PEAPACK GLADSTONE FINANCIAL CORP
Form 10-Q
May 09, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarter Ended March 31, 2013

OR

o **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 07921-1538

(Address of principal executive offices, including zip code)

(908) 234-0700

(Registrant's telephone number, including area code)

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 requirements for the past 90 days.

Yes ý No o.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes ý No o.

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

Large accelerated filer o	Accelerated filer ý
Non-accelerated filer (do not check if a smaller reporting company) o	Smaller reporting company o

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

Number of shares of Common Stock outstanding as of May 1, 2013:

8,993,615

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PEAPACK-GLADSTONE FINANCIAL CORPORATION

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Item 1. Financial Statements (Unaudited)

PEAPACK-GLADSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

	(unaudited) March 31, 2013	(audited) December 31, 2012
ASSETS		
Cash and due from banks	$ 5,030	$ 6,733
Federal funds sold	100	100
Interest-earning deposits	94,147	112,395
Total cash and cash equivalents	99,277	119,228
Securities available for sale	283,448	304,479
FHLB and FRB stock, at cost	4,643	4,639
Loans held for sale, at fair value	1,828	6,461
Loans held for sale, at lower of cost or fair value	—	13,749
Loans	1,161,763	1,132,584
Less: Allowance for loan losses	13,279	12,735
Net loans	1,148,484	1,119,849
Premises and equipment	29,429	30,030
Other real estate owned	4,141	3,496
Accrued interest receivable	3,768	3,864
Bank owned life insurance	31,283	31,088
Deferred tax assets, net	10,384	9,478
Other assets	18,647	21,475
TOTAL ASSETS	$ 1,635,332	$ 1,667,836
LIABILITIES		
Deposits:		
Noninterest-bearing demand deposits	$ 307,730	$ 298,095
Interest-bearing deposits:		
Checking	336,934	346,877
Savings	114,804	109,686
Money market accounts	547,302	583,197
Certificates of deposit $100,000 and over	67,902	68,741
Certificates of deposit less than $100,000	106,432	109,831
Total deposits	1,481,104	1,516,427
Federal home loan bank advances	12,099	12,218
Capital lease obligation	8,918	8,971

Accrued expenses and other liabilities	8,605	8,163
TOTAL LIABILITIES	1,510,726	1,545,779
SHAREHOLDERS' EQUITY		
Common stock (no par value; stated value, $0.83 per share; authorized 21,000,000 shares; issued shares, 9,401,793 at March 31, 2013 and 9,325,977 at December 31, 2012; outstanding shares, 8,993,615 at March 31, 2013 and 8,917,799 at December 31, 2012)	7,819	7,755
Surplus	98,309	97,675
Treasury stock at cost, 408,178 shares at March 31, 2013 and December 31, 2012	(8,988)	(8,988)
Retained earnings	23,762	21,316
Accumulated other comprehensive income, net of income tax	3,704	4,299
TOTAL SHAREHOLDERS' EQUITY	124,606	122,057
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$1,635,332	$1,667,836

See accompanying notes to consolidated financial statements.

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PEAPACK-GLADSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except share data)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
INTEREST INCOME		
Interest and fees on loans	$11,714	$11,891
Interest on investment securities held to maturity:		
Taxable	—	435
Tax-exempt	—	66
Interest on securities available for sale:		
Taxable	1,277	1,617
Tax-exempt	197	165
Interest on loans held for sale	196	23
Interest-earning deposits	48	17
Total interest income	13,432	14,214
INTEREST EXPENSE		
Interest on savings and interest-bearing deposit accounts	307	446
Interest on certificates of deposit over $100,000	215	228
Interest on other time deposits	285	368
Interest on borrowed funds	92	172
Interest on capital lease obligation	106	109
Total interest expense	1,005	1,323
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	12,427	12,891
Provision for loan losses	850	1,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	11,577	11,391
OTHER INCOME		
Trust department income	3,368	3,176
Service charges and fees	676	677
Bank owned life insurance	272	264
Securities gains, net (includes $289 thousand for 2013 and $390 thousand for 2012 of net gains reclassified from accumulated other comprehensive income)	289	390
Other income	999	216
Total other income	5,604	4,723
OPERATING EXPENSES		
Salaries and employee benefits	7,079	6,113
Premises and equipment	2,304	2,331
Other operating expenses (See footnote 8)	2,910	2,636

Total operating expenses	12,293	11,080
INCOME BEFORE INCOME TAX EXPENSE	4,888	5,034
Income tax expense (includes $118 thousand for 2013 and $151 thousand for 2012 of income tax expense from reclassification items)	1,995	1,951
NET INCOME	2,893	3,083
Dividends on preferred stock and accretion	—	474
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$2,893	$2,609
EARNINGS PER COMMON SHARE		
Basic	$0.33	$0.30
Diluted	$0.32	$0.30
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	8,870,559	8,771,265
Diluted	8,920,416	8,791,834

See accompanying notes to consolidated financial statements.

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PEAPACK-GLADSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	Three Months Ended March 31,	
	2013	2012
Net income	$2,893	$3,083
Other comprehensive income:		
Unrealized losses on available for sale securities:		
Unrealized holding losses arising during the period	(718)	(107)
Less: Reclassification adjustment for gains included in net income	289	390
	(1,007)	(497)
Tax effect	412	204
Net of tax	(595)	(293)
Unrealized losses on the noncredit, other-than temporarily impaired held to maturity securities and on securities transferred from available for sale to held to maturity	—	56
Tax effect	—	(23)
Net of tax	—	33
Total comprehensive income	$2,298	$2,823

See accompanying notes to consolidated financial statements.

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PEAPACK-GLADSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

Three Months Ended March 31, 2013

(In thousands, except per share data)	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2013 8,917,799 common shares outstanding	$ 7,755	$97,675	$ (8,988)	$ 21,316	$ 4,299	$ 122,057
Net income				2,893		2,893
Net change in accumulated other comprehensive income					(595)	(595)
Issuance of restricted stock 38,156 shares	32	(32)				—
Amortization of restricted stock		83				83
Cash dividends declared on common stock ($0.05 per share)				(447)		(447)
Common stock option expense		85				85
Common stock options exercised and related tax benefits, 200 shares		2				2
Sales of shares (Dividend Reinvestment Program), 37,460 shares	32	496				528
Balance at March 31, 2013 8,993,615 common shares outstanding	$ 7,819	$98,309	$ (8,988)	$ 23,762	$ 3,704	$ 124,606

See accompanying notes to consolidated financial statements.

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PEAPACK-GLADSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Three Months Ended March 31,	
OPERATING ACTIVITIES:	2013	2012
Net income:	$2,893	$3,083
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	731	741
Amortization of premium and accretion of discount on securities, net	519	582
Amortization of restricted stock	83	111
Provision for loan losses	850	1,500
Provision for deferred taxes	(494)	145
Stock-based compensation	85	85
Gains on security sales, available for sale	(289)	(390)
Loans originated for sale	(27,231)	(16,829)
Proceeds from sales of loans originated for sale	32,334	16,644
Gains on sale of loans originated for sale	(470)	(188)
Gains on sale of portfolio loans held for sale	(522)	
(Gains)/Losses on sale of other real estate owned	(9)	57
Increase in cash surrender value of life insurance, net	(195)	(198)
Decrease in accrued interest receivable	96	236
Decrease in other assets	2,828	804
Increase in accrued expenses and other liabilities	389	505
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,598	6,888
INVESTING ACTIVITIES:		
Maturities of investment securities held to maturity	—	13,994
Maturities of securities available for sale	21,047	23,181
Calls of securities available for sale	115	8,800
Sales of securities available for sale	15,293	17,989
Purchase of investment securities held to maturity	—	(2,020)
Purchase of securities available for sale, including FHLB and FRB stock	(16,665)	(13,800)
Proceeds from sales of portfolio loans held for sale	14,271	—
Net increase in loans	(30,308)	(38,316)
Sales of other real estate owned	187	1,218
Purchases of premises and equipment	(130)	(282)
Purchase of life insurance	—	(2,996)
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,810	7,768
FINANCING ACTIVITIES:		
Net decrease in deposits	(35,323)	(32,249)
Net increase in overnight borrowings	—	22,900

Repayments of Federal Home Loan Bank advances	(119)	(114)
Redemption of preferred stock	—	(14,341)
Cash dividends paid on preferred stock	—	(112)
Cash dividends paid on common stock	(447)	(443)
Exercise of Stock Options	2	—
Sales of shares (DRIP Program)	528	40
NET CASH USED IN FINANCING ACTIVITIES	(35,359)	(24,319)
Net decrease in cash and cash equivalents	(19,951)	(9,663)
Cash and cash equivalents at beginning of period	119,228	43,053
Cash and cash equivalents at end of period	$99,277	$33,390

See accompanying notes to consolidated financial statements.

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PEAPACK-GLADSTONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles 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 consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the period ended December 31, 2012 for Peapack-Gladstone Financial Corporation (the "Corporation"). In the opinion of the Management of the Corporation, the accompanying unaudited Consolidated Interim Financial Statements contain all adjustments necessary to present fairly the financial position as of March 31, 2013 and the results of operations for the three months ended March 31, 2013 and 2012 and cash flows for the three months ended March 31, 2013 and 2012.

Principles of Consolidation: The Corporation considers that all adjustments necessary for a fair presentation of the statement of the financial position and results of operations in accordance with U.S. generally accepted accounting principles for these periods have been made. Results for such interim periods are not necessarily indicative of results for a full year.

The consolidated financial statements of Peapack-Gladstone Financial Corporation (the "Corporation") are prepared on the accrual basis and include the accounts of the Corporation and its wholly-owned subsidiary, Peapack-Gladstone Bank (the "Bank"). The consolidated statements also include the Bank's wholly-owned subsidiary, PGB Trust & Investments of Delaware. All significant intercompany balances and transactions have been eliminated from the accompanying consolidated financial statements.

Securities: 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. Debt securities are classified as available for sale when they might be sold before maturity. Equity securities with readily determinable fair values are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax. As of March 31, 2013 and December 31, 2012, the Corporation no longer had any debt securities classified as held to maturity.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where

prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, Management considers the extent and duration of the unrealized loss and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent of requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) other-than-temporary impairment related to credit loss, which must be recognized in the income statement and 2) other-than-temporary impairment related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

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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 over the life of the loan as an adjustment, on a level-yield method, to the loan's yield. The definition of recorded investment in loans includes accrued interest receivable, however, for the Corporation's loan disclosures, accrued interest was excluded as the impact was not material.

Loans are considered past due when they are not paid in accordance with contractual terms. The accrual of income on loans, including impaired 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 or more and collateral, if any, is insufficient to cover principal and interest. All interest accrued but not received for loans placed on nonaccrual is 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 months. Commercial loans are generally charged off after an analysis is completed which indicates that collectability of the full principal balance is in doubt. Consumer loans are generally charged off after they become 120 days past due. 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 are returned to accrual status. Nonaccrual mortgage loans are generally charged off when the value of the underlying collateral does not cover the outstanding principal balance.

The majority of the Corporation's loans are secured by real estate in the State of New Jersey.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probably incurred credit losses. Loan losses are charged against the allowance when Management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in Management's judgment, should be charged off. The allowance consists of specific and general components. The specific component of the allowance relates to loans that are individually classified as impaired.

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

All loans are individually evaluated for impairment when loans are classified as substandard by Management. If a loan is considered impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral less estimated disposition costs if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans are collectively evaluated for impairment while they are performing assets. If and when a residential mortgage is placed on nonaccrual status and in the process of collection, such as through a foreclosure action, then they are evaluated for impairment on an individual basis and the loan is reported, net, at the fair value of the collateral less estimated disposition costs.

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

The general component of the allowance covers non-impaired loans and is based primarily on the Bank's historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experience by the Corporation on a weighted average basis over the previous three years. This actual loss experience is adjusted by other qualitative factors based on the risks present for each portfolio segment. These economic factors include consideration of 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 staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

In determining an appropriate amount for the allowance, the Bank segments and evaluates the loan portfolio based on Federal call report codes, which are based on collateral. The following portfolio classes have been identified:

Primary Residential Mortgages. The Bank originates one to four family residential mortgage loans within or near its primary geographic market area. 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; 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 value could drop significantly and cause the value of the property to fall below the loan amount, creating additional potential exposure for the Bank.

Home Equity Lines of Credit. The Bank provides revolving lines of credit against one to four family residences within or near its primary geographic market. Primary risk characteristics associated with 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; divorce or death. In addition, home equity lines of credit typically are made with variable or floating interest rates, such as the Prime Rate, which could expose the borrower to higher debt service requirements in a rising interest rate environment. Further, real estate value could drop significantly and cause the value of the property to fall below the loan amount, creating additional potential exposure for the Bank.

Junior Lien Loan on Residence. The Bank provides junior lien loans ("JLL") against one to four family properties within or near its primary geographic market area. Junior liens loans can be either in the form of an amortizing home equity loan or a revolving home equity line of credit. These loans are subordinate to a first mortgage which may be from another lending institution. Primary risk characteristics associated with junior lien 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; divorce or death. Further, real estate value could drop significantly and cause the value of the property to fall below the loan amount, creating additional potential exposure for the Bank.

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Multifamily and Commercial Real Estate Loans. The Bank provides mortgage loans for multifamily properties (i.e. buildings which have five or more residential units) and other commercial real estate that is either owner occupied or managed as an investment property. Commercial real estate properties primarily include office and medical buildings, retail space, and warehouse or flex space. Some properties are considered "mixed use" as they are a combination of building types, such as an apartment building that may also have retail space. Multifamily loans are expected to be repaid from the cash flow of the underlying property so the collective amount of rents must be sufficient to cover all operating expenses, property management and maintenance, taxes and debt service. Increases in vacancy rates, interest rates or other changes in general economic conditions can all have an impact on the borrower and their ability to repay the loan. Commercial real estate loans are generally considered to have a higher degree of credit risk than multifamily loans 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 and equipment. Commercial and industrial loans are typically repaid first by the cash flow generated by the borrower's business operation. The primary risk characteristics are specific to the underlying business and its ability to generate sustainable profitability and resulting positive cash flow. Factors that may influence a business's profitability include, but are not limited to, demand for its products or services, quality and depth of management, degree of competition, regulatory changes, and general economic conditions. Commercial and industrial loans are generally secured by business assets; however, the ability of the Bank to foreclose and realize sufficient value from the assets is often highly uncertain.

Commercial Construction. The Bank has substantially wound down its commercial construction lending activity given the current economic environment. New construction loans would be considered only to experienced and reputable local builders and developers that have the capital and liquidity to carry a project to completion and stabilization. Construction loans are considered riskier than commercial financing on improved and established commercial real estate. The risk of potential loss increases if the original cost estimates or time to complete are significantly underestimated.

Consumer and Other. These are loans to individuals for household, family and other personal expenditures as well as obligations of states and political subdivisions in the U.S. This also represents all other loans that cannot be categorized in any of the previous mentioned loan segments.

Stock-Based Compensation: The Corporation's 2006 Long-Term Stock Incentive Plan and 2012 Long-Term Stock Incentive Plan as amended allow the granting of shares of the Corporation's common stock as incentive stock options, nonqualified stock options, restricted stock awards and stock appreciation rights to directors, officers, employees and independent contractors of the Corporation and its Subsidiaries. The options granted under these plans are exercisable 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 Corporation recorded total compensation cost for stock options of $85 thousand for both of the three months ended March 31, 2013 and 2012, with a recognized tax benefit of $15 thousand for both periods. There was approximately $833 thousand of unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Corporation's stock incentive plans at March 31, 2013. That cost is expected to be recognized over a weighted average period of 1.7 years.

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For the Corporation’s stock option plans, changes in options outstanding during the three months ended March 31, 2013 were as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In Thousands)
Balance, January 1, 2013	613,507	$ 22.37		
Granted during 2013	67,850	14.66		
Exercised during 2013	(200)	10.72		
Expired during 2013	(32,483)	26.52		
Forfeited during 2013	(786)	12.92		
Balance, March 31, 2013	647,888	$ 21.37	4.44 years	$ 613
Vested and expected to vest (1)	616,506	$ 21.79	4.44 years	$ 271
Exercisable at March 31, 2013	473,544	$ 24.35	2.86 years	$ 77

(1) Does not include shares which are not expected to vest as a result of anticipated forfeitures.

The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the Corporation’s closing stock price on the last trading day of the first quarter of 2013 and the exercise price, multiplied by the number of in-the-money options). The Corporation’s closing stock price on March 31, 2013 was $14.91.

For the first quarter of 2013, the per share weighted-average fair value of stock options granted was $5.19 as compared to $3.82 for the same quarter of 2012 on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Three Months Ended March 31,	
	2013	2012
Dividend Yield	1.34 %	1.48 %
Expected volatility	39 %	39 %
Expected life	7 years	7 years
Risk-free interest rate	1.10 %	1.43 %

The Corporation also awards restricted stock to certain executives at a fair value equal to the fair value of the Corporation’s common stock on the date of the grant. The awards may vest fully during a period of up to five years after the date of award.

For the three months ended March 31, 2013 and 2012, the Corporation recorded total compensation cost for restricted shares of $83 thousand and $111 thousand, respectively. As of March 31, 2013, there was approximately $1.1 million of unrecognized compensation cost related to non-vested restricted stock awards granted under the Corporation's stock incentive plans. That cost is expected to be recognized over a weighted average period of 1.8 years.

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Changes in non-vested, restricted common shares for 2013 were as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2013	82,717	$ 12.87
Granted during 2013	38,156	14.58
Vested during 2013	(19,035)	13.48
Balance, March 31, 2013	101,838	$ 13.07

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

	Three Months Ended March 31,	
(In thousands, except per share data)	2013	2012
Net income to common shareholders	$2,893	$2,609
Basic weighted-average common shares outstanding	8,870,559	8,771,265
Plus: common stock equivalents	49,857	20,569
Diluted weighted-average common shares outstanding	8,920,416	8,791,834
Net income per common share		
Basic	$0.33	$0.30
Diluted	0.32	0.30

Stock options and restricted stock totaling 485,077 and 618,779 shares were not included in the computation of diluted earnings per share in the first quarters of 2013 and 2012, respectively, because they were considered antidilutive.

Income Taxes: The Corporation files a consolidated Federal income tax return and separate state income tax returns for each subsidiary based on current laws and regulations.

The Corporation is no longer subject to examination by the U.S. Federal tax authorities for years prior to 2009 or by New Jersey tax authorities for years prior to 2008.

The Corporation recognizes interest related to income tax matters as interest expense and penalties related to income tax matters as other expense. The Corporation did not have any amounts accrued for interest and penalties at March 31, 2013.

Reclassification: Certain reclassifications may have been made in the prior periods' financial statements in order to conform to the 2013 presentation.

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2. INVESTMENT SECURITIES AVAILABLE FOR SALE

A summary of amortized cost and approximate fair value of securities available for sale included in the consolidated statements of condition as of March 31, 2013 and December 31, 2012 follows:

	March 31, 2013			
(In thousands)	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. government-sponsored entities	$27,995	$ 2	$ (6)	27,991
Mortgage-backed securities – residential	194,166	5,713	(49)	199,830
State and political subdivisions	48,816	1,173	(1)	49,988
Single-issuer trust preferred security	2,999	—	(614)	2,385
CRA investment	3,000	40	—	3,040
Marketable equity securities	210	4	—	214
Total	$277,186	$ 6,932	$ (670)	$283,448

	December 31, 2012			
(In thousands)	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. government-sponsored entities	$26,647	$ 200	$ (2)	$26,845
Mortgage-backed securities – residential	215,092	6,366	(18)	221,440
State and political subdivisions	49,262	1,372	(2)	50,632
Single-issuer trust preferred security	2,999	—	(710)	2,289
CRA investment	3,000	62	—	3,062
Marketable equity securities	210	1	—	211
Total	$297,210	$ 8,001	$ (732)	$304,479

The following tables present the Corporation's available for sale securities with continuous unrealized losses and the approximate fair value of these investments as of March 31, 2013 and December 31, 2012.

	March 31, 2013					
	Duration of Unrealized Loss					
	Less than 12 Months		12 Months or Longer		Total	
(In thousands)	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
U.S. government sponsored entities	$17,989	$ (6)	$ —	$ —	$17,989	$ (6)
Mortgage-backed securities -						

residential	9,561	(46)	91	(3)	9,652	(49)
State and political subdivisions	347	(1)	—	—	347	(1)
Single-issuer trust preferred security	—	—	2,385	(614)	2,385	(614)
Total	$27,897	$ (53)	$ 2,476	$ (617)	$30,373	$ (670)

	December 31, 2012					
	Duration of Unrealized Loss					
	Less than 12 Months		12 Months or Longer		Total	
(In thousands)	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
U.S. government sponsored Entities	$4,998	$ (2)	$ —	$ —	$4,998	$ (2)
Mortgage-backed securities-residential	8,433	(17)	95	(1)	8,528	(18)
State and political subdivisions	1,290	(2)	—	—	1,290	(2)
Single-issuer trust preferred Security	—	—	2,289	(710)	2,289	(710)
Total	$14,721	$ (21)	$ 2,384	$ (711)	$17,105	$ (732)

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Management believes that the unrealized losses on investment securities available for sale are temporary and due to interest rate fluctuations and/or volatile market conditions rather than the creditworthiness of the issuers. As of March 31, 2013, the Corporation does not intend to sell these securities nor is it likely that it will be required to sell the securities before their anticipated recovery; therefore, none of the securities in unrealized loss position were determined to be other-than-temporarily impaired.

At March 31, 2013, the unrealized loss on the single-issuer trust preferred security of $614 thousand is related to a debt security issued by a large bank holding company that has experienced declines in all its securities due to the turmoil in the financial markets and a merger. The security was downgraded to below investment grade by Moody's and is currently rated Ba1. Management monitors the performance of the issuer on a quarterly basis to determine if there are any credit events that could result in deferral or default of the security. Management believes the depressed valuation is a result of the nature of the security, a trust preferred bond, and the bond's very low yield. As Management does not intend to sell this security nor is it likely that it will be required to sell the security before its anticipated recovery, the security is not considered other-than-temporarily impaired at March 31, 2013.

3. LOANS

Loans outstanding, by general ledger classification, as of March 31, 2013 and December 31, 2012, consisted of the following:

(In thousands)	March 31, 2013	% of Total Loans	December 31, 2012	% of Total Loans
Residential mortgage	$523,051	45.02 %	$ 515,014	45.47 %
Commercial mortgage	455,670	39.22	420,086	37.09
Commercial loans	105,305	9.06	115,372	10.19
Construction loans	9,180	0.79	9,328	0.83
Home equity lines of credit	46,778	4.03	49,635	4.38
Consumer loans, including fixed rate home equity loans	20,782	1.79	21,188	1.87
Other loans	997	0.09	1,961	0.17
Total loans	$1,161,763	100.00%	$ 1,132,584	100.00%

In determining an appropriate amount for the allowance, the Bank segments and evaluates the loan portfolio based on federal call report codes. The following portfolio classes have been identified as of March 31, 2013 and December 31, 2012:

% of % of

(In thousands)	March 31, 2013	Total Loans	December 31, 2012	Total Loans
Primary residential mortgage	$535,339	46.22 %	$ 527,803	46.74 %
Home equity lines of credit	46,773	4.04	49,635	4.40
Junior lien loan on residence	11,761	1.02	11,893	1.05
Multifamily property	180,611	15.59	161,705	14.32
Owner-occupied commercial real estate	85,299	7.36	84,720	7.50
Investment commercial real estate	246,631	21.29	242,586	21.48
Commercial and industrial	28,442	2.46	25,820	2.29
Secured by farmland	205	0.02	207	0.02
Agricultural production loans	13	N/A	14	N/A
Commercial construction loans	9,187	0.79	9,323	0.83
Consumer and other loans	14,051	1.21	15,480	1.37
Total loans	$1,158,312	100.00%	$ 1,129,186	100.00%
Net deferred fees	3,451		3,398	
Total loans including net deferred costs	$1,161,763		$ 1,132,584	

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Included in the totals above for March 31, 2013 are $481 thousand of unamortized discount as compared to $543 thousand of unamortized discount for December 31, 2012.

The following tables present the loan balances by portfolio class, based on impairment method, and the corresponding balances in the allowance for loan losses as of March 31, 2013 and December 31, 2012:

March 31, 2013

(In thousands)	Total Loans Individually Evaluated for Impairment	Ending ALLL Attributable to Loans Individually Evaluated for Impairment	Total Loans Collectively Evaluated for Impairment	Ending ALLL Attributable to Loans Collectively Evaluated for Impairment	Total Loans	Total Ending ALLL
Primary residential mortgage	$ 6,656	$ 337	$ 528,683	$ 3,003	$ 535,339	$ 3,340
Home equity lines of credit	110	—	46,663	260	46,773	260
Junior lien loan on residence	250	—	11,511	63	11,761	63
Multifamily property	—	—	180,611	1,562	180,611	1,562
Owner-occupied commercial real estate	4,678	—	80,621	2,428	85,299	2,428
Investment commercial real estate	5,168	341	241,463	3,931	246,631	4,272
Commercial and industrial	414	306	28,028	841	28,442	1,147
Secured by farmland	—	—	205	3	205	3
Agricultural production	—	—	13	—	13	—
Commercial construction	3,770	—	5,417	114	9,187	114
Consumer and other	—	—	14,051	90	14,051	90
Unallocated	—	—	—	—	—	—
Total ALLL	$ 21,046	$ 984	$ 1,137,266	$ 12,295	$ 1,158,312	$ 13,279

December 31, 2012

	Ending		Ending

(In thousands)	Total Loans Individually Evaluated For Impairment	ALLL Attributable To Loans Individually Evaluated For Impairment	Total Loans Collectively Evaluated For Impairment	ALLL Attributable To Loans Collectively Evaluated For Impairment	Total Loans	Total Ending ALLL Before Allocation	Allocation Of Previous Unallocated ALLL	Total Ending ALLL
Primary residential mortgage	$ 7,155	$ 148	$ 520,648	$ 2,789	$ 527,803	$ 2,937	$ 110	$ 3,047
Home equity lines of credit	110	—	49,525	257	49,635	257	10	267
Junior lien loan on residence	562	240	11,331	71	11,893	311	3	314
Multifamily property	—	—	161,705	1,255	161,705	1,255	50	1,305
Owner-occupied commercial real estate	4,724	—	79,996	2,413	84,720	2,413	96	2,509
Investment commercial real estate	5,173	384	237,413	3,627	242,586	4,011	144	4,155
Commercial and industrial	423	41	25,397	733	25,820	774	29	803
Secured by farmland	—	—	207	3	207	3	—	3
Agricultural production	—	—	14	—	14	—	—	—
Commercial construction	—	—	9,323	231	9,323	231	9	240
Consumer and other	—	—	15,480	89	15,480	89	3	92
Unallocated	—	—	—	454	—	454	(454)	—
Total ALLL	$ 18,147	$ 813	$ 1,111,039	$ 11,922	$ 1,129,186	$ 12,735	$ —	$ 12,735

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Impaired loans include nonaccrual loans of $11.3 million at March 31, 2013 and $11.7 million at December 31, 2012. Impaired loans also include performing residential, commercial mortgage and commercial troubled debt restructured loans of $6.0 million at March 31, 2013 and $6.4 million at December 31, 2012. The allowance allocated to troubled debt restructured loans which are nonaccrual was $270 thousand at March 31, 2013 and the allowance allocated to troubled debt restructured loans which are nonaccrual was $240 thousand at December 31, 2012. All accruing troubled debt restructured loans were paying in accordance with restructured terms as of March 31, 2013. The Corporation has not committed to lend additional amounts as of March 31, 2013 to customers with outstanding loans that are classified as loan restructurings.

The following tables present loans individually evaluated for impairment by class of loans as of March 31, 2013 and December 31, 2012:

March 31, 2013

(In thousands)	Unpaid Principal Balance	Recorded Investment	Specific Reserves	Average Impaired Loans	Interest Income Recognized
With no related allowance recorded:					
Primary residential mortgage	$4,738	$ 3,586	$ —	$4,440	$ 45
Multifamily property	—	—	—	—	—
Owner-occupied commercial real estate	4,957	4,678	—	4,307	51
Investment commercial real estate	332	—	—	—	—
Commercial and industrial	175	72	—	75	1
Commercial Construction	3,770	3,770	—	—	—
Home equity lines of credit	110	110	—	110	2
Junior lien loan on residence	741	250	—	555	9
Consumer and other	—	—	—	—	—
Total loans with no related allowance	$14,823	$ 12,466	$ —	$9,487	$ 108
With related allowance recorded:					
Primary residential mortgage	$3,574	$ 3,070	$ 337	$2,554	$ 54
Owner-occupied commercial real estate	—	—	—	—	—
Investment commercial real estate	5,181	5,168	341	5,171	622
Commercial and industrial	342	342	306	81	2
Junior lien loan on residence	—	—	—	—	—
Total loans with related allowance	$9,097	$ 8,580	$ 984	$7,806	$ 678
Total loans individually evaluated for impairment	$23,920	$ 21,046	$ 984	$17,293	$ 786

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December 31, 2012

(In thousands)	Unpaid Principal Balance	Recorded Investment	Specific Reserves	Average Impaired Loans	Interest Income Recognized
With no related allowance recorded:					
Primary residential mortgage	$ 8,605	$ 6,148	$ —	$ 8,110	$ 384
Multifamily property	—	—	—	185	16
Owner-occupied commercial real estate	4,971	4,723	—	9,575	570
Investment commercial real estate	336	—	—	796	51
Commercial and industrial	432	345	—	640	47
Home equity lines of credit	110	110	—	221	11
Junior lien loan on residence	429	236	—	439	30
Total loans with no related allowance	$ 14,883	$ 11,562	$ —	$ 19,966	$ 1,109
With related allowance recorded:					
Primary residential mortgage	$ 1,056	$ 1,007	$ 148	$ 851	$ 38
Multifamily property	—	—	—	—	—
Owner-occupied commercial real estate	—	—	—	—	—
Investment commercial real estate	5,183	5,173	384	5,013	251
Commercial and industrial	78	78	41	92	74
Junior lien loan on residence	327	327	240	—	8
Commercial construction	—	—	—	194	—
Total loans with related allowance	$ 6,644	$ 6,585	$ 813	$ 6,150	$ 371
Total loans individually evaluated for Impairment	$ 21,527	$ 18,147	$ 813	$ 26,116	$ 1,480

The Corporation did not recognize any income on nonaccruing impaired loans for the three months ended March 31, 2013 and 2012.

The following tables present the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of March 31, 2013 and December 31, 2012:

March 31, 2013

(In thousands)	Nonaccrual	Loans Past Due Over 90 Days And Still Accruing Interest
Primary residential mortgage	$ 5,764	$ —
Home equity lines of credit	110	—
Junior lien loan on residence	250	—
Owner-occupied commercial real estate	4,678	—
Investment commercial real estate	218	—
Commercial and industrial	270	—
Total	$ 11,290	$ —

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	December 31, 2012	
(In thousands)	Nonaccrual	Loans Past Due Over 90 Days And Still Accruing Interest
Primary residential mortgage	$ 6,519	$ —
Home equity lines of credit	110	—
Junior lien loan on residence	562	—
Owner-occupied commercial real estate	4,317	—
Investment commercial real estate	224	—
Total	$ 11,732	$ —

The following tables present the aging of the recorded investment in past due loans as of March 31, 2013 and December 31, 2012 by class of loans, excluding nonaccrual loans:

March 31, 2013

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due
Primary residential mortgage	$ 1,675	$ —	$ —	$ 1,675
Junior lien loan on residence	—	—	—	—
Owner-occupied commercial real estate	—	—	—	—
Commercial and industrial	116	—	—	116
Consumer and other	—	—	—	—
Total	$ 1,791	$ —	$ —	$ 1,791

December 31, 2012

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due
Primary residential mortgage	$ 2,513	$ 203	$ —	$ 2,716
Home equity lines of credit	25	—	—	25
Junior lien loan on residence	31	—	—	31
Owner-occupied commercial real estate	407	—	—	407
Investment commercial real estate	592	—	—	592
Commercial and industrial	15	—	—	15
Total	$ 3,583	$ 203	$ —	$ 3,786

Credit Quality Indicators:

The Corporation categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Corporation analyzes loans individually by classifying the loans as to credit risk. The risk rating analysis of loans is performed (i) when the loan is initially underwritten, (ii) annually for loans in excess of $500,000, (iii) on a random quarterly basis from either internal reviews with the Senior Credit Officer or externally through an independent loan review firm, or (iv) whenever

Management otherwise identifies a potentially negative trend or issue relating to a borrower. In addition, for all loan types, the Corporation evaluates credit quality based on the aging status of the loan, which was previously presented.

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The Corporation uses the following definitions for risk ratings:

Special Mention: Loans subject to special mention have a potential weakness that deserves Management's close attention. If left uncorrected, these 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: Loans classified as substandard 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: Loans classified as doubtful have all the weakness inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The Corporation considers the performance of the loan portfolio and its impact on the allowance for loan losses.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans. As of March 31, 2013, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

(In thousands)	Pass	Special Mention	Substandard	Doubtful
Primary residential mortgage	$525,219	$3,141	$ 6,979	$ —
Home equity lines of credit	46,663	—	110	—
Junior lien loan on residence	11,477	34	250	—
Multifamily property	180,611	—	—	—
Farmland	205	—	—	—
Owner-occupied commercial real estate	74,390	420	10,489	—
Investment commercial real estate	219,439	13,310	13,882	—
Agricultural production loans	13	—	—	—
Commercial and industrial	27,951	26	465	—
Commercial construction	3,863	1,554	3,770	—
Consumer and other loans	14,051	—	—	—
Total	$1,103,882	$18,485	$ 35,945	$ —

As of December 31, 2012, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

(In thousands)	Pass	Special Mention	Substandard	Doubtful
Primary residential mortgage	$517,336	$3,152	$ 7,315	$ —
Home equity lines of credit	49,525	—	110	—
Junior lien loan on residence	11,294	37	562	—
Multifamily property	161,229	476	—	—
Owner-occupied commercial real estate	73,809	334	10,577	—
Investment commercial real estate	216,394	13,237	12,955	—
Agricultural production loans	14	—	—	—

Commercial and industrial	25,191	134	495	—
Secured by farmland	207	—	—	—
Commercial construction	3,999	5,324	—	—
Consumer and other loans	15,480	—	—	—
Total	$1,074,478	$22,694	$ 32,014	$ —

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At March 31, 2013, $21.0 million of the $35.9 million of the substandard loans were also considered impaired as compared to December 31, 2012, when $18.1 million of the $32.0 million of the substandard loans were also impaired.

The activity in the allowance for loan losses for the three months ended March 31, 2013 is summarized below:

(In thousands)	January 1, 2013 Beginning ALLL	Charge-Offs	Recoveries	Provision	March 31, 2013 Ending ALLL
Primary residential mortgage	$ 3,047	$ (63)	$ 12	$ 344	$ 3,340
Home equity lines of credit	267	—	—	(7)	260
Junior lien loan on residence	314	(295)	7	37	63
Multifamily property	1,305	—	11	246	1,562
Owner-occupied commercial real estate	2,509	—	19	(100)	2,428
Investment commercial real estate	4,155	—	6	111	4,272
Agricultural production loans	—	—	—	—	—
Commercial and industrial	803	(15)	10	349	1,147
Secured by farmland	3	—	—	—	3
Commercial construction	240	—	1	(127)	114
Consumer and other loans	92	(2)	3	(3)	90
Total ALLL	$ 12,735	$ (375)	$ 69	$ 850	$ 13,279

The activity in the allowance for loan losses for the three months ended March 31, 2012 is summarized below:

(In thousands)	January 1, 2012 Beginning ALLL	Charge-Offs	Recoveries	Provision	March 31, 2012 Ending ALLL
Primary residential mortgage	$ 2,414	$ (561)	$ —	$ 680	$ 2,533
Home equity lines of credit	204	(91)	—	90	203
Junior lien loan on residence	64	(56)	—	51	59
Multifamily property	705	(354)	—	438	789
Farmland	—	—	—	3	3
Owner-occupied commercial real estate	3,108	(112)	113	435	3,544
Investment commercial real estate	4,181	(56)	—	216	4,341
Agricultural production loans	1	—	—	—	1
Commercial and industrial	1,291	(45)	2	(204)	1,044
Commercial construction	669	(53)	—	(256)	360
Consumer and other loans	78	(17)	3	10	74
Unallocated	508	—	—	37	545
Total ALLL	$ 13,223	$ (1,345)	$ 118	$ 1,500	$ 13,496

Troubled Debt Restructurings:

The Corporation has allocated $434 thousand and $483 thousand of specific reserves, on accruing TDR's, to customers whose loan terms have been modified in troubled debt restructurings as of March 31, 2013 and December 31, 2012, respectively. There were no unfunded commitments to lend additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

During the three month period ending March 31, 2013 and 2012, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

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The following table presents loans by class modified as troubled debt restructurings that occurred during the three month period ending March 31, 2013:

(Dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Primary residential mortgage	2	$ 322	$ 322
Total	2	$ 322	$ 322

The identification of the troubled debt restructured loans did not have a significant impact on the allowance for loan losses. The following table presents loans by class modified as troubled debt restructurings that occurred during the three month period ending March 31, 2012:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Primary Residential Mortgage	2	$ 350	$ 350
Junior Lien on Residence	1	258	258
Owner-Occupied Commercial Real Estate	1	2,241	2,241
Total	4	$ 2,849	$ 2,849

The following table presents loans by class modified as troubled debt restructurings for which there was a payment default, within twelve months of modification, during the three month period ended March 31, 2013:

(Dollars in thousands	Number of Contracts	Recorded Investment
Owner-occupied commercial real estate	1	406
Commercial and industrial	1	$ 270
Total	2	$ 676

The following table presents loans by class modified as troubled debt restructurings from April 1, 2011 through March 31, 2012 for which there was a payment default during the same period:

	Number of Contracts	Recorded Investment
Owner-Occupied Commercial Real Estate	1	$ 412
Total	1	$ 412

The defaults that occurred during the three months ended March 31, 2013 and 2012 did not have a significant impact on the allowance for loan losses.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Corporation's internal underwriting policy. At the time a loan is restructured, the Bank performs a full re-underwriting analysis, which includes, at a minimum, obtaining current financial statements and tax returns, copies of all leases, and an updated independent appraisal of the property. A loan will continue to accrue interest if it can be reasonably determined that the borrower should be able to perform under the modified terms, that the loan has not been chronically delinquent (both to debt service and real estate taxes) or in nonaccrual status since its inception, and that there have been no charge-offs on the loan. Restructured loans with previous charge-offs would not accrue interest at the time of the troubled debt restructuring. At a minimum, six months of contractual payments would need to be made on a restructured loan before returning a loan to accrual status. Once a loan is classified as a TDR, the loan is reported as a TDR until the loan is paid in full, sold or charged-off. In rare circumstances, a loan may be removed from TDR status, if it meets the requirements of ASC 310-40-50-2.

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4. FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

Advances from the Federal Home Loan Bank of New York (FHLB) totaled $12.1 million and $12.2 million at March 31, 2013 and December 31, 2012, respectively, with a weighted average interest rate of 3.03 percent for both periods. At March 31, 2013 advances totaling $99 thousand with a weighted average interest rate of 3.73 percent were amortizing advances with monthly payments of principal and interest. These advances are secured by blanket pledges of certain 1-4 family residential mortgages totaling $46.3 million at March 31, 2013.

Also at March 31, 2013, the Corporation had $12.0 million in variable rate advances, with a weighted average interest rate of 3.01 percent, that are noncallable for two or three years and then callable quarterly with final maturities of ten years from the original date of the advance. All of these advances are beyond their initial noncallable periods. These advances are secured by pledges of investment securities totaling $12.7 million at March 31, 2013.

There were no overnight borrowings at March 31, 2013 and December 31, 2012.

The final maturity dates of the advances and other borrowings are scheduled as follows:

(In thousands)	
2013	$99
2014	—
2015	—
2016	—
2017	3,000
Over 5 years	9,000
Total	$12,099

5. BUSINESS SEGMENTS

The Corporation assesses its results among two operating segments, Banking and PGB Trust & Investments. 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, commercial real estate, residential and consumer lending activities; deposit generation; operation of ATMs; telephone and internet banking services; merchant credit card services and customer support and sales.

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PGB Trust & Investments

PGB Trust & Investments includes asset management services provided for individuals and institutions; personal trust services, including services as executor, trustee, administrator, custodian and guardian; corporate trust services including services as trustee for pension and profit sharing plans; and other financial planning and advisory services.

The following table presents the statements of income and total assets for the Corporation's reportable segments for the three months ended March 31, 2013 and 2012.

	Three Months Ended March 31, 2013		
(In thousands)	Banking	PGB Trust & Investments	Total
Net interest income	$ 11,392	$ 1,035	$ 12,427
Noninterest income	2,088	3,516	5,604
Total income	13,480	4,551	18,031
Provision for loan losses	850	—	850
Salaries and benefits	5,790	1,289	7,079
Premises and equipment expense	2,157	147	2,304
Other noninterest expense	1,672	1,238	2,910
Total noninterest expense	10,469	2,674	13,143
Income before income tax expense	3,011	1,877	4,888
Income tax expense	1,229	766	1,995
Net income	$ 1,782	$ 1,111	$ 2,893
Total assets for period end	$ 1,633,949	$ 1,383	$ 1,635,332

	Three Months Ended March 31, 2012		
(In thousands)	Banking	PGB Trust & Investments	Total
Net interest income	$ 12,035	$ 856	$ 12,891
Noninterest income	1,475	3,248	4,723
Total income	13,510	4,104	17,614
Provision for loan losses	1,500	—	1,500
Salaries and benefits	4,875	1,238	6,113
Premises and equipment expense	2,192	139	2,331
Other noninterest expense	1,695	941	2,636
Total noninterest expense	10,262	2,318	12,580
Income before income tax expense	3,248	1,786	5,034
Income tax expense	1,259	692	1,951
Net income	$ 1,989	$ 1,094	$ 3,083
Total assets for period end	$ 1,578,169	$ 1,371	$ 1,579,540

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6. 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 that 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 as asset or liability.

The Corporation 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, if available (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).

Loans Held for Sale, at Lower of Cost or Fair Value: The fair value of this category of loans held for sale is determined using the lower of book value or estimated sale price as calculated by a third-party broker for each loan (Level 2).

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan 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. 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 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 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 appraisal and other factors. For each collateral dependent impaired loans 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 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. As of March 31, 2013, all collateral dependent impaired loans and other real estate owned valuations were supported by an appraisal less than 12 months old.

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

Assets Measured on a Recurring Basis

	Fair Value Measurements Using			
(In thousands)	March 31, 2013	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 entities	$27,991	$ —	$ 27,991	$ —
Mortgage-backed securities-residential	199,830	—	199,830	—
State and political subdivisions	49,988	—	49,988	—
Single-Issuer Trust Preferred	2,385	—	2,385	—
CRA investment fund	3,040	3,040	—	—
Marketable equity securities	214	214	—	—
Total	$283,448	$ 3,254	$ 280,194	$ —

(In thousands)	December 31, 2012			
Assets:				
Available for sale:				
U.S. government-sponsored entities	$ 26,845	$—	$26,845	$—
Mortgage-backed securities-residential	221,440	—	221,440	—
State and political subdivisions	50,632	—	50,632	—
Single-Issuer Trust Preferred	2,289	—	2,289	—
CRA investment fund	3,062	3,062	—	—
Marketable equity securities	211	211	—	—
Total	$ 304,479	$3,273	$301,206	$—

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Residential loans held for sale, at fair value, totaled $1.8 million and $6.5 million as of March 31, 2013 and December 31, 2012, respectively, and were determined to be Level 2.

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2013.

The following table summarizes, for the periods indicated, assets measured at fair value on a non-recurring basis:

Assets Measured on a Non-Recurring Basis

	Fair Value Measurements Using			
(In thousands)	March 31, 2013	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans:				
Primary residential mortgage	$ 2,224	$ —	$ —	$ 2,224
Investment commercial real estate	154	—	—	154
(In thousands)	December 31, 2012			
Assets:				
Impaired loans:				
Primary residential mortgage	$ 346	$ —	$ —	$ 346
Investment commercial real estate	160	—	—	160
Loans held for sale:				
Primary residential mortgage	592	—	592	—
Multifamily	282	—	282	—
Owner-occupied commercial mortgage	5,960	—	5,960	—
Investment commercial real estate	6,652	—	6,652	—
Commercial and industrial	263	—	263	—
OREO	1,990	—	—	1,990

Impaired loans that are measured for impairment using the fair value of the collateral for collateral dependent loans, had a recorded investment of $2,657 thousand, with a valuation allowance of $279 thousand at March 31, 2013. Impaired loans that are measured for impairment using the fair value of the collateral for collateral dependent loans, had a recorded investment of $596 thousand, with a valuation allowance of $90 thousand at December 31, 2012.

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The carrying amounts and estimated fair values of financial instruments at March 31, 2013 are as follows:

		Fair Value Measurements at March 31, 2013 Using			
(In thousands)	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$99,277	$96,331	$2,946	$—	$99,277
Securities available for sale	283,448	3,254	280,194	—	283,448
FHLB and FRB stock	4,643	—	—	—	N/A
Loans held for sale	1,828	—	1,828	—	1,828
Loans, net of allowance for loan losses	1,148,484	—	—	1,150,536	1,150,536
Accrued interest receivable	3,768	—	886	2,882	3,768
Financial liabilities					
Deposits	$1,481,104	$1,306,770	$175,942	$—	$1,482,712
Federal home loan bank advances	12,099	—	13,318	—	13,318
Accrued interest payable	297	34	263	—	297

The carrying amounts and estimated fair values of financial instruments at December 31, 2012 are as follows:

		Fair Value Measurements at December 31, 2012 Using			
(In thousands)	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$119,228	$116,284	$2,944	$—	$119,228
Securities available for sale	304,479	3,273	301,206	—	304,479
FHLB and FRB stock	4,639	—	—	—	N/A
Loans held for sale	20,210	—	20,210	—	20,210
Loans, net of allowance for loan losses	1,119,849	—	—	1,120,537	1,120,537
Accrued interest receivable	3,864	—	958	2,906	3,864
Financial liabilities					
Deposits	$1,516,427	$1,337,855	$180,505	$—	$1,518,360
Federal home loan bank advances	12,218	—	13,518	—	13,518
Accrued interest payable	306	37	269	—	306

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

Cash and cash equivalents: The carrying amounts of cash and short-term instruments approximate fair values and are classified as either Level 1 or Level 2.

FHLB and FRB stock: It is not practicable to determine the fair value of FHLB or FRB stock due to restrictions placed on its transferability.

Loans: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of

similar credit quality resulting in a Level 3 classification. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Deposits: The fair values disclosed for demand deposits (e.g., interest and noninterest checking, savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date, (i.e., the carrying amount) resulting in a Level 1 classification. The carrying amounts of certificates of deposit approximate the fair values at the reporting date resulting in Level 2 classification. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

Overnight borrowings: The carrying amounts of overnight borrowings, generally maturing within ninety days, approximate their fair values resulting in a Level 2 classification.

Federal Home Loan Bank advances: The fair values of the Corporation's loan-term borrowings are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

Accrued interest receivable/payable: The carrying amounts of accrued interest approximate fair value resulting in a Level 2 or Level 3 classification.

Off-balance sheet instruments: Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

7. OTHER OPERATING EXPENSES

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

	Three Months Ended March 31,	
(In thousands)	2013	2012
FDIC assessment	$ 280	$ 352
Trust department expense	494	395
Professional and legal fees	501	233
Loan expense	193	184
Other operating expenses	1,442	1,472
Total other operating expenses	$ 2,910	$ 2,636

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following is a summary of the accumulated other comprehensive income balances, net of tax, for the three months ended March 31, 2013 and 2012:

(In thousands)	Balance at December 31, 2012	Current Quarter Change	Balance at March 31, 2013
Unrealized gains on securities available for sale	$ 4,299	$ (595)	$ 3,704
Other-than-temporary impairment on securities held to maturity and securities transferred from available for sale to held to maturity	—	—	—
Total	$ 4,299	$ (595)	$ 3,704

	Balance at December 31, 2011	Current Year Change	Balance at March 31, 2012
Unrealized Gains/(Losses) on Securities Available for Sale	$ 3,206	$ (293)	$ 2,913
Other-Than-Temporary Impairment on Securities Held to Maturity and			

Transfer of securities From Available for Sale to Held to Maturity	(3,102)		33	(3,069)
Total	$ 104		$ (260)	$ (156)

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Item 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

GENERAL: The following discussion and analysis contains 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 view of future interest income and net loans, Management's confidence and strategies and Management's expectations about new and existing programs and products, relationships, opportunities and market conditions. These statements may be identified by such forward-looking terminology as "expect", "look", "believe", "anticipate", "may", "will", or similar statements or variations of such terms. Actual results may differ materially from such forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, those risk factors identified in the Corporation's Form 10-K for the year ended December 31, 2012 and the following:

- a continued or unexpected decline in the economy, in particular in our New Jersey market area;
- declines in value in our investment portfolio;
- higher than expected increases in our allowance for loan losses;
- higher than expected increases in loan losses or in the level of nonperforming loans;
- unexpected changes in interest rates;
- inability to successfully grow our business and implement our strategic plan;
- inability to manage our growth;
- a continued or unexpected 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 and related regulations) subject us to additional regulatory oversight which may result in increased compliance costs;
- successful cyber attacks against our IT infrastructure or that of our IT providers;
- higher than expected FDIC insurance premiums;
- lack of liquidity to fund our various cash obligations;
- reduction in our lower-cost funding sources;
- our inability to adapt to technological changes;
- claims and litigation pertaining to fiduciary responsibility, environmental laws and other matters; and
- other unexpected material adverse changes in our operations or earnings.

The Corporation assumes no responsibility to update such forward-looking statements in the future even if experience shows that the indicated results or events will not be realized. Although we believe that the expectations reflected in the forward-looking statements are reasonable, the Corporation 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 Corporation's consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires the Corporation to make estimates and judgments that affect the reported amounts of assets,

liabilities, revenues and expenses. Note 1 to the Corporation's Audited Consolidated Financial Statements for the year ended December 31, 2012, contains a summary of the Corporation's significant accounting policies.

Management believes that the Corporation's policy with respect to the methodology for the determination of the allowance for loan losses involves a higher degree of complexity and requires management to make difficult and subjective judgments, which often requires assumptions or estimates about highly uncertain matters. Changes in these judgments, assumption 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.

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The provision for loan losses is based upon Management's evaluation of the adequacy of the allowance, including an assessment of known and inherent risks in the portfolio, giving consideration to the size and composition of the loan portfolio, actual loan loss experience, level of delinquencies, detailed analysis of individual loans for which full collectability may not be assured, the existence and estimated fair value of any underlying collateral and guarantees securing the loans, and current economic and market conditions.

Although Management uses the best information available, the level of the allowance for loan 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 Corporation's allowance for loan losses. Such agencies may require the Corporation to make additional provisions for loan losses based upon information available to them at the time of their examination. Furthermore, the majority of the Corporation's loans are secured by real estate in the State of New Jersey. Accordingly, the collectability of a substantial portion of the carrying value of the Corporation's loan portfolio is susceptible to changes in local market conditions and may be adversely affected should real estate values continue to decline or New Jersey experiences continuing adverse economic conditions. Future adjustments to the allowance for loan losses may be necessary due to economic, operating, regulatory and other conditions beyond the Corporation's control.

The Corporation accounts for its securities in accordance with "Accounting for Certain Investments in Debt and Equity Securities," which was codified into ASC 320. 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. Debt securities are classified as available for sale when they might be sold before maturity due to changes in interest rates, prepayment, risk, liquidity or other factors. Equity securities with readily determinable fair values are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax. As of March 31, 2013 and December 31, 2012, the Corporation no longer had debt securities classified as held to maturity.

For declines in the fair value of securities below their cost that are other-than-temporary, the amount of impairment is split into two components – other-than-temporary impairment related to other factors, which is recognized in other comprehensive income and other-than-temporary impairment related to credit loss, which must be recognized in the income statement. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. In estimating other-than-temporary losses on a quarterly basis, Management considers the length of time and extent that fair value has been less than cost; the financial condition and near-term prospects of the issuer; and whether the Corporation has the intent to sell these securities or it is likely that it will be required to sell the securities before their anticipated recovery.

Securities are evaluated on at least a quarterly basis to determine whether a decline in their values is other-than-temporary. To determine whether a loss in value is other-then-temporary, Management utilizes criteria such as the reasons underlying the decline, the magnitude and the duration of the decline and whether the Corporation intends to sell or is likely to be required to sell the security before its anticipated recovery. "Other-than-temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. The Corporation recognized no other-than-temporary impairment charges in the three months ended March 31, 2013 and 2012.

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EXECUTIVE SUMMARY: The Corporation recorded net income of $2.9 million and $3.1 million for the first quarters of 2013 and 2012, respectively. Diluted earnings per common share, after giving effect for the preferred dividend in 2012, were $0.32 and $0.30 for the first quarters of 2013 and 2012, respectively. Annualized return on average assets was 0.71 percent and annualized return on average common equity was 9.40 percent for the first quarter of 2013. For the 2013 quarter, net income includes an increase in trust fee income and gain on sale of loans, a decline in the provision for loan losses and a decline in the dividends and accretion on preferred stock as a result of the 2012 redemption of the remaining preferred shares issued under the Treasury's CPP, offset by a decrease in net interest income and an increase in operating expenses.

For the first quarter of 2013, net interest income, on a fully tax-equivalent basis, was $12.6 million compared to $13.1 million for the same quarter of 2012, a decline of $488 thousand or 3.7 percent. For the first quarters of 2013 and 2012, the net interest margin, on a fully tax-equivalent basis, was 3.28 percent and 3.54 percent, respectively.

Loans averaged $1.14 billion for the first quarter of 2013, increasing $90.1 million, or 8.6 percent, from $1.05 billion for the same quarter of 2012. The yield on loans was 4.11 percent and 4.53 percent for the first quarters of 2013 and 2012, respectively, a decline of 42 basis points from the 2012 quarter to the 2013 quarter.

Average deposits for the first quarter of 2013, were $1.48 billion as compared to $1.42 billion for the same quarter of 2012, increasing $64.6 million or 4.6 percent. For the first quarter of 2013, the average cost of interest-bearing deposits was 0.27 percent, as compared to 0.37 percent for the same quarter in 2012, a decline of ten basis points.

CONTRACTUAL OBLIGATIONS: For a discussion of our contractual obligations, see the information set forth in the Corporation's 2012 Annual Report on Form 10-K under the heading "Management's Discussion and Analysis – Contractual Obligations" which is incorporated herein by reference.

OFF-BALANCE SHEET ARRANGEMENTS: For a discussion of our off-balance sheet arrangements, see the information set forth in the Corporation's 2012 Annual Report on Form 10-K under the heading "Management's Discussion and Analysis – Off-Balance Sheet Arrangements" which is incorporated herein by reference.

EARNINGS ANALYSIS

NET INTEREST INCOME: The Corporation recorded net interest income, on a tax-equivalent basis, of $12.6 million for the first three months of 2013 as compared to $13.1 million for the same period of 2012, a decrease of $488 thousand or 3.7 percent. The net interest margin was 3.28 percent and 3.54 percent, for the first quarters of 2013 and 2012, respectively. Net interest income and the net interest margin for the first quarter of 2013 reflected declines from the same quarter last year, due to the effect of the lower market yields, which compressed asset yields more than deposit costs. Additionally, a much higher overnight cash balance position maintained during the 2013 quarter also contributed to the compressed margin. Partially offsetting these effects, net interest income and margin were benefitted in the 2013 quarter by the positive effect of increased loans funded by cash flows from lower yielding investment securities.

Average interest-earning deposits totaled $77.6 million for the first quarter of 2013 compared to an average of $22.0 million for the same quarter of 2012, reflecting an increase of $55.6 million, as the Company maintained a higher overnight cash position in the 2013 period in anticipation of funding future loan volumes. Average investments totaled $298.4 million for the first quarter of 2013, declining $101.7 million, or 25.4 percent, from the $400.1 million recorded for the same quarter of 2012. The decline in investments primarily funded loan growth.

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For the first quarters of 2013 and 2012, average loans totaled $1.14 billion and $1.05 billion for the first quarters of 2013 and 2102, respectively, increasing $90.1 million, or 8.6 percent, when comparing the 2013 quarter to the 2012 quarter. Much of the growth was in the commercial mortgage portfolio which increased $93.2 million, or 27.6 percent, from the year ago period, averaging $431.2 million. The Corporation has increased its emphasis on multifamily lending, as well as continuing to provide mortgage loans on a variety of properties to creditworthy borrowers. While the Company utilizes attractive pricing techniques to generate additional volume, credit standards have not been compromised.

The residential mortgage portfolio increased to an average of $521.6 million, or 1.9 percent, for the first quarter of 2013 over the same quarter of 2012. While residential mortgage originations continued to be very strong due to the lower interest rate environment and related refinancing activity, the Company sells a large portion of its longer-duration originations.

The commercial construction portfolio has continued to decline, averaging $9.2 million in the first quarter of 2013, declining $4.1 million, or 31.0 percent, from the same period in 2012, due to the conversion of some loans to permanent loans and also due to the resolution of some problem loans. The commercial loan portfolio averaged nearly $111.5 million in the first quarter of 2013 and $120.5 million for the same quarter in 2012, a decline of $9.0 million, or 7.5 percent, compared to the first quarter of 2012. The above changes in the loan portfolios are due in part to the Corporation’s transfer of $19.2 million of classified loans to loans held for sale. The loans were subsequently sold in the first quarter of 2013, resulting in a gain of approximately $522 thousand.

Average deposits totaled $1.48 billion for the three months ended March 31, 2013 as compared to $1.42 billion for the same period in 2012, an increase of $64.6 million, or 4.6 percent. For the first quarters of 2013 and 2012, interest-bearing checking accounts averaged $350.5 million and $336.5 million, respectively, increasing by $13.9 million, or 4.1 percent from the prior year period. Noninterest-bearing demand deposits increased $15.7 million, or 5.7 percent, over the first quarter of 2012 to an average of $290.8 million for the first quarter of 2013. Checking growth is attributable to the Corporation’s continued focus on business and personal core deposit growth. Savings accounts averaged $110.7 million for the first quarter of 2013, increasing $15.9 million or 16.8 percent from the same quarter of 2012. For the first quarter of 2013, money market accounts averaged nearly $552.9 million as compared to $516.4 million for the same period in 2012, increasing $36.5 million, or 7.1 percent. Overall, the Corporation has seen an increase in savings and money market accounts as customers tend to ”park funds” in a lower or uncertain interest rate environment, to wait for a higher or a more certain rate environment. Average certificates of deposit totaled $176.6 million and $194.0 million, for the first quarters of 2013 and 2012 respectively, decreasing $17.4 million, or 9.0 percent, over the 2012 quarter. The Corporation has opted not to pay higher rates on maturing certificates of deposit. The Corporation believes it has ample liquidity from core deposits, principal paydowns on loans and maturing or called investments.

For the first quarter of 2013, there were no average overnight borrowings from the Federal Home Loan Bank of New York while they averaged $19.6 million for the same quarter of 2012. Average other borrowings totaled $12.1 million for the first quarter of 2013, declining $5.5 million, or 31.0 percent when compared to the same quarter of 2012, as maturing borrowings were not replaced.

On a tax-equivalent basis, average yields on interest-earning assets declined 36 basis points to 3.54 percent for the first quarter of 2013 from 3.90 percent for the same quarter of 2012. For the first quarters of 2013 and 2012, average yields earned on investments securities were 2.15 percent and 2.43 percent, respectively, a decline of 28 basis points. The average yield on the loan portfolio was 4.11 percent for the first quarter of 2013, declining 42 basis points from the same quarter in 2012. Asset yields continue to experience downward pressure due to the lower rate environment, as well as competitive pressures.

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The cost of funds, including the effect of noninterest-earning demand deposits, was 27 basis points for the first quarter of 2013 as compared to 36 basis points for the same 2012 quarter, decreasing nine basis points. The average cost of interest-bearing checking deposits was nine basis points in the first quarter of 2013, as compared to 13 basis points in the same period in 2012, a decline of four basis points. The cost of money market products averaged 15 basis points and 24 basis points, for the first quarters of 2013 and 2012, respectively, declining nine basis points when comparing the 2013 quarter to the 2012 quarter. Certificates of deposit costs averaged 1.13 percent in the first quarter of 2013, as compared to 1.23 percent for the same quarter of 2012, declining ten basis points, from the prior year period. The continued lower rate environment contributed to the declines in costs of deposits.

The Corporation's net interest margin was 3.28 percent for the first quarter of 2013 as compared to 3.54 percent for the first quarter of 2012, a decline of 26 basis points. As previously noted, the net interest margin for the 2013 quarter reflected declines from the same quarter last year, due to the effect of the lower market yields, which compressed asset yields more than deposit costs. Additionally, a much higher overnight cash balance position maintained during the first quarter of 2013 also contributed to the compressed margin. Partially offsetting these effects, net interest margin was benefitted in the current quarter by the positive effect of increased loans funded by cash flows from lower yielding investment securities.

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The following tables reflect the components of net interest income for the periods indicated:

Average Balance Sheet

Unaudited

Three Months Ended

(Tax-Equivalent Basis, Dollars in Thousands)

	March 31, 2013			March 31, 2012		
	Average Balance	Income/ Expense	Yield	Average Balance	Income/ Expense	Yield
ASSETS:						
Interest-earning assets:						
Investments:						
Taxable (1)	$248,641	$1,277	2.05 %	$350,306	$2,052	2.34 %
Tax-exempt (1) (2)	49,749	325	2.61	49,843	381	3.06
Loans held for sale	16,890	196	4.63	1,602	23	5.60
Loans (2) (3)	1,143,056	11,738	4.11	1,052,960	11,917	4.53
Federal funds sold	101	—	0.10	100	—	0.10
Interest-earning deposits	77,612	48	0.25	21,988	17	0.30
Total interest-earning assets	1,536,049	13,584	3.54 %	1,476,799	14,390	3.90 %
Noninterest-earning assets:						
Cash and due from banks	5,833			7,687		
Allowance for loan losses	(13,075)			(13,753)		
Premises and equipment	29,808			31,751		
Other assets	75,111			78,781		
Total noninterest-earning assets	97,677			104,466		
Total assets	$1,633,726			$1,581,265		
LIABILILIES:						
Interest-bearing deposits:						
Checking	$350,483	$79	0.09 %	$336,541	$113	0.13 %
Money markets	552,863	214	0.15	516,357	304	0.24
Savings	110,662	14	0.05	94,732	29	0.12
Certificates of deposit	176,551	500	1.13	193,992	596	1.23
Total interest-bearing deposits	1,190,559	807	0.27	1,141,622	1,042	0.37
Borrowings	12,139	92	3.03	37,237	172	1.85
Capital lease obligation	8,936	106	4.74	9,145	109	4.77
Total interest-bearing liabilities	1,211,634	1,005	0.33	1,188,004	1,323	0.45
Noninterest-bearing liabilities:						
Demand deposits	290,835			275,157		
Accrued expenses and other liabilities	8,107			6,407		
Total noninterest-bearing liabilities	298,942			281,564		

Shareholders’ equity	123,150			111,697		
Total liabilities and shareholders’ equity	$1,633,726			$1,581,265		
Net interest income (tax-equivalent basis)		12,579			13,067	
Net interest spread			3.21 %			3.45 %
Net interest margin (4)			3.28 %			3.54 %
Tax equivalent adjustment		(152)			(176)	
Net interest income		$12,427			$12,891	

(1) Average balances for available for sale securities are based on amortized cost.
(2) Interest income is presented on a tax-equivalent basis using a 35 percent federal tax rate.
(3) Loans are stated net of unearned income and include nonaccrual loans.
(4) Net interest income on a tax-equivalent basis as a percentage of total average interest-earning assets.

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OTHER INCOME: For the first quarter of 2013 and 2012, other income, excluding fee income from PGB Trust & Investments, totaled $2.2 million and $1.5 million, respectively, an increase of $689 thousand or 44.5 percent. The first quarter of 2013 included $470 thousand of income from the sale of newly originated, longer-duration residential mortgage loans, compared to $188 thousand in the same 2012 quarter. The increase was due to a balance sheet management decision to retain less longer-duration loans in the portfolio, as well as a decision to target a higher sale price. The first quarter of 2013 also included a $522 thousand gain from the March sale of the Company's classified loans which were transferred to loans held for sale at year end 2012. Partially offsetting these increases, net securities gains of $289 thousand were recorded in the first quarter of 2013 as compared to $390 thousand for the same quarter of 2012.

OPERATING EXPENSES: For the first quarters of 2013 and 2012, the Corporation recorded operating expenses of $12.3 million and $11.1 million, respectively, an increase of $1.2 million or 10.9 percent. Salary and benefit expense was $7.1 million for the first quarter of 2013, as compared to $6.1 million in the same quarter of 2012, an increase of $966 thousand or 15.8 percent, due to additions to staff as we begin to implement the Strategic Plan; increased commissions related to residential loan originations; normal salary increases; and increased bonus/incentive and profit-sharing accruals. Professional and legal fees totaled $501 thousand and $233 thousand, for the first quarters of 2013 and 2012, respectively, an increase of $268 thousand due to various professional and other fees associated with the Delaware subsidiary; the Amended Stock Incentive Plan; the "Shelf Registration" (defined later); and various training and consulting, some of which was associated with the Strategic Plan. The Company expected higher operating expenses in the first quarter of 2013 and expects that trend to continue as it implements its Strategic Plan. The Company also expects revenue and related profitability associated with the Strategic Plan to generally lag expenses by several quarters.

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

	Three Months Ended March 31,	
(In thousands)	2013	2012
Salaries and employee benefits	$ 7,079	$ 6,113
Premises and equipment	2,304	2,331
FDIC assessment	280	352
Trust department expense	494	395
Professional and legal fees	501	233
Loan expense	193	184
Telephone	172	120
Advertising	105	118
Postage	105	86
Other real estate owned expense	31	149
Other expense	1,029	999
Total operating expenses	$ 12,293	$ 11,080

PGB TRUST & INVESTMENTS: PGB Trust & Investments, a division of the Bank, has served in the roles of executor and trustee while providing investment management, custodial, tax, retirement and financial services to its growing client base. Officers from PGB Trust & Investments are available to provide trust and investment services at the Bank's corporate headquarters in Bedminster, at three branch locations, Clinton, Morristown and Summit, New Jersey and at the Bank's new subsidiary, PGB Trust & Investments of Delaware in Greenville, Delaware.

The market value of trust assets under administration for PGB Trust & Investments was approximately $2.54 billion at March 31, 2013 as compared to $2.06 billion at March 31, 2012.

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PGB Trust & Investments generated fee income of $3.4 million for the first quarter of 2013 as compared to $3.2 million for the same quarter of 2012, an increase of $192 thousand or 6.0 percent. The increase reflects increased relationships, a greater mix of higher margin business and an improvement in the market value of assets under management.

While the "Operating Expenses" section above offers an overall discussion of the corporation's expenses including PGB Trust & Investments, other expenses relative to PGB Trust & Investments totaled $2.7 million and $2.3 million for the first quarters of 2013 and 2012, respectively, an increase of $356 thousand or 15.4 percent. For the first quarter of 2013, salaries and benefits expense increased $51 thousand, or 4.1 percent when compared to the same period in 2012. During the same time periods, total operating expenses increased $297 thousand, or 31.6 percent, due in part to additional tax preparation expenses for clients and increased system expenses related to increased volume.

PGB Trust & Investments currently generates adequate revenue to support the salaries, benefits and other expenses of the Division; however, Management believes that the Bank generates adequate liquidity to support the expenses of the Division should it be necessary.

NONPERFORMING ASSETS: Other real estate owned (OREO), loans past due in excess of 90 days and still accruing, and nonaccrual loans are considered nonperforming assets. These assets totaled $15.4 million and $15.2 million at March 31, 2013 and December 31, 2012, respectively.

The following table sets forth asset quality data on the dates indicated (in thousands):

	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Loans past due over 90 days and still accruing	$ —	$ —	$ —	$—	$ —
Nonaccrual loans	11,290	11,732	16,958	19,011	18,598
Other real estate owned	4,141	3,496	3,392	3,073	3,391
Total nonperforming assets	$ 15,431	$ 15,228	$ 20,350	$22,084	$ 21,989
Accruing TDR's	$ 5,986	$ 6,415	$ 7,625	$7,647	$ 7,842
Loans past due 30 through 89 days and still accruing	$ 1,791	$ 3,786	$ 2,536	$2,836	$ 7,619
Classified loans (A)	$ 35,945	$ 32,014	$ 47,017	$47,102	$ 48,546
Impaired loans (A)	$ 21,046	$ 18,147	$ 24,584	$26,658	$ 26,568
Nonperforming loans as a % of total loans	0.97 %	1.04 %	1.55 %	1.72 %	1.73 %
Nonperforming assets as a % of total assets	0.94 %	0.91 %	1.29 %	1.40 %	1.39 %
Nonperforming assets as a % of total loans plus other real estate owned	1.32 %	1.34 %	1.85 %	1.99 %	2.03 %

(A) Classified loans include all impaired loans. Impaired loans include all nonaccrual loans and all TDRs.

We do not hold, have not made nor invested in subprime loans or “Alt-A” type mortgages.

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PROVISION FOR LOAN LOSSES: The provision for loan losses was $850 thousand and $1.5 million for the first quarters of 2013 and 2012, respectively. The amount of the loan loss provision and the level of the allowance for loan losses are based upon a number of factors including Management’s evaluation of probable losses inherent in the portfolio, after consideration of appraised collateral values, financial condition and past credit history of the borrowers as well as prevailing economic conditions. Commercial credits carry a higher risk profile, which is reflected in Management’s determination of the proper level of the allowance for loan losses.

The provision for loan losses of $850 thousand was primarily related to the changes in the specific reserves on impaired loans, net charge-offs and for the impact of the net charge-off trends and environmental factors on the general reserve.

The overall allowance for loan losses was $13.3 million as of March 31, 2013 as compared to $12.7 million at December 31, 2012. As a percentage of loans, the allowance for loan losses was 1.14 percent as of March 31, 2013 and 1.12 percent as of December 31, 2012. The specific reserves on impaired loans have increased to $984 thousand at March 31, 2013 as compared to $813 thousand as of December 31, 2012. Total impaired loans were $21.0 million and $18.1 million as of March 31, 2013 and December 31, 2012, respectively. The general component of the allowance increased from $11.9 million at December 31, 2012 to $12.3 million at March 31, 2013. As a percentage of non-impaired loans, the general reserve remained relatively stable and was 1.08 percent and 1.07 percent at March 31, 2013 and December 31, 2012, respectively.

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

(In thousands)	March 31, 2013	Dec 31, 2012	Sept 30, 2012	June 30, 2012	March 31, 2012
Allowance for loan losses:					
Beginning of period	$ 12,735	$ 13,893	$ 13,686	$ 13,496	$ 13,223
Provision for loan losses	850	4,525	750	1,500	1,500
Charge-offs, net	(306)	(5,683)	(543)	(1,310)	(1,227)
End of period	$ 13,279	$ 12,735	$ 13,893	$ 13,686	$ 13,496
Allowance for loan losses as a % of total loans	1.14 %	1.12 %	1.27 %	1.24 %	1.25 %
Allowance for loan losses as a % of nonperforming loans	117.62 %	108.55 %	81.93 %	71.99 %	72.57 %

INCOME TAXES: For the first quarter of 2013 income tax expense as a percentage of pre-tax income was 41 percent as compared to 39 percent for the first quarter of 2012.

CAPITAL RESOURCES: The Corporation’s total shareholders’ equity at March 31, 2013, was $124.6 million as compared to $122.1 million at December 31, 2012. The primary reason for the increase is due to an increase in the Corporation’s retained earnings in the first quarter of 2013.

The Corporation, through the Bank, is subject to various regulatory capital requirements administered by the Federal banking regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation and the Bank’s consolidated financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Total and Tier 1 capital to risk-weighted assets and of Tier 1 Capital to average assets. For the first quarter of 2013, the Bank's capital ratios met or exceeded the minimum to be categorized as well capitalized under the regulatory framework for prompt corrective action. Tier 1 Capital consists of common stock, retained earnings, minority interests in the equity accounts of consolidated subsidiaries, non-cumulative preferred stock, and cumulative preferred stock issued to the U.S. Treasury in the Capital Purchase Program, less goodwill and certain other intangibles. The remainder of capital may consist of other preferred stock, certain other instruments and a portion of the allowance for loan loss. At March 31, 2013, the Bank's Tier 1 Capital and Total Capital ratios to risk-weighted assets were 11.96 percent and 13.21 percent, respectively, both in excess of the well-capitalized standards of 6.0 percent and 10.0 percent, respectively.

In addition, the Federal Reserve Board has established minimum leverage ratio guidelines. At March 31, 2013, the Bank's leverage ratio was 7.25 percent, in excess of the well-capitalized standard of 5.0 percent.

At March 31, 2013, the Corporation's Tier 1 Capital and Total Capital ratios to risk-weighted assets were 12.16 percent and 13.41 percent, respectively, while the Corporation's leverage ratio was 7.37 percent.

In addition, the Corporation's common equity ratio at March 31, 2013, was 7.62 percent compared to 7.32 percent at December 31, 2012 and 7.04 percent at March 31, 2012.

As previously announced, on April 18, 2013, the Board of Directors declared a regular cash dividend of $0.05 per share payable on May 16, 2013 to shareholders of record on May 2, 2013.

On April 19, 2013 the Company filed a Form S-3 Registration Statement registering an indeterminate amount of shares/securities not to exceed $50 million, to be issued in the future from time to time at indeterminate prices ("Shelf Registration"). The Shelf Registration will enable the Company to efficiently take advantage of the capital markets from time to time in the future, as needed to support growth associated with the Strategic Plan.

LIQUIDITY: Liquidity refers to an institution's ability to meet short-term requirements including loan fundings, deposit withdrawals and maturing obligations. Principal sources of liquidity include cash, temporary investments, securities available for sale, deposit inflows and loan repayments.

Management actively monitors and manages the Corporation's liquidity position and feels it is sufficient to meet future needs. Cash and cash equivalents, including federal funds sold and interest-earning deposits, totaled $99.3 million at March 31, 2013. In addition, the Corporation has $283.4 million in securities designated as available for sale at March 31, 2013. These securities can be sold in response to liquidity concerns. In addition, the Corporation generates significant liquidity from scheduled and unscheduled principal repayments of loans and mortgage-backed securities.

Another source of liquidity is borrowing capacity. At March 31, 2013, unused short-term or overnight borrowing commitments totaled $478.2 million from the FHLB and $27.3 million from correspondent banks.

RECENT ACCOUNTING PRONOUNCEMENTS:

In February 2013, the FASB issued an Accounting Standards Update ("ASU") to finalize the reporting requirements for reclassifications of amounts out of accumulated other comprehensive income ("AOCI"). Items reclassified out of AOCI to net income in their entirety must have the effect of the reclassification disclosed according to the respective income statement line item. This information must be provided either on the face of the financial statements by income statement line item, or in a footnote. For public companies, the amendments in the update became effective for interim and annual periods beginning on or after December 15, 2012. As of March 31, 2013, the Corporation enhanced its disclosure on the statement of income to comply with this ASU.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to information required regarding quantitative and qualitative disclosures about market risk from the end of the preceding fiscal year to the date of the most recent interim financial statements (March 31, 2013).

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ITEM 4. Controls and Procedures

The Corporation's Chief Executive Officer and Chief Financial Officer, with the assistance of other members of the corporation's management, have evaluated the effectiveness of the Corporation'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. Any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives. Based on such evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures are effective.

The Corporation's Chief Executive Officer and Chief Financial Officer have also concluded that there have not been any changes in the Corporation's internal control over financial reporting during the quarter ended March 31, 2013 that have materially affected, or are reasonable likely to materially affect, the Corporation's internal control over financial reporting.

The Corporation's management, including the CEO and CFO, does not expect that our disclosure controls and procedures of our internal controls will prevent all errors 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; the benefits of controls must be considered relative to their costs. 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 Corporation have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns occur because of simple error or mistake. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by Management override of the controls. 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, control 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.

PART II. OTHER INFORMATION

ITEM 1A. Risk Factors

There were no material changes in the Corporation's risk factors during the three months ended March 31, 2013 from the risk factors disclosed in Part I, Item 1A of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2012.

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

There were no repurchases or unregistered sales of the Corporation's stock during the quarter.

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ITEM 6. Exhibits

3 Articles of Incorporation and By-Laws:
A. Certificate of Incorporation of the Registrant, as amended, incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q filed on November 9, 2009.
B. By-Laws of the Registrant, incorporated herein by reference to the Registrant's Current Report on Form 8-K filed on April 23, 2007 (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 Jeffrey J. Carfora, 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 Jeffrey J. Carfora, Chief Financial Officer of the Corporation.

101 Interactive Data File *

* As provided in Rule 406T of Regulation S-T, this information is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 and 12 of the Securities Act of 1933 and is deemed not filed for the purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

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

PEAPACK-GLADSTONE FINANCIAL CORPORATION
(Registrant)

DATE: May 9, 2013 By: /s/ Douglas L. Kennedy
Douglas L. Kennedy
President and Chief Executive Officer

DATE: May 9, 2013 By: /s/ Jeffrey J. Carfora
Jeffrey J. Carfora
Executive Vice President and Chief Financial Officer and
Chief Accounting Officer

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EXHIBIT INDEX

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