 based on originations for the periods indicated; the years represent the year of origination for non-revolving loans:

(In thousands)	2024	2023	2022	2021	2020	2019 and Prior	Revolving	Revolving-Term	Total
	Grade as of June 30, 2024 for Loans Originated During								
Primary residential mortgage:									
Pass	$ 25,736	$ 92,920	$ 112,096	$ 77,156	$ 54,479	$ 213,434	$ —	$ 5,698	$ 581,519
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	591	—	—	458	2,077	—	—	3,126
Doubtful	—	—	—	—	—	—	—	—	—
Total primary residential mortgages	25,736	93,511	112,096	77,156	54,937	215,511	—	5,698	584,645
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Junior lien loan on residence:									
Pass	—	838	1,224	114	—	1,153	29,885	7,132	40,346
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	97	1	98
Doubtful	—	—	—	—	—	—	—	—	—
Total junior lien loan on residence	—	838	1,224	114	—	1,153	29,982	7,133	40,444
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Multifamily property:									
Pass	6,223	51,871	457,492	601,510	118,653	462,454	8,802	—	1,707,005
Special mention	—	—	3,423	28,507	—	13,296	—	—	45,226
Substandard	—	—	13,366	—	—	31,090	—	—	44,456
Doubtful	—	—	—	—	—	—	—	—	—
Total multifamily property	6,223	51,871	474,281	630,017	118,653	506,840	8,802	—	1,796,687
Current period gross charge-offs	—	—	—	2,088	—	3,291	—	—	5,379
Owner-occupied commercial real estate:									
Pass	5,777	4,267	23,218	44,214	19,217	126,927	19,355	10,543	253,518
Special mention	—	—	—	1,173	—	1,344	—	—	2,517
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total owner-occupied commercial real estate	5,777	4,267	23,218	45,387	19,217	128,271	19,355	10,543	256,035
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Investment commercial real estate:									
Pass	22,551	124,748	171,432	139,203	56,965	390,223	21,904	17,035	944,061
Special mention	—	—	—	—	—	42,681	—	14,000	56,681
Substandard	—	—	9,818	—	—	1,929	—	—	11,747
Doubtful	—	—	—	—	—	—	—	—	—
Total investment commercial real estate	22,551	124,748	181,250	139,203	56,965	434,833	21,904	31,035	1,012,489
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Commercial and industrial:									
Pass	93,904	157,772	179,978	150,176	18,288	26,898	501,899	14,614	1,143,529
Special mention	—	—	11,083	12,006	—	1,705	11,405	168	36,367
Substandard	12,250	2,035	20,260	1,729	2,059	3,294	20,673	2,709	65,009
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial and industrial	106,154	159,807	211,321	163,911	20,347	31,897	533,977	17,491	1,244,905
Current period gross charge-offs	—	—	—	—	241	—	—	—	241

(In thousands)	2024	2023	2022	2021	2020	2019 and Prior	Revolving	Revolving-Term	Total
	Grade as of June 30, 2024 for Loans Originated During								
Lease financing:									
Pass	10,288	47,300	47,614	56,211	29,774	33,836	—	—	225,023
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	868	—	—	—	3,003	—	—	3,871
Doubtful	—	—	—	—	—	—	—	—	—
Total lease financing	10,288	48,168	47,614	56,211	29,774	36,839	—	—	228,894
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Construction:									
Pass	—	—	—	—	—	—	22,643	—	22,643
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial construction loans	—	—	—	—	—	—	22,643	—	22,643
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Consumer and other loans:									
Pass	22,717	3,062	—	259	140	3,678	35,442	6,487	71,785
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	4	—	4
Doubtful	—	—	—	—	—	—	—	—	—
Total consumer and other loans	22,717	3,062	—	259	140	3,678	35,446	6,487	71,789
Current period gross charge-offs	—	—	—	—	—	2	—	15	17
Total:									
Pass	187,196	482,778	993,054	1,068,843	297,516	1,258,603	639,930	61,509	4,989,429
Special mention	—	—	14,506	41,686	—	59,026	11,405	14,168	140,791
Substandard	12,250	3,494	43,444	1,729	2,517	41,393	20,774	2,710	128,311
Doubtful	—	—	—	—	—	—	—	—	—
Total Loans	$ 199,446	$ 486,272	$ 1,051,004	$ 1,112,258	$ 300,033	$ 1,359,022	$ 672,109	$ 78,387	$ 5,258,531
Total Current Period Gross Charge-offs	$ —	$ —	$ —	$ 2,088	$ 241	$ 3,293	$ —	$ 15	$ 5,637

(In thousands)	2023	2022	2021	2020	2019	2018 and Prior	Revolving	Revolving - Term	Total
	Grade as of December 31, 2023 for Loans Originated During								
Primary residential mortgage:									
Pass	$ 94,688	$ 114,532	$ 80,175	$ 56,191	$ 35,418	$ 196,251	$ —	$ 5,535	$ 582,790
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	473	935	928	—	—	2,336
Doubtful	—	—	—	—	—	—	—	—	—
Total primary residential mortgages	94,688	114,532	80,175	56,664	36,353	197,179	—	5,535	585,126
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Junior lien loan on residence:									
Pass	872	1,394	135	—	530	808	29,620	6,680	40,039
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	163	1	164
Doubtful	—	—	—	—	—	—	—	—	—
Total junior lien loan on residence	872	1,394	135	—	530	808	29,783	6,681	40,203
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Multifamily property:									
Pass	52,072	476,972	645,093	119,934	209,299	295,226	8,451	—	1,807,047
Special mention	—	—	—	—	—	1,650	—	—	1,650
Substandard	—	1,572	7,491	—	10,370	8,260	—	—	27,693
Doubtful	—	—	—	—	—	—	—	—	—
Total multifamily property	52,072	478,544	652,584	119,934	219,669	305,136	8,451	—	1,836,390
Current period gross charge-offs	—	—	2,223	—	—	—	—	—	2,223
Owner-occupied commercial real estate:									
Pass	4,333	23,590	39,563	19,457	11,788	126,430	17,559	10,731	253,451
Special mention	—	—	1,197	—	—	—	462	—	1,659
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total owner-occupied commercial real estate	4,333	23,590	40,760	19,457	11,788	126,430	18,021	10,731	255,110
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Investment commercial real estate:									
Pass	125,568	173,660	150,026	57,811	144,447	314,411	30,124	13,379	1,009,426
Special mention	—	—	—	—	21,936	3,834	—	14,172	39,942
Substandard	—	9,881	—	—	1,948	—	—	—	11,829
Doubtful	—	—	—	—	—	—	—	—	—
Total investment commercial real estate	125,568	183,541	150,026	57,811	168,331	318,245	30,124	27,551	1,061,197
Current period gross charge-offs	—	1,199	—	—	—	—	—	—	1,199
Commercial and industrial:									
Pass	226,699	216,864	191,389	39,003	26,570	16,845	516,844	23,687	1,257,901
Special mention	—	—	758	—	1,161	190	14,232	194	16,535
Substandard	1,212	22,297	1,467	1,865	953	2,524	7,571	2,456	40,345
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial and industrial	227,911	239,161	193,614	40,868	28,684	19,559	538,647	26,337	1,314,781
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Lease financing:									
Pass	50,706	42,447	61,547	39,710	24,113	19,287	—	—	237,810
Special mention	—	9,631	511	—	1,375	94	—	—	11,611
Substandard	1,056	—	—	—	946	—	—	—	2,002
Doubtful	—	—	—	—	—	—	—	—	—

Total lease financing	51,762	52,078	62,058	39,710	26,434	19,381	—	—	251,423
Current period gross charge-offs	—	4,800	—	—	—	794	—	—	5,594
Construction:									
Pass	—	—	—	—	—	—	17,987	—	17,987
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial construction loans	—	—	—	—	—	—	17,987	—	17,987
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Consumer and other loans:									
Pass	3,934	—	301	158	—	4,141	51,788	3,581	63,903
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	3	—	3
Doubtful	—	—	—	—	—	—	—	—	—
Total consumer and other loans	3,934	—	301	158	—	4,141	51,791	3,581	63,906
Current period gross charge-offs	—	—	—	—	—	—	139	—	139
Total:									
Pass	558,872	1,049,459	1,168,229	332,264	452,165	973,399	672,373	63,593	5,270,354
Special mention	—	9,631	2,466	—	24,472	5,768	14,694	14,366	71,397
Substandard	2,268	33,750	8,958	2,338	15,152	11,712	7,737	2,457	84,372
Doubtful	—	—	—	—	—	—	—	—	—
Total Loans	$ 561,140	$ 1,092,840	$ 1,179,653	$ 334,602	$ 491,789	$ 990,879	$ 694,804	$ 80,416	$ 5,426,123
Total Current Period Gross Charge-offs	$ —	$ 5,999	$ 2,223	$ —	$ —	$ 794	$ 139	$ —	$ 9,155

At June 30, 2024, $81.7 million of substandard loans were individually evaluated, compared to $60.6 million at December 31, 2023. The increase in individually evaluated substandard loans was primarily due to six multifamily loans with a balance of $32.0 million that were graded as substandard during the six months of 2024, offset by the sale of two multifamily individually evaluated loans totaling $15.1 million.

Loan Modifications:

On January 1, 2023, the Company adopted Accounting Standards Update 2022-02, which replaced the accounting and recognition of TDRs. The Company will provide modifications, which may include other than insignificant delays in payment of amounts due, extension of the terms of the notes or reduction in the interest rates on the notes. In certain instances, the Company may grant more than one type of modification. All accruing modified loans were paying in accordance with their modified terms as of June 30, 2024. The Company has not committed to lend additional amounts as of June 30, 2024 to customers with outstanding loans that are classified as modified loans.

The following table provides information related to the modifications during the three months ended June 30, 2024 by pool segment and type of concession granted:

	Significant Payment Delay Three Months Ended June 30, 2024	
(Dollars in thousands)	**Amortized Cost Basis at Period End**	**% of Total Class of Financing Receivable**
Primary residential mortgage	$ 119	0.02 %
Commercial and industrial	14,539	1.17 %
Total	$ 14,658	1.19 %

The following tables provide information related to the modifications during the six months ended June 30, 2024 by pool segment and type of concession granted:

(Dollars in thousands)	Interest Rate Reduction and Term Extension Six Months Ended June 30, 2024 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable
Commercial and industrial	$ 12,250	0.98 %
Total	$ 12,250	0.98 %

(Dollars in thousands)	Significant Payment Delay Six Months Ended June 30, 2024 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable
Primary residential mortgage	$ 119	0.02 %
Commercial and industrial	14,539	1.17 %
Total	$ 14,658	1.19 %

The following table provides information related to the modifications during the three months ended June 30, 2023 by pool segment and type of concession granted:

(Dollars in thousands)	Interest Rate Reduction Three Months Ended June 30, 2023 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable
Commercial and industrial	$ 777	0.06 %
Total	$ 777	0.06 %

The following tables provide information related to the modifications during the six months ended June 30, 2023 by pool segment and type of concession granted:

(Dollars in thousands)	Significant Pay Delay Six Months Ended June 30, 2023 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable
Commercial and industrial	$ 248	0.02 %
Total	$ 248	0.02 %

(Dollars in thousands)	Interest Rate Reduction Six Months Ended June 30, 2023 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable
Commercial and industrial	$ 777	0.06 %
Total	$ 777	0.06 %

The following table depicts the payment status of the loans that were modified to a borrower experiencing financial difficulties on or after January 1, 2023, the date we adopted ASU 2022-02, through June 30, 2024:

	Payment Status at June 30, 2024		
(Dollars in thousands)	Current	30-89 Days Past Due	90+ Days Past Due
Primary residential mortgage	$ 119	$ —	$ —
Commercial and industrial	26,788	2,863	248
Total	$ 26,907	$ 2,863	$ 248

The following table presents loans by class modified that failed to comply with the modified terms in the twelve months following modification and resulted in a payment default at June 30, 2024:

	Amortized Cost Basis of Modified Loans That Subsequently Defaulted Six Months Ended June 30, 2024	
(Dollars in thousands)	**Significant Pay Delay**	**Interest Rate Reduction**
Commercial and industrial	$ —	$ 2,863
Total	$ —	$ 2,863

The following table presents loans by class modified that failed to comply with the modified terms in the twelve months following modification and resulted in a payment default at June 30, 2023:

	Amortized Cost Basis of Modified Loans That Subsequently Defaulted Six Months Ended June 30, 2023	
(Dollars in thousands)	**Significant Pay Delay**	**Interest Rate Reduction**
Commercial and industrial	$ 248	$ —
Total	$ 248	$ —

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 $30.5 million at June 30, 2024 and $27.8 million at December 31, 2023.

The following tables present the loan balances by segment, and the corresponding balances in the allowance as of June 30, 2024 and December 31, 2023. The allowance was based on the CECL methodology.

	June 30, 2024					
(In thousands)	**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	$ 1,843	$ 47	$ 582,802	$ 4,144	$ 584,645	$ 4,191
Junior lien loan on residence	98	—	40,346	187	40,444	187
Multifamily property	33,559	2,285	1,763,128	10,316	1,796,687	12,601
Owner-occupied commercial real estate	—	—	256,035	4,712	256,035	4,712
Investment commercial real estate	11,747	528	1,000,742	13,924	1,012,489	14,452
Commercial and industrial	30,684	4,747	1,214,221	23,821	1,244,905	28,568
Lease financing	3,871	264	225,023	1,426	228,894	1,690
Construction	—	—	22,643	655	22,643	655
Consumer and other loans	—	—	71,789	928	71,789	928
Total ACL	$ 81,802	$ 7,871	$ 5,176,729	$ 60,113	$ 5,258,531	$ 67,984

(In thousands)	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
	December 31, 2023					
Primary residential mortgage	$ 652	$ —	$ 584,474	$ 3,931	$ 585,126	$ 3,931
Junior lien loan on residence	100	—	40,103	177	40,203	177
Multifamily property	16,645	—	1,819,745	8,782	1,836,390	8,782
Owner-occupied commercial real estate	—	—	255,110	4,840	255,110	4,840
Investment commercial real estate	9,881	—	1,051,316	15,403	1,061,197	15,403
Commercial and industrial	31,430	4,518	1,283,351	25,189	1,314,781	29,707
Lease financing	2,002	20	249,421	1,643	251,423	1,663
Construction	—	—	17,987	516	17,987	516
Consumer and other loans	—	—	63,906	869	63,906	869
Total ACL	$ 60,710	$ 4,538	$ 5,365,413	$ 61,350	$ 5,426,123	$ 65,888

Individually evaluated loans include nonaccrual loans of $81.7 million at June 30, 2024 and $60.6 million at December 31, 2023. Individually evaluated loans did not include any performing modified loans at June 30, 2024. An allowance of $149,000 was allocated to modified loans at June 30, 2024.

The allowance for credit losses was $68.0 million as of June 30, 2024, compared to $65.9 million at December 31, 2023. The increase in the allowance for credit losses ("ACL") was primarily related to an increase in the ACL related to multifamily loans, which was driven by the increase in individually evaluated loans of $16.6 million to $33.6 million and certain qualitative adjustments made during the first six months of 2024. The allowance for credit losses as a percentage of loans was 1.29 percent at June 30, 2024, compared to 1.21 percent at December 31, 2023.

Under Topic 326, the Company's methodology for determining the ACL on loans is based upon key assumptions, including historic net charge-offs, 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 June 30, 2024 and December 31, 2023:

(In thousands)	Unpaid Principal Balance	Recorded Investment (A)	Related Allowance	Average Individually Evaluated Loans
	June 30, 2024			
With no related allowance recorded:				
Primary residential mortgage (A)	$ 1,337	$ 1,252	$ —	$ 919
Junior lien loan on residence (A)	100	98	—	106
Multifamily property (B)	20,225	20,225	—	19,455
Commercial and industrial (A)(C)(D)	7,816	5,184	—	4,817
Lease financing (E)	3,103	3,003	—	1,165
Total loans with no related allowance	$ 32,581	$ 29,762	$ —	$ 26,462
With related allowance recorded:				
Primary residential mortgage (A)	$ 591	$ 591	$ 47	$ 493
Multifamily property (B)	13,334	13,334	2,285	5,273
Investment commercial real estate (D)	14,430	11,747	528	10,164
Commercial and industrial (C)(D)(E)	27,414	25,500	4,747	26,162
Lease financing (E)	904	868	264	933
Total loans with related allowance	$ 56,673	$ 52,040	$ 7,871	$ 43,025
Total loans individually evaluated	$ 89,254	$ 81,802	$ 7,871	$ 69,487

(A) Secured by residential real estate.
(B) Secured by multifamily residential properties.
(C) Secured by commercial real estate.
(D) Secured by all business assets.

(E) Secured by machinery and equipment.

(In thousands)	December 31, 2023 Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Individually Evaluated Loans
With no related allowance recorded:				
Primary residential mortgage (A)	$ 712	$ 652	$ —	$ 428
Junior lien loan on residence (A)	100	100	—	8
Multifamily property (B)	18,868	16,645	—	5,964
Investment commercial real estate (C)	12,500	9,881	—	5,781
Commercial and industrial (A)(C)(D)	6,275	3,965	—	2,146
Lease financing (E)	1,035	946	—	2,067
Total loans with no related allowance	$ 39,490	$ 32,189	$ —	$ 16,394
With related allowance recorded:				
Commercial and industrial (C)(D)(E)	$ 28,359	$ 27,465	$ 4,518	$ 9,814
Lease financing (E)	1,079	1,056	20	1,611
Total loans with related allowance	$ 29,438	$ 28,521	$ 4,538	$ 11,425
Total loans individually evaluated for impairment	$ 68,928	$ 60,710	$ 4,538	$ 27,819

(A) Secured by residential real estate.
(B) Secured by multifamily residential properties.
(C) Secured by commercial real estate.
(D) Secured by all business assets.
(E) Secured by machinery and equipment.

Interest income recognized on individually evaluated loans for the three and six months ended June 30, 2024 and 2023 was not material. The Company did not recognize any income on non-accruing loans for the three and six months ended June 30, 2024 and 2023.

The activity in the allowance for credit losses for the three months ended June 30, 2024 and June 30, 2023 is summarized below:

(In thousands)	April 1, 2024 Beginning ACL	Charge-offs	Recoveries	Provision (Credit) (A)	June 30, 2024 Ending ACL
Primary residential mortgage	$ 4,101	$ —	$ —	$ 90	$ 4,191
Junior lien loan on residence	178	—	—	9	187
Multifamily property	10,242	(5,379)	—	7,738	12,601
Owner-occupied commercial real estate	4,906	—	—	(194)	4,712
Investment commercial real estate	15,126	—	—	(674)	14,452
Commercial and industrial	28,755	—	5	(192)	28,568
Lease financing	1,431	—	3,210	(2,951)	1,690
Construction	597	—	—	58	655
Consumer and other loans	915	(4)	—	17	928
Total ACL	$ 66,251	$ (5,383)	$ 3,215	$ 3,901	$ 67,984

(A) Provision to roll forward the ACL excludes a provision of $10,000 for off-balance sheet commitments.

(In thousands)	April 1, 2023 Beginning ACL	Charge-offs	Recoveries	Provision (Credit) (A)	June 30, 2023 Ending ACL
Primary residential mortgage	$ 2,959	$ —	$ —	$ 189	$ 3,148
Junior lien loan on residence	146	—	—	5	151
Multifamily property	9,823	—	—	714	10,537
Owner-occupied commercial real estate	4,952	—	—	(244)	4,708
Investment commercial real estate	14,538	(1,199)	—	209	13,548
Commercial and industrial	26,869	—	—	564	27,433
Lease financing	1,989	—	—	74	2,063
Construction	313	—	—	108	421
Consumer and other loans	661	(15)	2	47	695
Total ACL	$ 62,250	$ (1,214)	$ 2	$ 1,666	$ 62,704

(A) Provision to roll forward the ACL excludes a provision of $30,000 for off-balance sheet commitments.

(In thousands)	January 1, 2024 Beginning ACL	Charge-offs	Recoveries	Provision (Credit) (A)	June 30, 2024 Ending ACL
Primary residential mortgage	$ 3,931	$ —	$ —	$ 260	$ 4,191
Junior lien loan on residence	177	—	—	10	187
Multifamily property	8,782	(5,379)	—	9,198	12,601
Owner-occupied commercial real estate	4,840	—	—	(128)	4,712
Investment commercial real estate	15,403	—	—	(951)	14,452
Commercial and industrial	29,707	(241)	5	(903)	28,568
Lease financing	1,663	—	3,210	(3,183)	1,690
Construction	516	—	—	139	655
Consumer and other loans	869	(17)	2	74	928
Total ACL	$ 65,888	$ (5,637)	$ 3,217	$ 4,516	$ 67,984

(A) Provision to roll forward the ACL excludes a provision of $22,000 for off-balance sheet commitments.

(In thousands)	January 1, 2023 Beginning ACL	Charge-offs	Recoveries	Provision (Credit) (A)	June 30, 2023 Ending ACL
Primary residential mortgage	$ 2,894	$ —	$ —	$ 254	$ 3,148
Junior lien loan on residence	154	—	—	(3)	151
Multifamily property	8,849	—	—	1,688	10,537
Owner-occupied commercial real estate	4,835	—	—	(127)	4,708
Investment commercial real estate	15,480	(1,199)	—	(733)	13,548
Commercial and industrial	25,530	—	—	1,903	27,433
Lease financing	2,314	—	—	(251)	2,063
Construction	236	—	—	185	421
Consumer and other loans	537	(61)	5	214	695
Total ACL	$ 60,829	$ (1,260)	$ 5	$ 3,130	$ 62,704

(A) Provision to roll forward the ACL excludes a provision of $79,000 for off-balance sheet commitments.

Allowance for Credit Losses on Off-Balance Sheet Commitments

The following tables present the activity in the ACL for off-balance sheet commitments for the six months ended June 30, 2024 and 2023:

(In thousands)	January 1, 2024 Beginning ACL	Provision (Credit)	June 30, 2024 Ending ACL
Off balance sheet commitments	$ 687	$ 22	$ 709
Total ACL	$ 687	$ 22	$ 709

(In thousands)	January 1, 2023 Beginning ACL	Provision (Credit)	June 30, 2023 Ending ACL
Off balance sheet commitments	$ 752	$ 79	$ 831
Total ACL	$ 752	$ 79	$ 831

5. DEPOSITS

Certificates of deposit that met or exceeded $250,000 totaled $133.9 million and $105.9 million at June 30, 2024 and December 31, 2023, respectively. These totals exclude brokered certificates of deposit, which totaled $26.0 million and $120.5 million at June 30, 2024 and December 31, 2023, respectively.

The following table sets forth the details of total deposits as of June 30, 2024 and December 31, 2023:

(Dollars in thousands)	June 30, 2024		December 31, 2023	
Noninterest-bearing demand deposits	$ 950,368	16.80 %	$ 957,687	18.16 %
Interest-bearing checking (A)	3,229,814	57.10	2,882,193	54.65
Savings	105,602	1.87	111,573	2.12
Money market	824,158	14.57	740,559	14.04
Certificates of deposit - retail	502,810	8.89	443,791	8.41
Certificates of deposit - listing service	7,454	0.13	7,804	0.15
Subtotal deposits	5,620,206	99.36	5,143,607	97.53
Interest-bearing demand - Brokered	10,000	0.18	10,000	0.19
Certificates of deposit - Brokered	26,000	0.46	120,507	2.28
Total deposits	$ 5,656,206	100.00 %	$ 5,274,114	100.00 %

(A)Interest-bearing checking includes $1.3 billion at June 30, 2024 and $990.7 million at December 31, 2023 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 June 30, 2024, are as follows:

(In thousands)	
2024	$ 353,869
2025	174,891
2026	5,338
2027	920
2028	1,049
2029 and later	197
Total	$ 536,264

6. FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

At June 30, 2024, the Company had no overnight borrowings with the FHLB compared to $403.8 million of overnight borrowings at the FHLB at a rate of 5.62 percent at December 31, 2023. At June 30, 2024, the Company also had available unused short-term overnight borrowing capacity through the FHLB of $1.7 billion, $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, commercial construction, 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, 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 and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30, 2024		
(In thousands)	**Banking**	**Peapack Private**	**Total**
Net interest income	$ 34,462	$ 580	$ 35,042
Noninterest income	4,925	16,630	21,555
Total income	39,387	17,210	56,597
Provision for credit losses	3,911	—	3,911
Compensation and benefits	21,874	8,010	29,884
Premises and equipment expense	5,042	734	5,776
FDIC expense	870	—	870
Other operating expense	4,630	1,966	6,596
Total operating expense	36,327	10,710	47,037
Income before income tax expense	3,060	6,500	9,560
Income tax expense	547	1,483	2,030
Net income	$ 2,513	$ 5,017	$ 7,530

	Three Months Ended June 30, 2023		
(In thousands)	**Banking**	**Peapack Private**	**Total**
Net interest income	$ 38,103	$ 818	$ 38,921
Noninterest income	4,072	14,503	18,575
Total income	42,175	15,321	57,496
Provision for credit losses	1,696	—	1,696
Compensation and employee benefits	17,949	8,405	26,354
Premises and equipment expense	4,023	706	4,729
FDIC insurance expense	729	—	729
Other operating expense	3,855	2,025	5,880
Total operating expense	28,252	11,136	39,388
Income before income tax expense	13,923	4,185	18,108
Income tax expense	3,816	1,147	4,963
Net income	$ 10,107	$ 3,038	$ 13,145

(In thousands)	Six Months Ended June 30, 2024 Banking	Peapack Private	Total
Net interest income	$ 68,222	$ 1,195	$ 69,417
Noninterest income	9,012	31,244	40,256
Total income	77,234	32,439	109,673
Provision for credit losses	4,538	—	4,538
Compensation and employee benefits	43,597	14,763	58,360
Premises and equipment expense	9,420	1,437	10,857
FDIC insurance expense	1,815	—	1,815
Other operating expense	8,218	3,917	12,135
Total operating expense	67,588	20,117	87,705
Income before income tax expense	9,646	12,322	21,968
Income tax expense	2,554	3,253	5,807
Net income	$ 7,092	$ 9,069	$ 16,161
Total assets at period end	$ 6,382,263	$ 123,087	$ 6,505,350

(In thousands)	Six Months Ended June 30, 2023 Banking	Peapack Private	Total
Net interest income	$ 80,193	$ 2,706	$ 82,899
Noninterest income	7,907	28,727	36,634
Total income	88,100	31,433	119,533
Provision for credit losses	3,209	—	3,209
Compensation and employee benefits	36,118	14,822	50,940
Premises and equipment expense	7,636	1,467	9,103
FDIC insurance expense	1,440	—	1,440
Other operating expense	7,129	4,654	11,783
Total operating expense	55,532	20,943	76,475
Income before income tax expense	32,568	10,490	43,058
Income tax expense	8,746	2,812	11,558
Net income	$ 23,822	$ 7,678	$ 31,500
Total assets at period end	$ 6,363,409	$ 116,291	$ 6,479,700

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 June 30, 2024.

The following tables summarize, at the dates indicated, assets measured at fair value on a recurring basis, including financial assets for which the Company has elected the fair value option:

Assets Measured on a Recurring Basis

		Fair Value Measurements Using		
(In thousands)	**June 30, 2024**	**Quoted Prices in Active Markets For Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Available for sale:				
U.S. government-sponsored agencies	$ 195,002	$ —	$ 195,002	$ —
Mortgage-backed securities-residential	363,032	—	363,032	—
SBA pool securities	21,683	—	21,683	—
Corporate bond	12,167	—	12,167	—
CRA investment fund	12,971	12,971	—	—
Derivatives:				
Cash flow hedges	9,461	—	9,461	—
Loan level swaps	27,633	—	27,633	—
Total	$ 641,949	$ 12,971	$ 628,978	$ —
Liabilities:				
Derivatives:				
Loan level swaps	27,633	—	27,633	—
Total	$ 27,633	$ —	$ 27,633	$ —

Assets Measured on a Recurring Basis

		Fair Value Measurements Using		
(In thousands)	**December 31, 2023**	**Quoted Prices in Active Markets For Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Securities available for sale:				
U.S. government-sponsored agencies	$ 197,691	$ —	$ 197,691	$ —
Mortgage-backed securities-residential	320,796	—	320,796	—
SBA pool securities	23,404	—	23,404	—
Corporate bond	8,726	—	8,726	—
CRA investment fund	13,166	13,166	—	—
Derivatives:				
Cash flow hedges	6,814	—	6,814	—
Loan level swaps	23,826	—	23,826	—
Total	$ 594,423	$ 13,166	$ 581,257	$ —
Liabilities:				
Derivatives:				
Loan level swaps	$ 23,826	$ —	$ 23,826	$ —
Total	$ 23,826	$ —	$ 23,826	$ —

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 or on nonaccrual as of June 30, 2024 and December 31, 2023.

The following table presents residential loans held for sale, at fair value, at the dates indicated:

(In thousands)	June 30, 2024	December 31, 2023
Residential loans contractual balance	$ 225	$ 98
Fair value adjustment	3	2
Total fair value of residential loans held for sale	$ 228	$ 100

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

		Fair Value Measurements Using		
(In thousands)	June 30, 2024	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Individually evaluated loans:				
Primary residential mortgage	$ 544	$ —	$ —	$ 544
Multifamily property	11,049	—	—	11,049
Investment commercial real estate	11,219	—	—	11,219
Commercial and industrial	20,753	—	—	20,753
Lease financing	604	—	—	604

		Fair Value Measurements Using		
(In thousands)	December 31, 2023	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Individually evaluated loans:				
Commercial and industrial	$ 22,947	$ —	$ —	$ 22,947
Lease financing	1,036	—	—	1,036

The carrying amounts and estimated fair values of financial instruments at June 30, 2024 are as follows:

		Fair Value Measurements at June 30, 2024 using			
(In thousands)	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 315,729	$ 315,729	$ —	$ —	$ 315,729
Securities available for sale	591,884	—	591,884	—	591,884
Securities held to maturity	105,013	—	90,863	—	90,863
CRA investment fund	12,971	12,971	—	—	12,971
FHLB and FRB stock	12,478	—	—	—	N/A
Loans held for sale, at fair value	228	—	228	—	228
Loans held for sale, at lower of cost or fair value	8,076	—	8,321	—	8,321
Loans, net of allowance for credit losses	5,193,010	—	—	4,965,858	4,965,858
Accrued interest receivable	33,534	—	3,086	30,448	33,534
Accrued interest receivable loan level swaps (A)	1,207	—	1,207	—	1,207
Cash flow hedges	9,461	—	9,461	—	9,461
Loan level swaps	27,633	—	27,633	—	27,633
Financial liabilities					
Deposits	$ 5,656,206	$ 5,119,942	$ 533,134	$ —	$ 5,653,076
Subordinated debt	133,417	—	—	115,757	115,757
Accrued interest payable	8,915	6,205	2,529	181	8,915
Accrued interest payable loan level swaps (B)	1,207	—	1,207	—	1,207
Loan level swap	27,633	—	27,633	—	27,633

(A)Included in other assets in the Consolidated Statement of Condition.
(B)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, 2023 are as follows:

(In thousands)	Carrying Amount	Fair Value Measurements at December 31, 2023 using Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 187,671	$ 187,671	$ —	$ —	$ 187,671
Securities available for sale	550,617	—	550,617	—	550,617
Securities held to maturity	107,755	—	94,415	—	94,415
CRA investment fund	13,166	13,166	—	—	13,166
FHLB and FRB stock	31,044	—	—	—	N/A
Loans held for sale, at fair value	100	—	100	—	100
Loans held for sale, at lower of cost or fair value	6,695	—	7,201	—	7,201
Loans, net of allowance for loan and lease losses	5,363,437	—	—	5,294,942	5,294,942
Accrued interest receivable	30,676	—	2,868	27,808	30,676
Accrued interest receivable loan level swaps (A)	1,373	—	1,373	—	1,373
Cash flow hedges	6,814	—	6,814	—	6,814
Loan level swaps	23,826	—	23,826	—	23,826
Financial liabilities					
Deposits	$ 5,274,114	$ 4,702,012	$ 567,696	$ —	$ 5,269,708
Short-term borrowings	403,814	—	403,814	—	403,814
Subordinated debt	133,274	—	—	111,924	111,924
Accrued interest payable	7,115	4,989	1,968	158	7,115
Accrued interest payable loan level swaps (B)	1,373	—	1,373	—	1,373
Loan level swaps	23,826	—	23,826	—	23,826

(A)Included in other assets in the Consolidated Statement of Condition.
(B)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 June 30, 2024	2023
Service charges on deposits		
Overdraft fees	$ 112	$ 130
Interchange income	258	309
Other	975	881
Wealth management fees (A)	16,419	14,252
Loss on sale of property	(4)	—
Corporate advisory fee income	103	15
Other (B)	3,692	2,988
Total noninterest other income	$ 21,555	$ 18,575

(In thousands)	For the Six Months Ended June 30, 2024	2023
Service charges on deposits		
Overdraft fees	$ 222	$ 263
Interchange income	505	620
Other	1,940	1,695
Wealth management fees (A)	30,826	28,014
Loss on sale of property	(4)	—
Corporate advisory fee income	921	95
Other (B)	5,846	5,947
Total noninterest other income	$ 40,256	$ 36,634

(A)Includes investment brokerage fees.
(B)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) Revenue by Operating Segment	For the Three Months Ended June 30, 2024 Banking	Wealth Management	Total	For the Three Months Ended June 30, 2023 Banking	Wealth Management	Total
Service charges on deposits						
Overdraft fees	$ 112	$ —	$ 112	$ 130	$ —	$ 130
Interchange income	258	—	258	309	—	309
Other	975	—	975	881	—	881
Wealth management fees (A)	—	16,419	16,419	—	14,252	14,252
Loss on sale of property	(4)	—	(4)	—	—	—
Corporate advisory fee income	103	—	103	15	—	15
Other (B)	3,481	211	3,692	2,737	251	2,988
Total noninterest income	$ 4,925	$ 16,630	$ 21,555	$ 4,072	$ 14,503	$ 18,575

(In thousands) Revenue by Operating Segment	For the Six Months Ended June 30, 2024 Banking	Wealth Management	Total	For the Six Months Ended June 30, 2023 Banking	Wealth Management	Total
Service charges on deposits						
Overdraft fees	$ 222	$ —	$ 222	$ 263	$ —	$ 263
Interchange income	505	—	505	620	—	620
Other	1,940	—	1,940	1,695	—	1,695
Wealth management fees (A)	—	30,826	30,826	—	28,014	28,014
Loss on sale of property	(4)	—	(4)	—	—	—
Corporate advisory fee income	921	—	921	95	—	95
Other (B)	5,428	418	5,846	5,234	713	5,947
Total noninterest income	$ 9,012	$ 31,244	$ 40,256	$ 7,907	$ 28,727	$ 36,634

(A)Includes investment brokerage fees.
(B)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 second quarter of 2024 by $4,000 and $2,000 for the same quarter in 2023. Cardholder rewards reduced interchange income by $6,000 and $4,000 for the six months ended June 30, 2024 and 2023, respectively.

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 15th 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.

Gains/(losses) on sales of property: The Company records a gain or loss from the sale of property 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 property 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 property 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. The Company recorded a loss on sale of property of $4,000 for both the three and six months ended June 30, 2024, respectively.

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 judgment is required in determining when a transaction is considered to be terminated.

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Professional and legal fees	$ 1,693	$ 1,179	$ 3,055	$ 2,524
Trust department expense	936	915	1,874	1,879
Telephone	397	362	792	731
Advertising	625	706	968	1,102
Amortization of intangible assets	272	355	544	709
Branch/office restructure	—	—	—	175
Other operating expenses	2,673	2,363	4,902	4,663
Total other operating expenses	$ 6,596	$ 5,880	$ 12,135	$ 11,783

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 June 30, 2024 and 2023:

(In thousands)	Balance at April 1, 2024	Other Comprehensive Income/(Loss) Before Reclassifications	Amount Reclassified From Accumulated Other Comprehensive Income/(Loss)	Other Comprehensive Income/(Loss) Three Months Ended June 30, 2024	Balance at June 30, 2024
Net unrealized holding gain/(loss) on securities available for sale, net of tax	$ (74,769)	$ (419)	$ —	$ (419)	$ (75,188)
Gain/(loss) on cash flow hedges	7,009	(163)	—	(163)	6,846
Accumulated other comprehensive gain/(loss), net of tax	$ (67,760)	$ (582)	$ —	$ (582)	$ (68,342)

(In thousands)	Balance at April 1, 2023	Other Comprehensive Income/(Loss) Before Reclassifications	Amount Reclassified From Accumulated Other Comprehensive Income/(Loss)	Other Comprehensive Income/(Loss) Three Months Ended June 30, 2023	Balance at June 30, 2023
Net unrealized holding gain/(loss) on securities available for sale, net of tax	$ (72,251)	$ (3,796)	$ —	$ (3,796)	$ (76,047)
Gain/(loss) on cash flow hedges	4,806	3,274	(30)	3,244	8,050
Accumulated other comprehensive gain/(loss), net of tax	$ (67,445)	$ (522)	$ (30)	$ (552)	$ (67,997)

The following represents the reclassifications out of accumulated other comprehensive income/(loss) for the three months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		
(In thousands)	2024	2023	Affected Line Item in Income Statement
Unrealized gains/(losses) on cash flow hedge derivatives:			
Reclassification adjustment for amounts included in net income	$ —	$ (42)	Interest Expense
Tax effect	—	12	Income tax expense
Total reclassifications, net of tax	$ —	$ (30)	

The following is a summary of the accumulated other comprehensive income/(loss) balances, net of tax, for the six months ended June 30, 2024 and 2023:

(In thousands)	Balance at January 1, 2024	Other Comprehensive Income/(Loss) Before Reclassifications	Amount Reclassified From Accumulated Other Comprehensive Income/(Loss)	Other Comprehensive Income/(Loss) Six Months Ended June 30, 2024	Balance at June 30, 2024
Net unrealized holding gain/(loss) on securities available for sale, net of tax	$ (69,809)	$ (5,379)	$ —	$ (5,379)	$ (75,188)
Gain/(loss) on cash flow hedges	4,931	1,915	—	1,915	6,846
Accumulated other comprehensive gain/(loss), net of tax	$ (64,878)	$ (3,464)	$ —	$ (3,464)	$ (68,342)

(In thousands)	Balance at January 1, 2023	Other Comprehensive Income/(Loss) Before Reclassifications	Amount Reclassified From Accumulated Other Comprehensive Income/(Loss)	Other Comprehensive Income/(Loss) Six Months Ended June 30, 2023	Balance at June 30, 2023
Net unrealized holding gain/(loss) on securities available for sale, net of tax	$ (80,972)	$ 4,925	$ —	$ 4,925	$ (76,047)
Gain/(loss) on cash flow hedges	6,761	1,349	(60)	1,289	8,050
Accumulated other comprehensive gain/(loss), net of tax	$ (74,211)	$ 6,274	$ (60)	$ 6,214	$ (67,997)

The following represents the reclassifications out of accumulated other comprehensive income/(loss) for the six months ended June 30, 2024 and 2023:

(In thousands)	Six Months Ended June 30, 2024	2023	Affected Line Item in Income
Unrealized gains/(losses) on cash flow hedge derivatives:			
Reclassification adjustment for amounts included in net income	$ —	$ (84)	Interest Expense
Tax effect	—	24	Income tax expense
Total reclassifications, net of tax	$ —	$ (60)	

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 $310.0 million at both June 30, 2024 and December 31, 2023 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 June 30, 2024, 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.

The following table presents information about the interest rate swaps designated as cash flow hedges as of June 30, 2024 and December 31, 2023:

(Dollars in thousands)	June 30, 2024	December 31, 2023
Notional amount	$ 310,000	$ 310,000
Weighted average pay rate	2.22%	2.22%
Weighted average receive rate	4.14%	4.14%
Weighted average maturity	2.49 years	2.98 years
Unrealized gain/(loss), net	$ 9,461	$ 6,814
Number of contracts	12	12

(In thousands)	June 30, 2024 Notional Amount	Fair Value
Interest rate swaps related to interest-bearing deposits	$ 310,000	$ 9,461
Total included in other assets	$ 310,000	9,461
Total included in other liabilities	—	—

(In thousands)	December 31, 2023 Notional Amount	Fair Value
Interest rate swaps related to interest-bearing deposits	$ 310,000	$ 6,814
Total included in other assets	310,000	6,814
Total included in other liabilities	—	—

Cash Flow Hedges

The following table presents the net gains/(losses) recorded in accumulated other comprehensive income/(loss) and the consolidated financial statements relating to the cash flow derivative instruments for the three month and six months ended June 30, 2024 and 2023:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(In thousands)	2024	2023	2024	2023
Interest rate contracts				
Gain/(loss) recognized in other comprehensive income (effective portion)	$ (225)	$ 4,775	$ 2,647	$ 2,043
Gain/(loss) recognized in other noninterest income	—	(42)	—	(84)

Net interest income recorded on these swap transactions totaled $1.5 million and $3.0 million for the three and six months ended June 30, 2024, respectively. Net interest income recorded on these swap transactions totaled $1.1 million and $2.0 million for the three and six months ended June 30, 2023, respectively. Net income/expense for these swap transactions is reported as a component of interest expense.

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 accrued interest receivable and payable related to these swaps of $1.2 million and $1.4 million at June 30, 2024 and December 31, 2023, respectively, is recorded in other assets and other liabilities.

Information about these swaps is as follows:

(Dollars in thousands)	June 30, 2024	December 31, 2023
Notional amount	$ 498,763	$ 545,983
Fair value	$ (26,426)	$ (22,452)
Weighted average pay rates	3.92 %	3.95 %
Weighted average receive rates	7.04 %	7.09 %
Weighted average maturity	3.67 years	3.93 years
Number of contracts	65	71

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 had a fixed interest 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 (which was 8.13 percent at June 30, 2024). 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 subordinated 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.

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.

14. LEASES

The Company maintains certain property and equipment under direct financing and operating leases. As of June 30, 2024, the Company's operating lease ROU asset and operating lease liability totaled $38.7 million and $41.3 million, respectively. As of December 31, 2023, the Company's operating lease ROU asset and operating lease liability totaled $12.1 million and $12.9 million, respectively. The increase in the Company's operating lease liability and ROU asset was primarily due to the modification of the existing lease on the main office which had an operating lease liability balance of $19.3 million and an ROU asset balance of $18.4 million as of June 30, 2024. Additionally, the Company executed a lease for our New York City location, which resulted in an operating lease liability of $10.8 million and an ROU asset of $9.7 million as of June 30, 2024. A weighted average discount rate of 4.33 percent and 2.72 percent was used in the measurement of the ROU asset and lease liability as of June 30, 2024 and December 31, 2023, respectively.

The Company's leases have remaining lease terms between two months to 13 years, with a weighted average lease term of 9.74 years at June 30, 2024. The Company's leases had remaining lease terms between four months to 13 years, with a weighted average lease term of 6.75 years at December 31, 2023. 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 $1.4 million and $822,000 for the three months ended June 30, 2024 and 2023, respectively. The variable lease costs were $93,000 and $70,000 for the three months ended June 30, 2024 and 2023, respectively.

Total operating lease costs were $2.3 million and $1.6 million for the six months ended June 30, 2024 and 2023, respectively. The variable lease costs were $159,000 and $142,000 for the six months ended June 30, 2024 and 2023, respectively.

The following is a schedule of the Company's operating lease liabilities by contractual maturity as of June 30, 2024:

(In thousands)		
2024		2,463
2025		5,727
2026		5,556
2027		5,222
2028		5,042
Thereafter		27,293
Total lease payments		51,303
Less: imputed interest		9,956
Total present value of lease payments	$	41,347

The following table shows the supplemental cash flow information related to the Company's direct finance and operating leases for the periods indicated:

(In thousands)	For the Six Months Ended June 30, 2024		2023
Right-of-use asset obtained in exchange for lease obligation	$ 28,321		$ 1,926
Operating cash flows from operating leases	1,887		1,471
Operating cash flows from direct finance leases	60		103
Financing cash flows from direct finance leases	273		374

15. ACCOUNTING PRONOUNCEMENTS

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments In Response to the SEC's Disclosure Update and Simplification Initiative* to clarify or improve disclosure and presentation requirements on a variety of topics and align the requirements in the FASB accounting standard codification with the Securities and Exchange Commission regulations. The amendments will be effective for the Company only if the SEC removes the related disclosure requirement from its existing regulations no later than June 30, 2027. If the SEC timely removes such a related requirement from its existing regulations, the corresponding amendments within the ASU will become effective for the Company on the same date with early adoption permitted. The Company does not expect the amendments in this update to have a material impact on our consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting - Improvements to Reportable Segment Disclosures (Topic 280)*, to improve reportable segment disclosure requirements through enhanced disclosures about significant segment and interim periods with fiscal years beginning after December 15, 2024 with early adoption permitted. The Company does not expect this ASU to have a material effect on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Tax - Improvements to Income Tax Disclosures (Topic 740)*, which requires reporting companies to break out their income tax expense and tax rate reconciliation in more detail. For public companies, the requirements will become effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company does not expect this ASU to have a material effect on our consolidated financial statements.

In March 2024, the FASB issued ASU No. 2024-01, *Compensation-Stock Compensation (Topic 718): Scope Applications of Profits Interests and Similar Awards.* ASU 2024-01 adds an example to Topic 718 which illustrates how to apply the scope guidance to determine whether profits interest and similar awards should be accounted for as share-based payment arrangements under Topic 718 or under other U.S. GAAP. ASU 2024-01 is effective for annual periods beginning after December 15, 2024, although early adoption is permitted. Upon adoption of ASU 2024-01, the Company does not expect this ASU to have an impact on our consolidated financial statements.

Item 2

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, 2023, 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 2024 and beyond;
•our ability to successfully integrate wealth management firm and team acquisitions;
•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, including potential recessionary conditions;
•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 or charge-offs;
•inflation and changes in interest rates, which may adversely impact our 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, including our expansion into New York City;
•a reduction in the availability of lower-cost funding sources;
•changes in liquidity, including the size and composition of our deposit portfolio and the percentage of uninsured deposits in the portfolio;
•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;
•demand for loans and deposits in our market areas;
•adverse changes in securities markets;
•changes in New York City rent regulation law;
•changes in governmental regulation, including, but not limited to, any increase in FDIC insurance premiums and changes in the monetary policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System;
•changes in accounting policies and practices; and/or
•other unexpected material adverse changes in our operations or earnings.

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, 2023 contains a summary of the Company's significant accounting policies.

The Company's 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 the methodology for determining the allowance for credit losses or 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 judgment 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 economic 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, size and composition 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 the 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 classified as available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income/(loss), net of tax. Securities classified as held to maturity are carried at amortized cost. The Company's investment in a CRA investment fund is classified as an equity security. In accordance with ASU 2016-01, "Financial Instruments" unrealized holding gains and losses for equity securities 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 June 30, 2024 and 2023.

(Dollars in thousands, except per share data)	For the Three Months Ended June 30, 2024	2023	Change 2024 vs 2023
Results of Operations:			
Interest income	$ 79,238	$ 74,852	$ 4,386
Interest expense	44,196	35,931	8,265
Net interest income	35,042	38,921	(3,879)
Wealth management fee income	16,419	14,252	2,167
Other income	5,136	4,323	813
Total other income	21,555	18,575	2,980
Total revenue	56,597	57,496	(899)
Operating expense	43,126	37,692	5,434
Pretax income before provision for credit losses	13,471	19,804	(6,333)
Provision for credit losses	3,911	1,696	2,215
Pretax income	9,560	18,108	(8,548)
Income tax expense	2,030	4,963	(2,933)
Net income	$ 7,530	$ 13,145	$ (5,615)
Diluted average shares outstanding	17,792,296	18,078,848	(286,552)
Diluted earnings per share	$ 0.42	$ 0.73	$ (0.31)
Return on average assets annualized ("ROAA")	0.47%	0.82%	(0.35)%
Return on average equity annualized ("ROAE")	5.22	9.43	(4.21)

The following table presents certain key aspects of our performance for the six months ended June 30, 2024 and 2023.

(Dollars in thousands, except per share data)	For the Six Months Ended June 30, 2024	2023	Change 2024 vs 2023
Results of Operations:			
Interest income	$ 158,432	$ 145,343	$ 13,089
Interest expense	89,015	62,444	26,571
Net interest income	69,417	82,899	(13,482)
Wealth management fee income	30,826	28,014	2,812
Other income	9,430	8,620	810
Total other income	40,256	36,634	3,622
Total revenue	109,673	119,533	(9,860)
Operating expense	83,167	73,266	9,901
Pretax income before provision for credit losses	26,506	46,267	(19,761)
Provision for loan and lease losses	4,538	3,209	1,329
Pretax income	21,968	43,058	(21,090)
Income tax expense	5,807	11,558	(5,751)
Net income	$ 16,161	$ 31,500	$ (15,339)
Diluted average shares outstanding	17,811,895	18,153,267	(341,372)
Diluted earnings per share	$ 0.91	$ 1.74	$ (0.83)
Return on average assets annualized (ROAA)	0.51%	0.99%	(0.48)%
Return on average equity annualized (ROAE)	5.58	11.44	(5.86)

	June 30, 2024	December 31, 2023	Change 2024 vs 2023
Selected Balance Sheet Ratios:			
Total capital (Tier I + II) to risk-weighted assets	15.50%	14.95%	0.55%
Tier I leverage ratio	9.45	9.19	0.26
Loans to deposits	93.01	102.94	(9.93)
Allowance for credit losses to total loans	1.29	1.21	0.08
Allowance for credit losses to nonperforming loans	82.83	107.44	(24.61)
Nonperforming loans to total loans	1.56	1.13	0.43

For the quarter ended June 30, 2024, the Company recorded total revenue of $56.6 million, pretax income of $9.6 million, net income of $7.5 million and diluted earnings per share of $0.42, compared to revenue of $57.5 million, pretax income of $18.1 million, net income of $13.1 million and diluted earnings per share of $0.73 for the same period last year.

For the six months ended June 30, 2024, the Company recorded total revenue of $109.7 million, pretax income of $22.0 million, net income of $16.2 million and diluted earnings per share of $0.91, compared to revenue of $119.5 million, pretax income of $43.1 million, net income of $31.5 million and diluted earnings per share of $1.74 for the same period last year.

During the second quarter of 2024 the Company hired thirteen commercial private banking teams and opened a retail branch in New York City on Park Avenue. These new teams, along with the teams hired in 2023, have demonstrated progress and positive momentum expanding into New York City. Increasing deposits through the growth of core deposit relationships has enabled us to repay all short-term borrowings, which enhances our liquidity position and improves net interest margin.

The decrease in net income for both the three and six month 2024 periods when compared to the same 2023 periods was principally driven by the Company's decreased net interest income due to net interest margin contraction, as a result of higher deposit and borrowings rates. Clients continue to migrate out of noninterest-bearing checking products and lower-yielding savings accounts and into higher rate products, which has led to intense competition for deposit balances from other banks and alternative investment opportunities. The Company has seen positive momentum in net interest margin as a result of paying down overnight borrowings with core deposit growth at a lower cost. Cycle to date betas are approximately 53 percent during which time the Target Federal Funds rate increased by 525 basis points. Other income and wealth management fee income continue to be a consistent and steady revenue stream for the Company. Operating expenses increased for both 2024 periods when compared to their respected prior periods which was principally attributable to the Company's expansion into New York City and expanding our unique private banking model that offers a single point of contact.

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, 2023 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 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 summarizes the loans that the Company closed during the periods indicated:

(In thousands)	For the Three Months Ended June 30, 2024	June 30, 2023
Residential mortgage loans originated for portfolio	$ 16,087	$ 39,358
Residential mortgage loans originated for sale	2,361	1,072
Total residential mortgage loans	18,448	40,430
Commercial real estate loans	2,600	43,235
Multifamily	4,330	26,662
C&I loans (A) (B)	103,065	158,972
Small business administration	8,200	13,713
Wealth lines of credit (A)	10,950	3,950
Total commercial loans	129,145	246,532
Installment loans	1,664	4,587
Home equity lines of credit (A)	4,787	6,107
Total loans closed	$ 154,044	$ 297,656

(In thousands)	For the Six Months Ended June 30, 2024	June 30, 2023
Residential mortgage loans originated for portfolio	$ 27,748	$ 69,661
Residential mortgage loans originated for sale	6,386	2,549
Total residential mortgage loans	34,134	72,210
Commercial real estate loans	14,100	62,225
Multifamily	6,230	56,812
C&I loans (A) (B)	248,868	366,786
Small business administration	10,990	23,663
Wealth lines of credit (A)	14,800	27,175
Total commercial loans	294,988	536,661
Installment loans	8,532	16,673
Home equity lines of credit (A)	6,890	9,028
Total loans closed	$ 344,544	$ 634,572

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

At June 30, 2024, December 31, 2023 and June 30, 2023, the Bank had a concentration in commercial real estate (“CRE”) loans as defined by applicable regulatory guidance as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Multifamily real estate loans as a percent of total regulatory capital of the Bank	230 %	238 %	248 %
Non-owner occupied commercial real estate loans as a percent of total regulatory capital of the Bank	130	137	137
Total CRE concentration	360 %	375 %	385 %

The Bank believes it satisfactorily 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:

Average Balance Sheet
Unaudited
Three Months Ended

	June 30, 2024			June 30, 2023		
(Dollars in thousands)	**Average Balance**	**Income/ Expense**	**Annualized Yield**	**Average Balance**	**Income/ Expense**	**Annualized Yield**
ASSETS:						
Interest-earning assets:						
Investments:						
Taxable (A)	$ 801,715	$ 5,168	2.58 %	$ 806,447	$ 4,900	2.43 %
Tax-exempt (A) (B)	—	—	—	1,858	20	4.31
Loans (B) (C):						
Residential mortgages	576,944	5,582	3.87	557,575	4,942	3.55
Commercial mortgages	2,420,570	26,881	4.44	2,504,268	26,839	4.29
Commercial	2,191,370	37,067	6.77	2,241,817	35,457	6.33
Commercial construction	21,628	489	9.04	6,977	165	9.46
Installment	67,034	1,143	6.82	51,269	841	6.56
Home equity	36,576	748	8.18	33,650	633	7.52
Other	200	6	12.00	271	7	10.33
Total loans	5,314,322	71,916	5.41	5,395,827	68,884	5.11
Federal funds sold	—	—	—	—	—	—
Interest-earning deposits	207,287	2,418	4.67	141,968	1,451	4.09
Total interest-earning assets	6,323,324	79,502	5.03 %	6,346,100	75,255	4.74 %
Noninterest-earning assets:						
Cash and due from banks	7,537			7,800		
Allowance for credit losses	(67,568)			(63,045)		
Premises and equipment	24,820			23,745		
Other assets	99,838			85,969		
Total noninterest-earning assets	64,627			54,469		
Total assets	$ 6,387,951			$ 6,400,569		
LIABILITIES:						
Interest-bearing deposits:						
Checking	$ 3,094,386	$ 29,252	3.78 %	$ 2,834,140	$ 22,219	3.14 %
Money markets	791,385	6,016	3.04	788,745	3,853	1.95
Savings	105,825	96	0.36	125,555	45	0.14
Certificates of deposit - retail	504,313	5,367	4.26	385,211	2,462	2.56
Subtotal interest-bearing deposits	4,495,909	40,731	3.62	4,133,651	28,579	2.77
Interest-bearing demand - brokered	10,000	134	5.36	10,000	125	5.00
Certificates of deposit - brokered	98,642	1,242	5.04	26,165	196	3.00
Total interest-bearing deposits	4,604,551	42,107	3.66	4,169,816	28,900	2.77
FHLB advances and borrowings	27,247	381	5.59	413,961	5,384	5.20
Finance lease liabilities	2,869	22	3.07	4,187	50	4.78
Subordinated debt	133,377	1,686	5.06	133,090	1,597	4.80
Total interest-bearing liabilities	4,768,044	44,196	3.71 %	4,721,054	35,931	3.04 %
Noninterest-bearing liabilities:						
Demand deposits	945,231			1,033,176		
Accrued expenses and other liabilities	97,470			88,911		
Total noninterest-bearing liabilities	1,042,701			1,122,087		
Shareholders' equity	577,206			557,428		
Total liabilities and shareholders' equity	$ 6,387,951			$ 6,400,569		
Net interest income (tax-equivalent basis)		$ 35,306			$ 39,324	
Net interest spread			1.32 %			1.70 %
Net interest margin (D)			2.25 %			2.49 %
Tax equivalent adjustment		$ (264)			$ (403)	
Net interest income		$ 35,042			$ 38,921	

(A)Average balances for available for sale securities are based on amortized cost.

(B)Interest income is presented on a tax-equivalent basis using a 21 percent federal tax rate.

(C)Loans are stated net of unearned income and include nonaccrual loans.

(D)Net interest income on a tax-equivalent basis as a percentage of total average interest-earning assets.

Average Balance Sheet

Unaudited

Six Months Ended

(Dollars in thousands)	June 30, 2024 Average Balance	June 30, 2024 Income/ Expense	June 30, 2024 Annualized Yield	June 30, 2023 Average Balance	June 30, 2023 Income/ Expense	June 30, 2023 Annualized Yield
ASSETS:						
Interest-earning assets:						
Investments:						
Taxable (A)	$ 797,695	$ 10,304	2.58 %	$ 798,828	$ 9,371	2.35 %
Tax-exempt (A) (B)	—	—	—	1,861	38	4.08
Loans (B) (C):						
Residential mortgages	577,296	11,001	3.81	543,650	9,225	3.39
Commercial mortgages	2,440,487	54,422	4.46	2,491,527	52,756	4.23
Commercial	2,215,762	74,626	6.74	2,221,921	68,827	6.20
Commercial construction	20,278	917	9.04	5,644	253	8.97
Installment	66,161	2,257	6.82	45,638	1,450	6.35
Home equity	36,491	1,485	8.14	33,744	1,223	7.25
Other	207	13	12.56	273	14	10.26
Total loans	5,356,682	144,721	5.40	5,342,397	133,748	5.01
Federal funds sold	—	—	—	—	—	—
Interest-earning deposits	173,692	3,940	4.54	152,538	2,989	3.92
Total interest-earning assets	6,328,069	158,965	5.02 %	6,295,624	146,146	4.64 %
Noninterest-earning assets:						
Cash and due from banks	8,821			9,117		
Allowance for loan and lease losses	(67,336)			(62,310)		
Premises and equipment	24,607			23,835		
Other assets	94,044			86,288		
Total noninterest-earning assets	60,136			56,930		
Total assets	$ 6,388,205			$ 6,352,554		
LIABILITIES:						
Interest-bearing deposits:						
Checking	$ 3,024,541	$ 56,686	3.75 %	$ 2,701,519	$ 38,700	2.87 %
Money markets	774,569	11,540	2.98	955,470	8,726	1.83
Savings	107,164	185	0.35	133,377	74	0.11
Certificates of deposit - retail	491,053	10,222	4.16	371,657	4,191	2.26
Subtotal interest-bearing deposits	4,397,327	78,633	3.58	4,162,023	51,691	2.48
Interest-bearing demand - brokered	10,000	260	5.20	18,011	333	3.70
Certificates of deposit - brokered	113,492	2,844	5.01	26,064	401	3.08
Total interest-bearing deposits	4,520,819	81,737	3.62	4,206,098	52,425	2.49
FHLB advances and borrowings	131,315	3,848	5.86	260,292	6,680	5.13
Finance lease liabilities	3,042	60	3.94	4,339	103	4.75
Subordinated debt	133,340	3,370	5.05	133,053	3,236	4.86
Total interest-bearing liabilities	4,788,516	89,015	3.72 %	4,603,782	62,444	2.71 %
Noninterest-bearing liabilities:						
Demand deposits	931,040			1,104,440		
Accrued expenses and other liabilities	89,545			93,650		
Total noninterest-bearing liabilities	1,020,585			1,198,090		
Shareholders' equity	579,104			550,682		
Total liabilities and shareholders' equity	$ 6,388,205			$ 6,352,554		
Net interest income (tax-equivalent basis)		$ 69,950			$ 83,702	
Net interest spread			1.30 %			1.93 %
Net interest margin (D)			2.22 %			2.68 %
Tax equivalent adjustment		$ (533)			$ (803)	
Net interest income		$ 69,417			$ 82,899	

(A)Average balances for available for sale securities are based on amortized cost.

(B)Interest income is presented on a tax-equivalent basis using a 21 percent federal tax rate.

(C)Loans are stated net of unearned income and include nonaccrual loans.

(D)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 three month period ended June 30, 2024 compared to June 30, 2023 are shown below:

	For the Three Months Ended June 30, 2024		
	Difference due to Change In:		Change In Income/
(In Thousands):	Volume	Rate	Expense
ASSETS:			
Investments	$ (146)	$ 394	$ 248
Loans	(839)	3,871	3,032
Interest-earning deposits	739	228	967
Total interest income	$ (246)	$ 4,493	$ 4,247
LIABILITIES:			
Interest-bearing checking	$ 2,700	$ 4,333	$ 7,033
Money market	286	1,877	2,163
Savings	(8)	59	51
Certificates of deposit - retail	925	1,980	2,905
Certificates of deposit - brokered	840	206	1,046
Interest bearing demand brokered	—	9	9
Borrowed funds	(5,346)	343	(5,003)
Capital lease obligation	(13)	(15)	(28)
Subordinated debt	3	86	89
Total interest expense	$ (613)	$ 8,878	$ 8,265
Net interest income (tax-equivalent basis)	$ 367	$ (4,385)	$ (4,018)

The effect of volume and rate changes on net interest income (on a tax-equivalent basis) for the six month period ended June 30, 2024 compared to June 30, 2023 are shown below:

	For the Six Months Ended June 30, 2024		
	Difference due to Change In:		Change In Income/
(In Thousands):	Volume	Rate	Expense
ASSETS:			
Investments	$ (118)	$ 1,013	$ 895
Loans	777	10,196	10,973
Interest-earning deposits	444	507	951
Total interest income	$ 1,103	$ 11,716	$ 12,819
LIABILITIES:			
Interest-bearing checking	$ 6,125	$ 11,861	$ 17,986
Money market	(1,319)	4,133	2,814
Savings	(17)	128	111
Certificates of deposit - retail	1,666	4,365	6,031
Certificates of deposit - brokered	2,056	387	2,443
Interest bearing demand brokered	(179)	106	(73)
Borrowed funds	(3,559)	727	(2,832)
Capital lease obligation	(26)	(17)	(43)
Subordinated debt	7	127	134
Total interest expense	$ 4,754	$ 21,817	$ 26,571
Net interest income (tax-equivalent basis)	$ (3,651)	$ (10,101)	$ (13,752)

Net interest income, on a fully tax-equivalent basis, declined $4.0 million, or 10 percent, for the second quarter of 2024 to $35.3 million from $39.3 million for the same 2023 period. The net interest margin ("NIM") was 2.25 percent and 2.49 percent for the three months ended June 30, 2024 and 2023, respectively, a decrease of 24 basis points. For the six months ended June 30, 2024 the Company recorded net interest income, on a fully tax-equivalent basis of $70.0 million compared to $83.7 million for the same 2023 period. The net interest margin ("NIM") was 2.22 percent and 2.68 percent for the six months ended June 30, 2024 and 2023, respectively, a decrease of 46 basis points. The decrease in net interest income, on a fully tax-equivalent basis and NIM was predominately due to a rapid increase in interest expense mostly driven by higher deposit rates, offset by a decrease in the average balance of borrowed funds and an increase in loan yields. The ongoing Federal Reserve monetary policy intended to slow inflation has led to a significant increase in interest rates, particularly rates impacting short term investments and deposits. This has resulted in an inversion of the U.S. Treasury yield curve driving an increase in deposit and borrowing costs at a faster rate than the yields on interest-earning assets.

The average balance of interest-earning assets decreased slightly to $6.32 billion during the second quarter of 2024 from $6.35 billion for the same 2023 period. Average interest-earning assets were $6.33 billion for the six months ended June 30, 2024 compared to $6.30 billion in the same 2023 period, representing an increase of $32.4 million. The slight decrease in the second quarter of 2024 compared to the same 2023 period included a decline in the average balance of loans of $81.5 million, partially offset by an increase an interest-earning deposits of $65.3 million. Loan contraction experienced during the second quarter of 2024 was in part due to tighter underwriting standards, reduced loan originations in the higher interest rate environment and the sale $15.1 million of multifamily problem loans. The growth in average interest-earning assets for the six months ended June 30, 2024 and 2023 was driven primarily by an increase in the average balance of loans of $14.3 million and interest-earning deposits of $21.2 million. Interest-earning deposits are an additional part of the Company's liquidity and interest rate risk management strategies and management believes that in the near term having elevated balances represents a strong balance sheet.

The decline in the average balance of loans for the quarter ended June 30, 2024 was primarily driven by a decline in commercial mortgages and commercial loans, offset slightly by growth in residential mortgages. The average balance of commercial loans declined by $50.4 million or 2 percent to $2.19 billion for the quarter ended June 30, 2024 when compared to the same 2023 period. The average balance of commercial mortgages for the three months ended June 30, 2024 declined by $83.7 million, or 3 percent, to $2.42 billion when compared to the same 2023 period. These decreases were partially offset by an increase in the average balance of residential mortgages of $19.4 million for the quarter ended June 30, 2024 when compared to the same 2023 period. The decline in loans were mostly as a result of the Company tightening underwriting guidelines, paydowns of higher rate lines of credit and lower originations due to the rate environment.   The average balance of loans for the six months ended June 30, 2024 increased due to growth in residential mortgages and installment loans offset by a decrease in commercial mortgages. Residential mortgages increased by $33.6 million, or 6 percent, to $577.3 million from $543.7 million when comparing the six months ended June 30, 2024 to the six months ended June 30, 2023. The Company reported balances of $66.2 million and $45.6 million in average balances, an increase of $20.5 million, of installment loans for the six months ended June 30, 2024 and 2023, respectively. The average balance of commercial mortgages for the six months ended June 30, 2024 declined by $51.0 million, or 2 percent, to $2.44 billion when compared to $2.49 billion for the same 2023 period.

For the quarters ended June 30, 2024 and 2023, the average yields earned on interest-earning assets were 5.03 percent and 4.74 percent, respectively, an increase of 29 basis points. For the six months ended June 30, 2024 and 2023, the average yield on interest-earning assets were 5.02 percent and 4.64 percent, respectively, an increase of 38 basis points. The increase in yields on interest-earning assets for the three and six months ended June 30, 2024, was primarily due to the increase in the target Federal Funds rate of 100 basis points during 2023 (525 basis points since the Federal Reserve commenced raising rates in March 2022). This resulted in increases in the yield on loans of 30 basis points to 5.41 percent, the yield on interest-earning deposits of 58 basis points to 4.67 percent and the yield on investments of 15 basis points to 2.58 percent, when comparing the three months ended June 30, 2024 to the same 2023 period. The six months ended June 30, 2024 compared to the same 2023 period resulted in increases in the average yields on loans of 39 basis points to 5.40 percent, interest-earning deposits of 62 basis points to 4.54 percent and investments of 23 basis points to 2.58 percent.

The average yield on total loans for the three and six months ended June 30, 2024 compared to the same 2023 period was driven by an increase in the yield on commercial loan, commercial mortgages and residential mortgages. The yield on commercial loans for the three months ended June 30, 2024 increased 44 basis points to 6.77 percent from 6.33 percent at June 30, 2023. The yield on commercial loans for the six months ended June 30, 2024 increased 54 basis points to 6.74 percent from 6.20 percent at June 30, 2023. Commercial loans yield increased for the three and six months due to an increase in the target Federal Funds rate, which had a greater impact on these loans, that are typically floating rates with short repricing periods. The average yield on commercial mortgages increased 15 basis points to 4.44 percent and 23 basis points to 4.46 percent for the three and six months ended June 30, 2024, respectively, when compared to the same 2023 periods. The average yield on residential mortgages increased 32 basis points to 3.87 percent and 42 basis points to 3.81 percent, for the three and six months ended June 30, 2024, respectively, when compared to the same 2023 periods. The increase for both commercial and residential mortgages for the three and six months periods were driven by the origination of loans with higher yields in the current higher interest rate environment. As of June 30, 2024, 30 percent of our loans will reprice within one month, 35 percent within three months and 48 percent within one year.

For the three months ended June 30, 2024, the average balance of interest-bearing liabilities totaled $4.77 billion representing an increase of $47.0 million, or 1 percent, from $4.72 billion for the same 2023 period due to an increase in interest-bearing deposits of $434.7 million to $4.60 billion, which was partially offset by a decrease in overnight borrowings of $386.7 million to $27.2 million for the quarter ended June 30, 2024. For the six months ended June 30, 2024, the average balance of interest-bearing liabilities totaled $4.79 billion representing an increase of $184.7 million, or 4 percent, from $4.60 billion for the same 2023 period due to an increase in interest-bearing deposits of $314.7 million to $4.52 billion partially offset by a decrease in overnight borrowings of $129.0 million to $131.3 million for the six months ended June 30, 2024.

The increase in the average balance of interest-bearing deposits for the quarters ended June 30, 2024 compared to the 2023 comparable period was primarily due to an increase in the average balance of interest-bearing checking deposits of $260.2 million, average balance of certificate of deposits ("CD") of $119.1 million and short-term brokered CDs of $72.5 million. The increase in the average balance of interest-bearing deposits for the six months ended June 30, 2024 compared to the 2023 comparable period was primarily due to an increase in the average balance of interest-bearing checking deposits of $323.0 million, average balance of certificate of deposits ("CD") of $119.4 million and short-term brokered CDs of $87.4 million, partially offset by a decline in money market and savings accounts of $207.1 million. The increase in interest-bearing checking deposits for the three and six months ended June 30, 2024 was principally attributable to client demand for FDIC insured products. The Company added short-term brokered CDs to provide additional liquidity and replace brokered deposit run-off. The decrease for the savings and money market accounts for the six months ended June 30, 2024 included clients shifting balances into higher-yielding short-term Treasuries and interest-bearing checking accounts. The expansion into New York City is starting to benefit deposit growth and is expected to reduce the Company's reliance on overnight borrowings, brokered deposits and other high cost funding sources and into more low cost, relationship deposits.

The Company is a participant in the Reich & Tang Demand Deposit Marketplace 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 increase the level of FDIC insurance available to deposit customers. As a participant, the Company receives reciprocal amounts of deposits from other participating banks. Average reciprocal deposit balances for the quarters ended June 30, 2024 and 2023, were $1.2 billion and $813.2 million, respectively. The additional growth for the three and six months ended June 30, 2024 was directly related to client's desire of the increased level of FDIC insurance offered by these programs.

At June 30, 2024, uninsured/unprotected deposits were approximately $1.3 billion, or 23 percent of total deposits. This amount was adjusted to exclude $326 million of public fund deposit balances, which are fully-collateralized and protected with securities and an FHLBNY letter of credit.

The average balance of short-term borrowings decreased $386.7 million to $27.2 million for the quarter ended June 30, 2024, compared to $414.0 million for the quarter ended June 30, 2023. The average balance of borrowings decreased $129.0 million to $131.3 million for the six months ended June 30, 2024, compared to $260.3 million for the same 2023 period. The decrease in borrowings for both periods was driven by the growth in client deposits led by the expansion into New York City and the new teams that were hired.

For the quarters ended June 30, 2024 and 2023, the cost of interest-bearing liabilities was 3.71 percent and 3.04 percent, respectively, reflecting an increase of 67 basis points. The cost of interest-bearing liabilities was 3.72 percent and 2.71 percent for the six months ended June 30, 2024 and 2023, respectively. The increases for both the three and six months ended June 30, 2024 were driven by an increase in the average cost of interest-bearing deposits of 89 basis points to 3.66 percent for the second quarter of 2024 and 113 basis points to 3.62 percent for the six months ended June 30, 2024. Additionally, the cost of borrowings increased 39 basis points to 5.59 percent for the second quarter of 2024 when compared to 5.20 percent for the same 2023 period and 73 basis points to 5.86 percent for the six months ended June 30, 2024 when compared to 5.13 percent for the same 2023 period. The increase in deposit and borrowing rates was due to the Federal Reserve raising the target Federal Funds rate by 525 basis points since March 2022 and a change in the composition of the deposit portfolio, as clients continue to migrate out of noninterest bearing checking products into higher-yielding alternatives.

INVESTMENT SECURITIES: Investment securities available for sale are purchased, sold and/or maintained as a part of the Company’s overall balance sheet and interest rate risk management strategies, and in response to 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 noninterest income.

At June 30, 2024, the Company had investment securities available for sale with a fair value of $591.9 million compared with $550.6 million at December 31, 2023. The increase in investment securities available for sale was due to the use of excess funds since deposit growth outpaced loan growth. A net unrealized loss (net of income tax) of $75.2 million and of $69.2 million related to these securities were included in shareholders’ equity at June 30, 2024 and December 31, 2023, respectively.

At June 30, 2024, the Company had investment securities held to maturity with a carrying cost of $105.0 million and an estimated fair value of $90.9 million compared with a carrying cost of $107.8 million and an estimated fair value of $94.4 million at December 31, 2023.

The Company has one equity security (a CRA investment security) with a fair value of $13.0 million at June 30, 2024 compared with a fair value of $13.2 million at December 31, 2023, with changes in fair value recognized in the Consolidated Statements of Income. The Company recorded an unrealized loss of $84,000 and $195,000 for the three and six months ended June 30, 2024, as compared to an unrealized loss of $209,000 and $0 for the same period in 2023.

The carrying value of investment securities available for sale and held to maturity as of June 30, 2024 and December 31, 2023 are shown below:

(In thousands)	June 30, 2024 Amortized Cost	June 30, 2024 Estimated Fair Value	December 31, 2023 Amortized Cost	December 31, 2023 Estimated Fair Value
Investment securities available for sale:				
U.S. government-sponsored agencies	$ 244,803	$ 195,002	$ 244,794	$ 197,691
Mortgage-backed securities-residential (principally U.S. government-sponsored entities)	410,158	363,032	363,893	320,796
SBA pool securities	25,478	21,683	27,148	23,404
Corporate bond	14,000	12,167	10,000	8,726
Total investment securities available for sale	$ 694,439	$ 591,884	$ 645,835	$ 550,617
Investment securities held to maturity:				
U.S. government-sponsored agencies	40,000	36,529	40,000	36,631
Mortgage-backed securities-residential (principally U.S. government-sponsored entities)	65,013	54,334	67,755	57,784
Total investment securities held to maturity	$ 105,013	$ 90,863	$ 107,755	$ 94,415
Total	$ 799,452	$ 682,747	$ 753,590	$ 645,032

The following table presents the contractual maturities and yields of debt securities available for sale and held to maturity as of June 30, 2024. The weighted average yield is a computation of income within each maturity range based on the amortized cost of securities:

(Dollars in thousands)	Within 1 Year	After 1 But Within 5 Years	After 5 But Within 10 Years	After 10 Years	Total
Investment securities available for sale:					
U.S. government-sponsored agencies	$ —	$ 30,689	$ 104,845	$ 59,468	$ 195,002
	—	1.27 %	1.52 %	1.75 %	1.56 %
Mortgage-backed securities-residential (A)	50,067	8,550	30,718	273,697	363,032
	6.08 %	3.21 %	3.11 %	3.07 %	3.44 %
SBA pool securities	—	—	8,197	13,486	21,683
	—	—	2.05 %	1.49 %	1.69 %
Corporate bond	—	—	12,167	—	12,167
	—	—	6.01 %	—	6.01 %
Total investments available for sale	$ 50,067	$ 39,239	$ 155,927	$ 346,651	$ 591,884
	6.08 %	1.66 %	2.17 %	2.75 %	2.77 %
Investment securities held to maturity:					
U.S. government-sponsored agencies	—	40,000	—	—	40,000
	—	1.53 %	—	—	1.53 %
Mortgage-backed securities-residential (A)	—	—	—	65,013	65,013
	—	—	—	2.22 %	2.22 %
Total investments held to maturity	$ —	$ 40,000	$ —	$ 65,013	105,013
	—	1.53 %	—	2.22 %	1.96 %
Total	$ 50,067	$ 79,239	$ 155,927	$ 411,664	$ 696,897
	6.08 %	1.59 %	2.17 %	2.67 %	2.64 %

(A)Shown using stated final maturity.

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

(In thousands)	For the Three Months Ended June 30, 2024	2023	Change 2024 vs 2023
Service charges and fees	$ 1,345	$ 1,320	$ 25
Bank owned life insurance	328	305	23
Gain on sale of loans (mortgage banking)	34	15	19
Gain on loans held for sale at lower of cost or fair value	23	—	23
Gain on sale of SBA loans	449	838	(389)
Corporate advisory fee income	103	15	88
Other income	2,938	2,039	899
Fair value adjustment for CRA equity security	(84)	(209)	125
Total other income (excluding wealth management income)	$ 5,136	$ 4,323	$ 813

(In thousands)	For the Six Months Ended June 30, 2024	2023	Change 2024 vs 2023
Service charges and fees	$ 2,667	$ 2,578	$ 89
Bank owned life insurance	831	602	229
Gain on sale of loans (mortgage banking)	90	36	54
Gain on loans held for sale at lower of cost or fair value	23	—	23
Gain on sale of SBA loans	849	1,703	(854)
Corporate advisory fee income	921	95	826
Other income	4,244	3,606	638
Fair value adjustment for CRA equity security	(195)	—	(195)
Total other income (excluding wealth management income)	$ 9,430	$ 8,620	$ 810

The Company recorded total other income, excluding wealth management fee income, of $5.1 million for the second quarter of 2024 compared to $4.3 million for the same 2023 period, reflecting an increase of $813,000. The Company recorded $9.4 million of total other income, excluding wealth management fee income for the six months ended June 30, 2024 compared to $8.6 million for the same 2023 period, reflecting an increase of $810,000. The increases were primarily due to income related to equipment transfers upon the termination of leases of $1.6 million and $1.7 million for the three and six months ended June 30, 2024, respectively.

The Company provides loans that are partially guaranteed by the SBA to provide working capital and/or finance the purchase of equipment, inventory or commercial real estate that could be used for start-up businesses. 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 Company recorded a gain on the sale of SBA loans of $449,000 and $838,000 for the quarters ended June 30, 2024 and 2023, respectively. For the six months ended June 30, 2024 and 2023, the Company recorded a gain on the sale of SBA loans of $849,000 and $1.7 million, respectively. The Company continues to see pressures from market volatility and the higher interest rate environment resulting in lower sale premiums and origination volumes.

The Company recorded corporate advisory fee income for the second quarter of 2024 of $103,000 compared to $15,000 for the same period ended June 30, 2023. The six months ended June 30, 2024 included $921,000 of corporate advisory fee income compared to $95,000 for the same 2023 period. The higher amount in the six months ended June 30, 2024 was related to a major corporate advisory/investment banking acquisition transaction.

Income from the back-to-back swap, SBA programs, and corporate advisory fee income are dependent on volume, and thus are typically not consistent from quarter to quarter.

For the quarter ended June 30, 2024, income from the sale of newly originated residential mortgage loans was $34,000 compared to $15,000 for the same period in 2023. The Company recorded income from the sale of newly originated residential mortgage loans for the six months ended June 30, 2024 and 2023 of $90,000 and $36,000, respectively. Although fee income increased as a result of slightly increased volume, the Company is still impacted by the industry wide slowdown in refinancing and home purchase activity in the higher interest rate environment.

Other income included $1.6 million of income by the Equipment Finance Division related to equipment transfers to lessees upon the termination of leases, for the second quarter of 2024 compared to $221,000 for the same 2023 period. The six months ended June 30, 2024 and 2023 included $1.7 million and $367,000, respectively, of income related to equipment transfers to lessees upon the termination of leases. Additionally, the Company recorded $786,000 of unused commercial line fees for the quarter ended June 30, 2024 compared to $809,000 for the same 2023 period. The six months ended June 30, 2024 included $1.6 million of unused commercial line fees compared to $1.7 million for the same 2023 period. The six months ended June 30, 2024 included $229,000 of additional income from life insurance proceeds.

The Company recorded an $84,000 and $209,000 negative fair value adjustment for CRA equity securities in the second quarter of 2024 and 2023, respectively. The six months ended June 30, 2024 included a $195,000 negative fair value adjustment for CRA equity securities. The decrease in 2024 was due to the underlying assets being tied to medium-term investments, which increased slightly in 2024.

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

(In thousands)	**For the Three Months Ended June 30, 2024**	**2023**	**Change 2024 vs 2023**
Compensation and employee benefits	$ 29,884	$ 26,354	$ 3,530
Premises and equipment	5,776	4,729	1,047
FDIC assessment	870	729	141
Other Operating Expenses:			
Professional and legal fees	1,693	1,179	514
Trust department expense	936	915	21
Telephone	397	362	35
Advertising	625	706	(81)
Amortization of intangible assets	272	355	(83)
Other	2,673	2,363	310
Total operating expenses	$ 43,126	$ 37,692	$ 5,434

(In thousands)	**For the Six Months Ended June 30, 2024**	**2023**	**Change 2024 vs 2023**
Compensation and employee benefits	$ 58,360	$ 50,940	$ 7,420
Premises and equipment	10,857	9,103	1,754
FDIC assessment	1,815	1,440	375
Other Operating Expenses:			
Professional and legal fees	3,055	2,524	531
Trust department expense	1,874	1,879	(5)
Telephone	792	731	61
Advertising	968	1,102	(134)
Amortization of intangible assets	544	709	(165)
Branch/office restructure	—	175	(175)
Other	4,902	4,663	239
Total operating expenses	$ 83,167	$ 73,266	$ 9,901

Operating expenses for the quarter ended June 30, 2024 and 2023 totaled $43.1 million and $37.7 million, respectively, reflecting an increase of $5.4 million, or 14 percent. Operating expenses for the six months ended June 30, 2024 increased $9.9 million or 14 percent to $83.2 million from $73.3 million for the same 2023 period. The increase in operating expenses for both 2024 periods, as compared to the same 2023 periods, were principally attributable to the previously announced expansion into New York City, which included the hiring of multiple teams and the successful launch of our retail branch in our Park Avenue location in New York City. The 2024 periods included additional expense associated with annual merit increases and increased employee benefits, as well as increased office space, computer and software equipment costs related to the New York City expansion. The three and six months ended June 30, 2023 included $1.7 million and $2.0 million of expense associated with retirements of certain employees. The six months ended June 30, 2023 also included $175,000 of expenses associated with the closure of three retail branch locations.

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. Officers from Peapack Private are available to provide wealth management, trust and investment services at the Bank's headquarters in Bedminster, New Jersey, and at private banking locations in Morristown, Princeton, Red Bank, Summit and Teaneck, New Jersey and at the Bank's subsidiary, PGB Trust & Investments of Delaware, in Greenville, Delaware.

The market value of the assets under management and/or administration (“AUM/AUA”) of Peapack Private was $11.5 billion at June 30, 2024, reflecting a 6 percent increase from $10.9 billion at December 31, 2023 and an increase of 7 percent from $10.7 billion at June 30, 2023. The equity market improved during the first six months of 2024 and coupled with gross business inflows of $171 million, contributed to the increase in AUM/AUA.

In the June 2024 quarter, Peapack Private generated $16.4 million in fee income compared to $14.3 million for the June 2023 quarter, reflecting an 15 percent increase. For the six months ended June 30, 2024, Peapack Private generated $30.8 million in fee income compared to $28.0 million in fee income for the same period in 2023, reflecting a 10 percent increase. The increase in fee income for the three and six months ended June 30, 2024 was largely due to the improved equity and bond markets during the first half of 2024 and new business inflows.

Operating expenses relative to Peapack Private, for the three months ended June 30, 2024, declined slightly to $10.7 million as compared to $11.1 million for the second quarter of 2023. Operating expenses relative to Peapack Private, for the six months ended June 30, 2024, declined to $20.1 million as compared to $20.9 million for the six months ended June 30, 2023. 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:

			As of		
(Dollars in thousands)	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**
Loans past due 90 days or more and still accruing	$ —	$ 35	$ —	$ —	$ —
Nonaccrual loans	82,075	69,811	61,324	70,809	34,505
Other real estate owned	—	—	—	—	—
Total nonperforming assets	$ 82,075	$ 69,846	$ 61,324	$ 70,809	$ 34,505
Performing modifications (A)(B)	$ 26,788	$ 12,311	$ 248	$ 248	$ 248
Loans past due 30 through 89 days and still accruing	$ 34,714	$ 73,699	$ 34,589	$ 9,780	$ 14,524
Loans subject to special mention	$ 140,791	$ 59,450	$ 71,397	$ 53,328	$ 53,606
Classified loans	$ 128,311	$ 117,869	$ 84,372	$ 94,866	$ 58,655
Individually evaluated loans	$ 81,802	$ 69,530	$ 60,710	$ 70,184	$ 33,867
Nonperforming loans as a % of total loans (C)	1.56%	1.30%	1.13%	1.29%	0.63%
Nonperforming assets as a % of total assets (C)	1.26%	1.09%	0.95%	1.09%	0.53%
Nonperforming assets as a % of total loans plus other real estate owned (C)	1.56%	1.30%	1.13%	1.29%	0.63%

(A)Amounts reflect modifications that are paying according to modified terms.

(B)Excludes modifications included in nonaccrual loans of $3.2 million at June 30, 2024, $3.2 million at March 31, 2024, $3.0 million at December 31, 2023, $3.1 million at September 30, 2023 and $777,000 at June 30, 2023.

(C)Nonperforming loans/assets do not include performing modifications.

The Company had increases in nonperforming assets, performing modifications, loans subject to special mention, classified loans and individually evaluated loans at June 30, 2024 compared to December 31, 2023. The persistent nature of the elevated interest rate environment combined with inflationary pressures have presented challenges for certain borrowers, which is reflected in the trend of asset quality data in recent quarters. The increase in nonperforming assets was primarily driven by higher multifamily nonperforming loans. The increase in special mention loans was primarily due to an increase in multifamily loans of $43.6 million, investment commercial real estate loans of $16.7 million and commercial loans of $19.8 million. The increase in classified loans was primarily driven by an increase in multifamily loans of $16.8 million and commercial loans of $24.7 million when compared to December 31, 2023. The increase in the balance of individually evaluated substandard loans was primarily due to six multifamily relationships totaling $32.0 million that transferred to nonaccrual status during the first six months of 2024 which was partially offset by the sale of two multifamily individually evaluated loans totaling $15.1 million.

PROVISION FOR CREDIT LOSSES: The provision for credit losses was $3.9 million and $1.7 million for the second quarters of 2024 and 2023, respectively. For the six months ended June 30, 2024 and 2023, the provision for loan losses was $4.5 million and $3.2 million, respectively. The increased provision for credit losses for the three months ended June 30, 2024, when compared to the three months ended June 30, 2023 was primarily due to charge-offs totaling $5.4 million related to the sale of two problem loans, which were approaching foreclosure and transfer to other real estate owned. The allowance for credit losses ("ACL") was $68.0 million as of June 30, 2024, compared to $65.9 million at December 31, 2023. The increase in the ACL was primarily related to an increase in the ACL related to multifamily loans, which was driven by the increase in individually evaluated loans of $16.9 million and certain qualitative adjustments in the CECL calculation made during the first six months of 2024. The allowance for credit losses as a percentage of loans was 1.29 percent at June 30, 2024 compared to 1.21 percent at December 31, 2023. The ACL recorded on individually evaluated loans was $7.9 million at June 30, 2024 compared to $4.5 million as of December 31, 2023. Total individually evaluated loans were $81.8 million and $60.7 million as of June 30, 2024 and December 31, 2023, respectively. The increase in the balance of individually evaluated loans was primarily due to six multifamily relationships totaling $32.0 million that transferred to nonaccrual status during the first six months of 2024, which was offset by the sale of two multifamily individually evaluated loans totaling $15.1 million. The general component of the allowance increased from $61.4 million at December 31, 2023 to $60.1 million at June 30, 2024.

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 of Management's estimate of expected credit losses in the loan portfolio. The process to determine expected credit losses utilizes analytic 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 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 economic 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, size and composition 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)	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**
Allowance for credit losses:					
Beginning of period	$ 66,251	$ 65,888	$ 68,592	$ 62,704	$ 62,250
Provision for credit losses (A)	3,901	615	5,082	5,944	1,666
(Charge-offs)/recoveries, net	(2,168)	(252)	(7,786)	(56)	(1,212)
End of period	$ 67,984	$ 66,251	$ 65,888	$ 68,592	$ 62,704
Allowance for credit losses as a % of total loans	1.29%	1.24%	1.21%	1.25%	1.15%
Collectively evaluated allowance for credit losses as a % of total loans	1.14%	1.15%	1.13%	1.10%	1.11%
Allowance for credit losses as a % of nonperforming loans	82.83%	94.85%	107.44%	96.87%	181.72%

(A)Excludes a provision of $10,000 at June 30, 2024, a provision of $12,000 at March 31, 2024, a credit of $55,000 at December 31, 2023, a credit of $88,000 at September 30, 2023 and a provision of $30,000 at June 30, 2023 related to off-balance sheet commitments.

The decrease in the allowance for credit losses as a percentage of nonperforming loans was primarily due to the increase in nonperforming loans of $47.6 million to $82.1 million at June 30, 2024 from $34.5 million at June 30, 2023.

INCOME TAXES: Income tax expense for the quarter ended June 30, 2024 was $2.0 million as compared to $5.0 million for the same period in 2023. During the six months ended June 30, 2024, the Company recorded income tax expense of $5.8 million compared to $11.6 million for the same period in 2023.

The effective tax rate for the three months ended June 30, 2024 was 21.23 percent compared to 27.41 percent for the same quarter in 2023. The effective tax rate was 26.43 percent and 26.84 percent for the six months ended June 30, 2024 and 2023, respectively.

Both the three and six months ended June 30, 2024 periods included a benefit related to the Company's deferred tax asset associated with a surtax imposed by the State of New Jersey. This benefit was partially offset by adjustments related to the vesting of restricted stock at prices lower than original grant prices in 2024, while 2023 benefitted from the vesting of restricted stock at prices higher than original grant prices.

CAPITAL RESOURCES: A solid capital base provides the Company with financial strength and the ability to support future growth 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 and bank holding companies. Maintaining an adequate capital position supports the Company’s goal of providing shareholders an attractive and stable long-term return on investment.

Capital increased as a result of net income of $16.2 million for the six months ended June 30, 2024. This was partially offset by the repurchase of 200,000 shares, at an average price of $22.99 through the Company's stock repurchase program at a total cost of $4.6 million and payment of dividends of $1.8 million. Additionally, during the first half of 2024, the Company recorded an increase in accumulated other comprehensive loss of $3.5 million, net of tax. The total accumulated other comprehensive loss declined to $68.3 million as of June 30, 2024, ($75.2 million loss related to the available for sale securities portfolio partially offset by a $6.8 million gain on the cash flow hedges).

The Company employs quarterly capital stress testing by modeling adverse case and severely adverse case scenarios. In the most recent completed stress test based on March 31, 2024 financial information, under the severely adverse case, and no growth scenarios, the Bank remains well capitalized over a 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 June 30, 2024 and December 31, 2023, 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 below.

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” ("CBLR") (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 CBLR at 9 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 11.14 percent at June 30, 2024.

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

(Dollars in thousands)	Actual Amount	Actual Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	For Capital Adequacy Purposes Including Capital Conservation Buffer (A) Amount	For Capital Adequacy Purposes Including Capital Conservation Buffer (A) Ratio
As of June 30, 2024:								
Total capital (to risk-weighted assets)	$ 781,448	15.30%	$ 510,648	10.00%	$ 408,518	8.00%	$ 536,180	10.50%
Tier I capital (to risk-weighted assets)	717,557	14.05	408,518	8.00	306,389	6.00	434,051	8.50
Common equity tier I (to risk-weighted assets)	717,545	14.05	331,921	6.50	229,792	4.50	357,454	7.00
Tier I capital (to average assets)	717,557	11.14	322,198	5.00	257,758	4.00	257,758	4.00
As of December 31, 2023:								
Total capital (to risk-weighted assets)	$ 773,083	14.73%	$ 525,001	10.00%	$ 420,001	8.00%	$ 551,251	10.50%
Tier I capital (to risk-weighted assets)	707,446	13.48	420,001	8.00	315,000	6.00	446,251	8.50
Common equity tier I (to risk-weighted assets)	707,434	13.47	341,250	6.50	236,250	4.50	367,500	7.00
Tier I capital (to average assets)	707,446	10.83	326,507	5.00	261,205	4.00	261,205	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 Amount	Actual Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	For Capital Adequacy Purposes Including Capital Conservation Buffer (A) Amount	For Capital Adequacy Purposes Including Capital Conservation Buffer (A) Ratio
As of June 30, 2024:								
Total capital (to risk-weighted assets)	$ 792,684	15.50%	N/A	N/A	$ 409,012	8.00%	$ 536,828	10.50%
Tier I capital (to risk-weighted assets)	609,299	11.92	N/A	N/A	306,759	6.00	434,575	8.50
Common equity tier I (to risk-weighted assets)	609,287	11.92	N/A	N/A	230,069	4.50	357,886	7.00
Tier I capital (to average assets)	609,299	9.45	N/A	N/A	257,963	4.00	257,963	4.00
As of December 31, 2023:								
Total capital (to risk-weighted assets)	$ 785,413	14.95%	N/A	N/A	$ 420,377	8.00%	$ 551,745	10.50%
Tier I capital (to risk-weighted assets)	600,444	11.43	N/A	N/A	315,283	6.00	446,651	8.50
Common equity tier I (to risk-weighted assets)	600,432	11.43	N/A	N/A	236,462	4.50	367,830	7.00
Tier I capital (to average assets)	600,444	9.19	N/A	N/A	261,358	4.00	261,358	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) Common Equity Tier 1 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. 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 June 30, 2024 were purchased in the open market.

On June 27, 2024, the Board of Directors declared a regular cash dividend of $0.05 per share payable on August 22, 2024 to shareholders of record on August 8, 2024.

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, loan participations and brokered CDs.

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 $315.7 million at June 30, 2024. The Company's elevated liquidity position was due to deposit growth of $382.1 million and loan contraction. In addition, the Company had $591.9 million in securities designated as available for sale at June 30, 2024. 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 $417.4 million and $95.9 million as of June 30, 2024, 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 June 30, 2024, the Company had approximately $2.9 billion of external borrowing capacity available on a same day basis (subject to any practical constraints affecting the FHLB or FRB), which when combined with balance sheet liquidity provided the Company with 304 percent coverage of our uninsured/unprotected deposits.

Brokered interest-bearing demand (“overnight”) deposits were $10.0 million at June 30, 2024. The interest rate paid on these deposits allows the Bank to fund operations 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 June 30, 2024, the Company had transacted pay fixed, receive floating interest rate swaps totaling $310.0 million in notional amount.

The Company allowed certain brokered certificates of deposits to mature during the six months ended June 30, 2024. Total brokered certificates of deposits decreased $94.5 million to $26.0 million, which were replaced by lower cost core relationship deposits as of June 30, 2024.

The Company has a Board-approved Contingency Funding Plan. 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.

Management believes the Company’s liquidity position and sources were adequate at June 30, 2024.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

ASSET/LIABILITY MANAGEMENT: The Company’s management Asset/Liability Committee (“ALCO”) is responsible for developing, implementing and monitoring asset/liability 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 generally manages interest rate risk through the management of capital, cash flows and the 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 engages 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 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. In these swaps, the Company is receiving floating and paying fixed interest rates with total notional value of $310.0 million as of June 30, 2024.

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 executed 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 June 30, 2024, $498.8 million of notional value in swaps were executed and outstanding with borrowers under this program.

As noted above, 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 June 30, 2024. 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 June 30, 2024.

In an immediate and sustained 100 basis point increase in market rates at June 30, 2024, net interest income would decrease approximately 1.5 percent in year 1 and increase by 1.0 percent in year 2, compared to a flat interest rate scenario. In an immediate and sustained 100 basis point decrease in market rates at June 30, 2024, net interest income would increase approximately 1.5 percent for year 1 and decrease 1.6 percent for year 2, compared to a flat interest rate scenario.

In an immediate and sustained 200 basis point increase in market rates at June 30, 2024, net interest income would decrease approximately 2.6 percent in year 1 and increase by 2.3 percent in year 2, compared to a flat interest rate scenario. In an immediate and sustained 200 basis point decrease in market rates at June 30, 2024, net interest income for year 1 would increase approximately 1.6 percent, when compared to a flat interest rate scenario. In year 2, net interest income would decrease 4.9 percent, when compared to a flat interest rate scenario.

The Company's interest rate sensitivity models indicate the Company is liability sensitive as of June 30, 2024 and that net interest income would improve in a falling rate environment, but decline in a rising rate environment.

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 June 30, 2024.

(Dollars in thousands) Change In Interest Rates (Basis Points)	Estimated EVPE (A)	Estimated Increase/ Decrease in EVPE		EVPE as a Percentage of Present Value of Assets (B)	
		Amount	Percent	EVPE Ratio (C)	Increase/(Decrease) (basis points)
+200	$ 584,009	$ (59,005)	(9.18)%	9.79%	(55)
+100	614,378	(28,636)	(4.45)	10.09	(25)
Flat interest rates	643,014	—	—	10.34	—
-100	696,160	53,146	8.27	10.91	57
-200	692,554	49,540	7.70	10.67	33

(A) EVPE is the discounted present value of expected cash flows from assets and liabilities.
(B) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
(C) 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.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, provides reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system reflects resource constraints. Because there are inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been or will be detected. These inherent limitations include the fact that judgments in decision-making can be faulty and that breakdowns occur because of simple error or mistake. Further, controls can be circumvented. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all future conditions; over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control 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 are 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, 2023.

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

	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Total Number of Shares Withheld (A)	Average Price Paid Per Share	Maximum Number of Shares That May Yet Be Purchased Under the Plans Or Programs (B)
April 1, 2024 - April 30, 2024	—	—	$ —	377,673
May 1, 2024 - May 31, 2024	—	267	24.07	377,673
June 1, 2024 - June 30, 2024	100,000	—	21.75	277,673
Total	100,000	267	$ 21.76	

(A) Represents shares withheld to satisfy tax withholding obligations upon the exercise of stock options and/or the vesting of restricted stock awards/units. Such shares are repurchased pursuant to the applicable plan and are not under the Company's share repurchase program.

(B) On January 26, 2023, the Company’s Board of Directors approved a plan to repurchase up to 890,000 shares, which was approximately 5 percent of the outstanding shares as of that date, through December 31, 2024. 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

Securities Trading Plans of Directors and Executive Officers

During the three months ended June 30, 2024, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

ITEM 6. Exhibits

3	Articles of Incorporation and By-Laws:
	A. 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).
	B. 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 March 23, 2023 (File No. 001-16197).
10.1	Peapack-Gladstone Financial Corporation 2024 Employee Stock Purchase Plan (incorporated by reference to Appendix A to the proxy statement for the Annual Meeting of Shareholders filed on March 15, 2024 (File No. 001-16197).
31.1	Certification of Douglas L. Kennedy, Chief Executive Officer of the Corporation, pursuant to Securities Exchange Act Rule 13a-14(a).
31.2	Certification of Frank A. Cavallaro, Chief Financial Officer of the Corporation, pursuant to Securities Exchange Act Rule 13a-14(a).
32	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 Frank A. Cavallaro, Chief Financial Officer of the Corporation.
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.
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: August 8, 2024	By: /s/ Douglas L. Kennedy Douglas L. Kennedy President and Chief Executive Officer (Principal Executive Officer)
DATE: August 8, 2024	By: /s/ Frank A. Cavallaro Frank A. Cavallaro Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

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: August 8, 2024

By: /s/ Douglas L. Kennedy
Name: Douglas L. Kennedy
Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Frank A. Cavallaro, 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: August 8, 2024

By: /s/ Frank A. Cavallaro
Name: Frank A. Cavallaro
Title: Senior Executive Vice President,
Chief Financial Officer

Exhibit 32

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 June 30, 2024 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 Frank A. Cavallaro, 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:	August 8, 2024

/s/ Frank A. Cavallaro

Name:	Frank A. Cavallaro
Title:	Senior Executive Vice President Chief Financial Officer
Date:	August 8, 2024