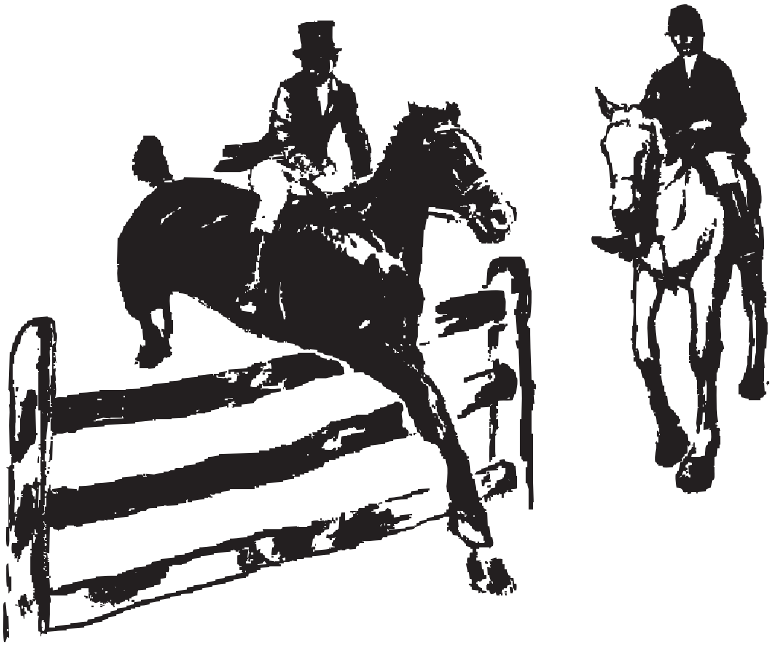
PEAPACK-GLADSTONE

FINANCIAL CORPORATION

2007 ANNUAL REPORT

PEAPACK-GLADSTONE BANK

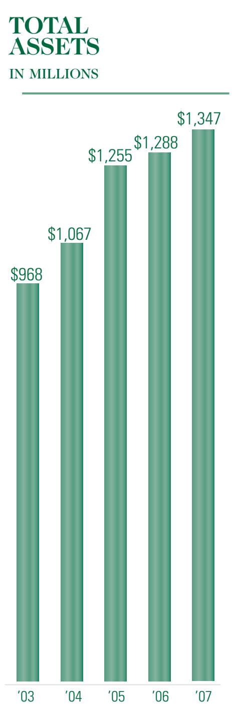
PGB TRUST AND INVESTMENTS

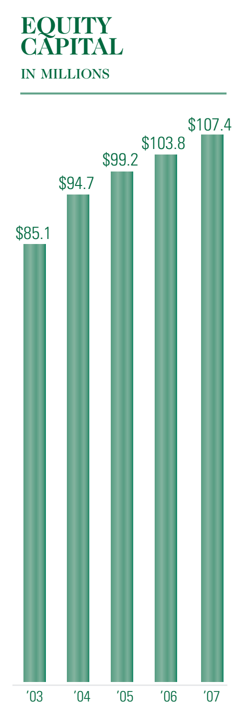


Financial Highlights

(In Thousands, Except Per Share Data)

Selected Year-End Data:	**2007**	2006	2005
Net Income	**$ 11,862**	$ 10,226	$ 13,130
Total Assets	**1,346,976**	1,288,376	1,255,383
Total Deposits	**1,180,267**	1,144,736	1,041,996
Total Securities	**282,083**	338,043	412,946
Total Loans	**981,180**	870,153	768,473
Shareholders' Equity	**107,429**	103,763	99,155
Trust Department Assets (Market Value)	**2,028,232**	1,924,954	1,761,846
Per Share:			
Earnings-Basic	**$ 1.43**	$ 1.24	$ 1.58
Earnings-Diluted	**1.42**	1.22	1.56
Book Value	**12.94**	12.55	11.97
Financial Ratios:			
Return on Average Assets	**0.90%**	0.79%	1.12%
Return on Average Equity	**11.12**	10.10	13.49
Capital Leverage Ratio	**8.59**	8.20	8.66
Risk Based Capital:			
Tier 1	**14.92**	15.33	16.71
Total	**15.91**	16.31	17.78





Dear Shareholders and Friends,

We are delighted to report a 16% increase in earnings for the year 2007 and a 28% increase in the fourth quarter of 2007 vs. the same period in 2006. We have waited patiently for the flat or inverted interest rate yield curve to correct itself. The Federal Reserve Bank began lowering interest rates in September and has continued with recent substantial cuts. A real yield curve is very beneficial to the earnings of our Bank and adds value to the work being done within our balance sheet.

You will recall previous letters and press releases where we have talked about the slow and deliberate restructuring currently underway within our balance sheet. We anticipate growing our commercial lending at a faster rate than our retail business. We look to grow these portfolios in real terms and as a percentage of our total loan portfolios.

We believe that our balance sheet is positioned to make the changes necessary to be successful in this environment. We believe that as we move in this direction, carefully and deliberately, we will be able to deliver substantially better results for our shareholders. It is important that we all understand that a rebalance like this takes time. It does not happen in a few months or quarters. However, it is very exciting that we are beginning to see results as we work into our plan. You will find much more detail in Management's Discussion and Analysis beginning on page 6.

PGB TRUST AND INVESTMENTS

We would also like to write about the great progress in PGB Trust and Investments. They ended the year with more than $2 billion in assets under administration and generated in excess of $9,560,000 in fees for the year.

A second business like this in a Bank our size is an extremely rare asset. The ability to generate substantial non-interest income adds to the quality of our earnings year after year.

Our clients know the value of straight-forward, no-nonsense investment management in these volatile times. They expect service levels not available elsewhere and clear, honest advice to important issues in their lives. Most combine asset management, tax planning and preparation, banking services and borrowing all through their primary contact in PGB Trust and Investments.

We specialize in managing money today to ensure that your goals are met in the future. Goals are established through good planning and they are met with hard work and good execution. It all begins with a phone call to Craig Spengeman or John Bonk.

BRANCHING

Our beautiful new branch in Summit opened this past April and has exceeded our growth expectations. Hundreds of new customers have entrusted us with more than $30,000,000 in new deposits. We are very pleased to be part of this vibrant community.

We have just opened our new branch on Green Village Road in Chatham Township. This branch replaces our small, old office with a full service building, conveniently located just opposite the entrance to Hickory Tree Mall. Access is easy for drive-up windows, drive-up ATM, safe deposit boxes and much, much more. Existing and new customers love the upgrade.

Two other branches are expected to open this year. The first is in the Kings Shopping Center at the intersection of Routes 22 and 523 in Whitehouse and the second will be on Stelton Road in Piscataway. We believe that both are great investments for the future.

PGC STOCK

We know that shareholder value is our most important priority. We have been frustrated by an extremely difficult banking environment and you have been patient. The good news is that Management and the Board is firmly focused on a plan that we believe will reward your patience and create value in the years to come.

The Board increased the quarterly cash dividend in November by $0.01 to $0.16 per share, per quarter. Over the past six years, your cash dividend has increased by 114%. It is our hope that our improvement in earnings and our strong dividend history will motivate current and new shareholders to look favorably on Peapack-Gladstone Financial Corporation. We think we have a great story.

OUTLOOK

As we write this letter at the beginning of February, there are many forces at work in the financial markets. The exact strengths and weaknesses of the overall economy are currently being debated. Circumstances are changing so quickly that we do not believe anyone is certain about where we are in this cycle.

We are sure that sub-prime lending has provided inappropriate, and sometimes irresponsible, credit to some individuals buying homes. As these loans reprice, some of the borrowers are not able to afford the debt service. Most of these loans were packaged together into new securities that have been sold around the world. The distress to the individuals, the overall real estate market and the holders of these securities is playing out now. We are sure that there have been excesses and that they will have to work themselves through the system before real improvement can begin.

We can also reassure shareholders and customers that we did not produce sub-prime mortgages, nor did we purchase any securities collateralized with sub-prime mortgages. We say this directly, not to gloat, but to confirm that sub-prime debt would not have met our longstanding credit standards. The distinction must always be made between lending to low or moderate income individuals and sub-prime debt. Lending to low or moderate income individuals using prudent underwriting standards is great business and we continue to seek it out.

We have been through many cycles and market adjustments before and we will not try to predict the extent of this one. We will continue to be careful as we grow into the future. We are working hard to always exceed your expectations.

Thank you for your continuing support.

Craig C. Spengeman
PRESIDENT & CIO
PGB TRUST & INVESTMENTS

Frank A. Kissel
CHAIRMAN & CEO

Robert M. Rogers
PRESIDENT & COO

Management's Discussion and Analysis

OVERVIEW: The following discussion and analysis is intended to provide information about the financial condition and results of operations of Peapack-Gladstone Financial Corporation and its subsidiaries on a consolidated basis and should be read in conjunction with the consolidated financial statements and the related notes and supplemental financial information appearing elsewhere in this report.

Peapack-Gladstone Financial Corporation (the "Corporation"), formed in 1997, is the parent holding company for Peapack-Gladstone Bank (the "Bank"), formed in 1921, a commercial bank operating 22 branches in Somerset, Hunterdon, Morris and Union counties.

On November 1, 2007, the quarterly cash dividend rate was increased to $0.16 per share or a 7 percent increase over the previous rate of $0.15 per share. The cash dividend rate has increased 114 percent in the past six years.

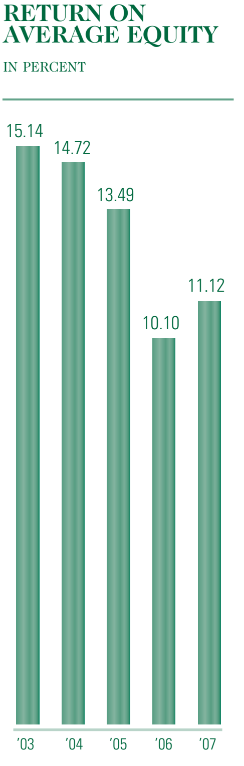
In 2007, the Corporation experienced increasing margins as a result of the increase in the commercial loan portfolios and the balance sheet restructuring completed in the third quarter of 2006. The Federal Reserve decreased the federal funds target rate during the last two quarters of 2007. Loan growth was strong, increasing more than $111.0 million, while deposits increased $35.5 million and securities declined $55.0 million. Net interest income on a tax-equivalent basis rose $2.9 million during the year, which is attributable in large part to increases in interest-earning assets and interest-bearing liabilities. Highly competitive loan and deposit pricing continue to put pressure on the net interest margin. Yields on interest-earning assets increased 32 basis points, while yields on interest-bearing liabilities increased 18 basis points. The net interest margin increased 19 basis points or 7 percent over 2006 levels. As discussed in this Management's Discussion and Analysis section, some of the highlights include:

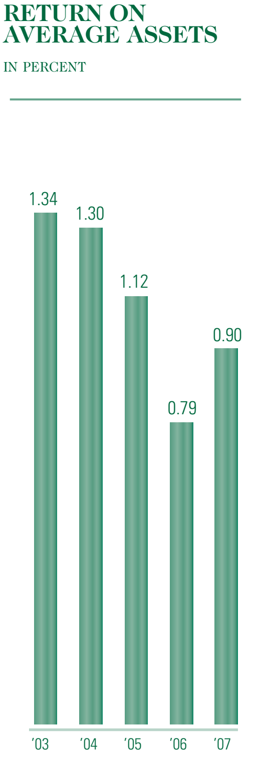
- Total average loans increased $82.1 million or 10 percent from 2006, as average commercial loans increased $60.6 million or 20 percent.
- Net interest margin was 2.95 percent in 2007, an increase of 19 basis points as compared to 2006.
- Total average deposits increased $94.6 million or 9 percent from 2006.
- The Bank opened its 22nd branch, a full-service facility in Summit.
- PGB Trust and Investment assets surpassed $2 billion for the first time.
- Revenues from trust income increased 14 percent from 2006 levels.

Peapack-Gladstone Financial Corporation's common stock trades on the American Stock Exchange under the symbol "PGC".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES: Management's Discussion and Analysis of Financial Condition and Results of Operation 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, 2007, 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 require assumptions or estimates about highly uncertain matters. Changes in these judgments, assumptions or estimates could materially impact results of operations. This critical policy and its application are periodically reviewed with the Audit Committee and the Board of Directors.





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 collectibility may not be assured, the existence and estimated net realizable 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 provision 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 collectibility 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 decline or New Jersey experience an adverse economic shock. Future adjustments to the provision for loan losses may be necessary due to economic, operating, regulatory and other conditions beyond the Corporation's control.

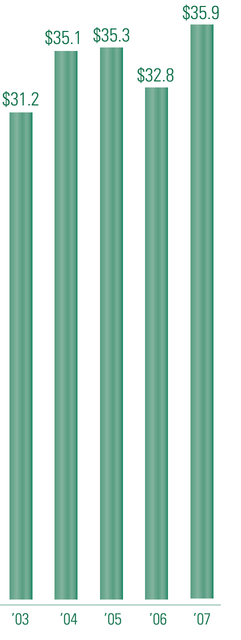
EARNINGS SUMMARY: For the year ended December 31, 2007, the Corporation's net income was $11.9 million, an increase of $1.7 million or 16 percent, as compared to $10.2 million for the year ended December 31, 2006. Earnings per diluted share were $1.42 and $1.22 for the years 2007 and 2006, respectively.

In 2007, these results produced a return on average assets of 0.90 percent as compared to 0.79 percent in 2006 and a return on average shareholders' equity of 11.12 percent as compared to 10.10 percent in 2006.

The Corporation implemented a long-term business plan in 2007, which calls for a shift in the asset mix to place more emphasis on commercial loans and commercial mortgages. The balance sheet is uniquely suited to accommodate a gradual and significant change. Despite the growth in the commercial business, the Corporation's conservative underwriting requirements remain unchanged.

NET INTEREST INCOME

IN MILLIONS



NET INTEREST INCOME: Net interest income is the primary source of the Corporation's operating income. Net interest income is the difference between interest and dividends earned on earning assets and fees earned on loans, and interest paid on interest-bearing liabilities. Earning assets include loans to individuals and businesses, investment securities, interest-earning deposits and federal funds sold. Interest-bearing liabilities include interest-bearing checking, savings and time deposits, Federal Home Loan Bank advances and other borrowings. Net interest income is determined by the difference between the yields earned on earning assets and the rates paid on interest-bearing liabilities ("Net Interest Spread") and the relative amounts of earning assets and interest-bearing liabilities. The Corporation's net interest spread is affected by regulatory, economic and competitive factors that influence interest rates, loan demand and deposit flows and general levels of non-performing assets. Credit quality remained excellent in 2007 as loan delinquencies remained at low levels.

Net interest income, on a fully tax-equivalent basis, rose to $36.8 million from $34.0 million in 2006. Average earning assets increased $16.8 million or one percent from the average balances in 2006 and rates earned on earning assets increased 32 basis points in 2007. Interest expense increased 6 percent over the levels recorded in 2006 on average balances of interest-bearing liabilities that increased $4.7 million. Rates paid in 2007 on interest-bearing liabilities rose 18 basis points over those paid in 2006. Although competition remains strong, interest rates were also influenced by decreases in the federal funds target rates during the last two quarters of 2007. The net interest margin rose to 2.95 percent in 2007 from 2.76 percent in 2006.

On a fully tax-equivalent basis, interest income on earning assets was $73.3 million, an increase of $4.9 million, or 7 percent, over 2006 levels. This increase was primarily due to higher average loans, which rose $82.1 million, offset in part by a decline of $74.4 million in average investments. Rates increased 45 basis points on investments due in part to the maturities of lower yielding bonds. Rates earned on loans increased 17 basis points, reflecting the Corporation's increased emphasis on commercial and construction lending, which yields higher rates.

During the year, interest expense rose $2.0 million due to higher rates paid on interest-bearing deposits. Interest expense on borrowings declined due to volume, but was offset by increases to interest expense due to increased volume of interest-bearing deposits. The overall rate paid on interest-bearing deposits increased 33 basis points to 3.60 percent in 2007 as compared to 3.27 percent in 2006. Rates paid on borrowings declined 74 basis points to 3.92 percent as overall borrowings declined.

On average, our High Yield money market account increased $176.4 million; offsetting the discontinued Fed Tracker money market accounts, which declined by $105.2 million. Certificates of deposit grew $39.8 million on average or 11 percent. The traditional money market and savings products declined, on average $21.6 million and $12.8 million, respectively. Average interest-bearing checking accounts declined $4.5 million or 3 percent over the comparable period in 2006. Average noninterest-bearing demand deposits increased $6.3 million or 4 percent during 2007 as compared to 2006.

Average overnight borrowings decreased $19.5 million during 2007 to $5.4 million. The Corporation decreased short-term borrowings to zero during 2006 as a result of the restructuring initiative and they remained at zero during 2007. Average Federal Home Loan Bank advances declined $3.6 million as the result of maturities and normal principal payments.

The Corporation completed a balance sheet restructuring in the third quarter of 2006, selling $61.6 million of available-for-sale securities that were yielding 4.14 percent. The sale resulted in a before tax charge of approximately $1.9 million and an after tax charge of $1.1 million, or $0.13 per diluted share. The Corporation used a majority of the proceeds from the sale to redeem high cost, short-term borrowings and used approximately $20 million to purchase floating-rate securities. The Corporation continues to experience an improvement in net interest income and net interest margin following the implementation of the restructuring strategy.

The following table compares the average balance sheets, net interest spreads and net interest margins for the years ended December 31, 2007, 2006 and 2005 (fully tax-equivalent-FTE):

	Year Ended December 31, 2007		
(In Thousands, Except Yield Information)	Average Balance	Income/ Expense (FTE)	Yield (FTE)
ASSETS:			
Interest-Earning Assets:			
Investments:			
Taxable (1)	**$ 266,977**	**$ 13,707**	**5.13%**
Tax-Exempt (1) (2)	**55,845**	**2,930**	**5.25**
Loans (2) (3)	**910,485**	**55,970**	**6.15**
Federal Funds Sold	**12,506**	**656**	**5.24**
Interest-Earning Deposits	**804**	**39**	**4.91**
Total Interest-Earning Assets	**1,246,617**	**$ 73,302**	**5.88%**
Noninterest-Earning Assets:			
Cash and Due From Banks	**22,135**		
Allowance for Loan Losses	**(6,945)**		
Premises and Equipment	**25,321**		
Other Assets	**26,519**		
Total Noninterest-Earning Assets	**67,030**		
Total Assets	**$1,313,647**		
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Interest-Bearing Deposits:			
Checking	**$ 133,574**	**$ 1,076**	**0.81%**
Money Markets	**383,279**	**14,700**	**3.84**
Savings	**69,247**	**466**	**0.67**
Certificates of Deposit	**391,922**	**19,004**	**4.85**
Total Interest-Bearing Deposits	**978,022**	**35,246**	**3.60**
Borrowed Funds	**31,568**	**1,237**	**3.92**
Total Interest-Bearing Liabilities	**1,009,590**	**36,483**	**3.61%**
Noninterest-Bearing Liabilities:			
Demand Deposits	**185,909**		
Accrued Expenses and Other Liabilities	**11,485**		
Total Noninterest-Bearing Liabilities	**197,394**		
Shareholders' Equity	**106,663**		
Total Liabilities And Shareholders' Equity	**$1,313,647**		
Net Interest Income		**$ 36,819**	
Net Interest Spread			**2.27%**
Net Interest Margin (4)			**2.95%**

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 non-accrual loans.
4. Net interest income on a tax-equivalent basis as a percentage of total average interest-earning assets.

Year Ended December 31, 2006			Year Ended December 31, 2005		
Average Balance	Income/ Expense (FTE)	Yield (FTE)	Average Balance	Income/ Expense (FTE)	Yield (FTE)
$ 345,190	$15,857	4.59%	$ 373,618	$15,210	4.07%
52,040	2,793	5.37	52,732	2,550	4.84
828,337	49,555	5.98	682,648	38,593	5.65
2,939	146	4.96	2,253	73	3.26
1,284	61	4.72	807	26	3.17
1,229,790	$68,412	5.56%	1,112,058	$56,452	5.08%
22,475			21,411		
(6,516)			(6,271)		
23,038			21,124		
22,564			24,154		
61,561			60,418		
$1,291,351			$1,172,476		
$ 138,045	$ 1,044	0.76%	$ 191,305	$ 2,192	1.15%
317,524	11,955	3.77	249,096	5,613	2.25
82,016	567	0.69	99,594	691	0.69
352,114	15,505	4.40	273,140	8,609	3.15
889,699	29,071	3.27	813,135	17,105	2.10
115,181	5,373	4.66	84,490	3,018	3.57
1,004,880	34,444	3.43%	897,625	20,123	2.24%
179,597			172,692		
5,659			4,827		
185,256			177,519		
101,215			97,332		
$1,291,351			$1,172,476		
	$33,968			$36,329	
		2.13%			2.84%
		2.76%			3.27%

RATE/VOLUME ANALYSIS:

THE EFFECT OF VOLUME AND RATE CHANGES ON NET INTEREST INCOME (ON A TAX-EQUIVALENT BASIS) FOR THE PERIODS INDICATED ARE SHOWN BELOW:

	Year Ended 2007 Compared with 2006			Year Ended 2006 Compared with 2005		
	Difference Due To Change In:		Net Change In Income/	Difference Due To Change In:		Net Change In Income/
(In Thousands)	Volume	Rate	Expense	Volume	Rate	Expense
ASSETS						
Investments	**$(2,886)**	**$ 873**	**$(2,013)**	$ (900)	$ 1,790	$ 890
Loans	**5,947**	**468**	**6,415**	10,225	737	10,962
Federal Funds Sold	**502**	**8**	**510**	27	46	73
Interest-Earning Deposits	**(24)**	**2**	**(22)**	19	16	35
Total Interest Income	**$ 3,539**	**$1,351**	**$ 4,890**	$ 9,371	$ 2,589	$ 11,960
LIABILITIES						
Checking	**$ (41)**	**$ 73**	**$ 32**	$(1,521)	$ 373	$ (1,148)
Money Market	**2,481**	**264**	**2,745**	2,384	3,958	6,342
Savings	**(85)**	**(16)**	**(101)**	(124)	–	(124)
Certificates of Deposit	**1,837**	**1,662**	**3,499**	2,907	3,989	6,896
Borrowed Funds	**(4,145)**	**9**	**(4,136)**	1,667	688	2,355
Total Interest Expense	**$ 47**	**$1,992**	**$ 2,039**	$ 5,313	$ 9,008	$ 14,321
Net Interest Income	**$ 3,492**	**$(641)**	**$ 2,851**	$ 4,058	$ (6,419)	$ (2,361)

LOANS: The loan portfolio represents the largest portion of the Corporation's earning assets and is an important source of interest and fee income. Loans are primarily originated in the State of New Jersey.

Total loans at December 31, 2007, were $981.2 million as compared to $870.2 million at December 31, 2006, an increase of $111.0 million or 13 percent. The growth in the portfolios is primarily the result of new business initiatives and our entry into new market areas. Construction loans totaled $60.6 million, an increase of $15.8 million, or 35 percent. In 2007, commercial mortgage loans rose $71.7 million or 43 percent to $237.3 million, while residential loans secured by first liens on 1-4 family homes declined slightly by $1.1 million from 2006 levels. Commercial loans also grew by $22.4 million or 21 percent during 2007. The Corporation's long-term strategy calls for an increased emphasis on construction and commercial lending, which yields higher returns.

The yield on total loans increased 17 basis points to 6.15 percent for 2007 from the 5.98 percent average yield earned in 2006. The average yield on the mortgage portfolio rose in 2007 to 5.23 percent from 5.17 percent in 2006. The average yield on commercial mortgage loans increased 10 basis points to 6.53 percent. In 2007, average yields on commercial loans and commercial construction loans increased 14 basis points and 31 basis points, respectively. Although short-term interest rates continued to rise during the year, it did not have a significant impact on loan yields, as long-term rates remained relatively flat. More significant to the increased income was the increased volume of loans.

The following table presents an analysis of outstanding loans as of December 31,

(In Thousands)	**2007**	2006	2005	2004	2003
Residential Mortgage	**$497,016**	$498,079	$453,635	$315,711	$218,309
Commercial Mortgage	**237,316**	165,652	157,672	129,922	109,435
Commercial Loans	**129,747**	107,357	100,787	69,947	56,216
Commercial-Construction	**60,589**	44,764	12,703	17,703	9,799
Consumer Loans	**37,264**	35,836	23,468	19,597	15,218
Other Loans	**19,248**	18,465	20,208	19,284	18,024
Total Loans	**$981,180**	$870,153	$768,473	$572,164	$427,001

INVESTMENT SECURITIES HELD TO MATURITY: Investment securities are those securities that the Corporation has both the ability and intent to hold to maturity. These securities are carried at amortized cost. The portfolio consists primarily of U.S. treasury securities, mortgage-backed securities and municipal obligations. The Corporation's investment securities held to maturity at amortized cost amounted to $45.1 million at December 31, 2007, compared with $55.2 million at December 31, 2006.

The following table presents the contractual maturities and rates of investment securities held to maturity at amortized cost, as of December 31, 2007:

(In Thousands)	Within 1 Year	After 1 But Within 5 Years	After 5 But Within 10 Years	After 10 Years	Total
U.S. Treasuries	$ –	$ 500	$ –	$ –	$ 500
	–%	4.89%	–%	–%	4.89%
Mortgage-Backed Securities (1)	$ –	$ 2,183	$ 2,985	$ 8,028	$ 13,196
	–%	4.76%	5.58%	5.31%	5.28%
State and Political Subdivisions (2)	$ 10,648	$ 19,445	$ 1,350	$ –	$ 31,443
	4.14%	4.54%	7.10%	–%	4.51%
Total	$ 10,648	$ 22,128	$ 4,335	$ 8,028	$ 45,139
	4.14%	4.57%	6.05%	5.31%	4.74%

(1) Mortgage-backed securities are shown using stated final maturity.

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

SECURITIES AVAILABLE FOR SALE: Securities available for sale are used as a part of the Corporation's interest rate risk management strategy, and they may be sold in response to changes in interest rates, liquidity needs, and other factors. These securities are carried at estimated fair value, and unrealized changes in fair value are recognized as a separate component of shareholders' equity, net of income taxes. Realized gains and losses are recognized in income at the time the securities are sold.

At December 31, 2007, the Corporation had securities available for sale with a fair value of $236.9 million, compared with $282.9 million at December 31, 2006. A $4.6 million net unrealized loss (net of income tax) and a $1.4 million net unrealized loss (net of income tax) was included in shareholders' equity at December 31, 2007 and December 31, 2006, respectively.

The following table presents the contractual maturities and rates of securities available for sale, stated at fair value, as of December 31, 2007:

(In Thousands)	Within 1 Year	After 1 But Within 5 Years	After 5 But Within 10 Years	After 10 Years	Total
U.S. Government Sponsored Agencies	$ 10,503	$13,549	$ –	$ –	$ 24,052
	5.05%	4.60%	–%	–%	4.79%
Mortgage-Backed Securities (1)	$ 59	$ 8,306	$22,739	$ 87,389	$118,493
	5.44%	4.14%	4.32%	5.01%	4.82%
State and Political Subdivisions (2)	$ –	$ 5,064	$ 2,900	$ 16,659	$ 24,623
	–%	5.90%	6.20%	6.45%	6.31%
Other Securities	$ –	$ 893	$ –	$ 64,852	$ 65,745
	–%	5.61%	–%	6.40%	6.27%
	$ 10,562	$27,812	$25,639	$168,900	$232,913
	5.05%	4.73%	4.53%	5.71%	5.44%
Marketable Equity Securities	$ 4,031	$ –	$ –	$ –	$ 4,031
	4.21%	–%	–%	–%	4.21%
Total	$ 14,593	$27,812	$25,639	$168,900	$236,944
	4.81%	4.73%	4.53%	5.71%	5.42%

(1) Mortgage-backed securities are shown using stated final maturity.

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

Federal funds sold and interest-earning deposits are an additional part of the Corporation's investment and liquidity strategies. The combined average balance of these investments during 2007 was $13.3 million as compared to $4.2 million in 2006.

DEPOSITS: Total deposits at December 31, 2007 were $1.18 billion, an increase of $35.5 million or 3 percent from $1.14 billion at December 31, 2006. Our strategy is to fund earning asset growth with core deposits, which is an important factor in the generation of net interest income. Marketing, sales efforts and a new branch location all contributed to the growth in deposits. Total average deposits increased $94.6 million, or 9 percent in 2007, over 2006 levels.

The following table sets forth information concerning the composition of the Corporation's average deposit base and average interest rates paid for the following years:

(In Thousands)	**2007**		2006		2005	
Noninterest-Bearing Demand	**$ 185,909**	**–%**	$ 179,597	–%	$172,692	–%
Checking	**133,574**	**0.81**	138,045	0.76	191,305	1.15
Savings	**69,247**	**0.67**	82,016	0.69	99,594	0.69
Money Markets	**383,279**	**3.84**	317,524	3.77	249,096	2.25
Certificates of Deposit	**391,922**	**4.85**	352,114	4.40	273,140	3.15
Total Deposits	**$1,163,931**		$1,069,296		$985,827	

Certificates of deposit over $100,000 are generally purchased by local municipal governments or individuals for periods of one year or less. These factors translate into a stable customer oriented, cost-effective funding source.

The following table shows remaining maturity for certificates of deposit over $100,000 as of December 31, 2007 (In thousands):

Three Months or Less	$ 67,633
Over Three Months Through Twelve Months	79,567
Over Twelve Months	8,210
Total	$ 155,410

FEDERAL HOME LOAN BANK ADVANCES: At December 31, 2007 and 2006, Federal Home Loan Bank (FHLB) advances totaled $29.2 million and $24.0 million, respectively, with a weighted average interest rate of 3.69 percent and 3.59 percent, respectively. The Corporation considers FHLB advances an added source of funding, and accordingly, executes transactions from time to time to meet its funding requirements. The FHLB advances outstanding at December 31, 2007 have varying terms and interest rates.

At December 31, 2007, overnight borrowings totaled $15.7 million. There were no overnight borrowings at December 31, 2006

ALLOWANCE FOR LOAN LOSSES AND RELATED PROVISION: The allowance for loan losses was $7.5 million at December 31, 2007 as compared to $6.8 million at December 31, 2006. At December 31, 2007, the allowance for loan losses as a percentage of total loans outstanding was 0.76 percent compared to 0.78 percent at December 31, 2006 and 0.83 percent at December 31, 2005. The provision for loan losses was $750 thousand for 2007 and $414 thousand for 2006. The allowance as a percentage of total loans declined in 2007 as compared to 2006, while the provision increased over the prior year due to loan growth and increases in commercial-related loans.

The provision was based upon management's review and evaluation of the size and composition of the loan portfolio, actual loan loss experience, level of delinquencies, general market and economic conditions, detailed analysis of individual loans for which full collectibility may not be assured, and the existence and net realizable value of the collateral and guarantees securing the loans. Although management used 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 collectibility of a substantial portion of the carrying value of the Corporation's loan portfolio is susceptible to changes in market conditions in the state and may be adversely affected should real estate values decline or should New Jersey experience an adverse economic downturn. Future adjustments to the allowance may be necessary due to economic, operating, regulatory and other conditions beyond the Corporation's control.

The following table presents the loan loss experience during the periods ended December 31,

(In Thousands)	**2007**	2006	2005	2004	2003
Allowance for Loan Losses At Beginning of Year	**$6,768**	$6,378	$5,989	$5,439	$4,778
Loans Charged-Off During the Period					
Mortgage	**–**	–	–	–	–
Consumer	**23**	13	14	16	42
Commercial and Other	**–**	13	2	62	–
Total Loans Charged-Off	**23**	26	16	78	42
Recoveries During the Period					
Mortgage	**–**	–	–	–	37
Consumer	**2**	1	2	6	40
Commercial and Other	**3**	1	12	9	34
Total Recoveries	**5**	2	14	15	111
Net Charge-Offs/(Recoveries)	**18**	24	2	63	(69)
Provision Charged to Expense	**750**	414	391	613	592
Allowance for Loan Losses at End of Year	**$7,500**	$6,768	$6,378	$5,989	$5,439

The following table shows the allocation of the allowance for loan losses and the percentage of each loan category to total loans as of December 31,

(In Thousands)	**2007**	**% of Loan Category to Total Loans**	2006	% of Loan Category to Total Loans	2005	% of Loan Category to Total Loans	2004	% of Loan Category to Total Loans	2003	% of Loan Category to Total Loans
Residential	**$2,333**	**52.5**	$2,910	59.1	$2,888	61.5	$2,647	58.4	$2,623	55.1
Commercial and Other	**4,885**	**43.7**	3,591	36.8	3,327	35.4	3,145	38.2	2,603	41.3
Consumer	**282**	**3.8**	267	4.1	163	3.1	197	3.4	213	3.6
Total	**$7,500**	**100.0**	$6,768	100.0	$6,378	100.0	$5,989	100.0	$5,439	100.0

NON-PERFORMING ASSETS:

THE FOLLOWING TABLE PRESENTS FOR THE YEARS INDICATED THE COMPONENTS OF NON-PERFORMING ASSETS:

	YEARS ENDED DECEMBER 31,				
(IN THOUSANDS)	**2007**	2006	2005	2004	2003
LOANS PAST DUE 90 DAYS OR MORE AND STILL ACCRUING INTEREST	**$ –**	$ 197	$ 47	$ –	$ 56
NON-ACCRUAL LOANS	**2,131**	1,880	339	351	159
TOTAL NON-PERFORMING LOANS	**2,131**	2,077	386	351	215
OTHER REAL ESTATE OWNED	–	–	–	–	–
TOTAL NON-PERFORMING ASSETS	**$ 2,131**	$ 2,077	$ 386	$ 351	$ 215
LOAN CHARGE-OFFS	**$ 23**	$ 26	$ 16	$78	$ 42
LOAN RECOVERIES	**(5)**	(2)	(14)	(15)	(111)
NET LOAN CHARGE-OFFS/(RECOVERIES)	**$ 18**	$ 24	$ 2	$ 63	$ (69)
ALLOWANCE FOR LOAN LOSSES	**$ 7,500**	$6,768	$6,378	$5,989	$5,439
RATIOS:					
TOTAL NON-PERFORMING LOANS/TOTAL LOANS	**0.22%**	0.24%	0.05%	0.06%	0.05%
TOTAL NON-PERFORMING LOANS/TOTAL ASSETS	**0.16**	0.16	0.03	0.03	0.02
TOTAL NON-PERFORMING ASSETS/TOTAL ASSETS	**0.16**	0.16	0.03	0.03	0.02
ALLOWANCE FOR LOAN LOSSES/ TOTAL LOANS	**0.76**	0.78	0.83	1.05	1.27
ALLOWANCE FOR LOAN LOSSES/ TOTAL NON-PERFORMING LOANS	**3.5X**	3.3X	16.5X	17.1X	25.3X

Interest income of $149 thousand, $129 thousand and $21 thousand would have been recognized during 2007, 2006 and 2005, respectively, if non-accrual loans had been current in accordance with their original terms.

CONTRACTUAL OBLIGATIONS: The following table shows the significant contractual obligations of the Corporation by expected payment period, as of December 31, 2007. Further discussion of these commitments is included in the Footnotes to the Consolidated Financial Statements noted below:

(IN THOUSANDS)	LESS THAN ONE YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS	TOTAL
LOAN COMMITMENTS	$142,949	$ –	$ –	$ –	$142,949
LONG-TERM DEBT OBLIGATIONS	1,421	15,622	8,908	3,218	29,169
OPERATING LEASE OBLIGATIONS	2,467	4,582	3,372	11,278	21,699
PURCHASE OBLIGATIONS	192	–	–	–	192
OTHER LONG-TERM LIABILITIES (1)	1,000	–	–	–	1,000
TOTAL CONTRACTUAL OBLIGATIONS	$148,029	$20,204	$12,280	$14,496	$195,009

(1) THE CORPORATION ANTICIPATES THAT IT WILL CONTRIBUTE APPROXIMATELY $1.0 MILLION TO THE PENSION PLAN IN 2008, BUT IT DOES NOT HAVE AN ESTIMATE OF THE ACTUAL PENSION CONTRIBUTION FOR 2009 AND BEYOND.

Long-term debt obligations include borrowings from the Federal Home Loan Bank with defined terms. The chart is based on scheduled repayments of principal.

Operating leases represent obligations entered into by the Corporation for the use of land and premises. The leases generally have escalation terms based upon certain defined indexes. Common area maintenance charges may also apply and are adjusted annually based on the terms of the lease agreements.

Purchase obligations represent legally binding and enforceable agreements to purchase goods and services from third parties and consist of contractual obligations under data processing service agreements. The Corporation also enters into various routine rental and maintenance contracts for facilities and equipment. These contracts are generally for one year and are not significant to the consolidated financial statements of the Corporation.

OFF-BALANCE SHEET ARRANGEMENTS: The following table shows the amounts and expected maturities of significant commitments, consisting primarily of letters of credit, as of December 31, 2007. Further discussion of these commitments is included in Note 13 to the Consolidated Financial Statements:

(In Thousands)	Less than One year	1-3 years	3-5 years	More than 5 years	Total
Financial Letters of Credit	$ 1,056	$400	$ –	$ –	$ 1,456
Performance Letters of Credit	4,754	373	–	–	5,127
Commercial Letters of Credit	5,809	–	–	275	6,084
Total Letters of Credit	$11,619	$773	$ –	$ 275	$12,667

Commitments under standby letters of credit, both financial and performance do not necessarily represent future cash requirements, in that these commitments often expire without being drawn upon.

OTHER INCOME: Other income was $14.0 million in 2007, an increase of 37 percent over 2006 levels. The increase was attributable to increases in trust fees and other noninterest income, offset in part by a decline in other fee income. In addition, the Corporation recorded a net gain on securities sold in 2007 as compared to a net loss on securities sold in 2006.

Trust fees totaling $9.6 million were realized in 2007, an increase of $1.2 million, or 14 percent over the levels in 2006. This increase is attributable to higher fee schedules and an increased volume of business as the market value of assets under management increased to $2.03 billion in 2007 compared to $1.92 billion in 2006.

Other income of $900 thousand was realized in 2007 on increased cash surrender value on Bank Owned Life Insurance (BOLI) policies, as compared to $837 thousand in 2006.

In 2007, the Corporation recognized a pre-tax gain of $548 thousand on the sale of a non-banking related property and other fixed assets as compared to $15 thousand in 2006.

The Corporation recognized net gains on sales of securities in 2007 of $254 thousand as compared to net losses on sales of securities in 2006 of $1.8 million. The Corporation completed a balance sheet restructuring in 2006, selling $61.6 million of available-for-sale securities, which resulted in a before tax charge of approximately $1.9 million and an after tax charge of $1.1 million, or $0.13 per diluted share. The Corporation used a majority of the proceeds from the sale to redeem high cost, short-term borrowings and used approximately $20 million to purchase floating-rate securities. The Corporation has experienced an improvement in net interest income and net interest margin as a result of the restructuring strategy.

THE FOLLOWING TABLE PRESENTS THE MAJOR COMPONENTS OF OTHER INCOME:

(IN THOUSANDS)	2007	2006	2005
TRUST FEES	**$ 9,563**	$ 8,367	$ 7,640
SERVICE CHARGES ON DEPOSIT ACCOUNTS	**2,021**	1,960	1,877
BANK OWNED LIFE INSURANCE	**900**	837	802
GAINS ON SALES OF FIXED ASSETS	**548**	15	28
OTHER NONINTEREST INCOME	**428**	519	254
SECURITIES GAINS/(LOSSES), NET	**254**	(1,781)	551
SAFE DEPOSIT RENTAL FEES	**239**	233	233
OTHER FEE INCOME	**90**	117	110
TOTAL OTHER INCOME	**$14,043**	$10,267	$11,495

OTHER EXPENSES: In 2007, other expenses totaled $32.1 million as compared to $28.9 million in 2006, an increase of $3.1 million or 11 percent. This increase is commensurate with the growth in the overall level of bank and trust business activity.

Salaries and benefits expense, which accounts for the largest portion of other expenses, increased $1.8 million, or 12 percent, in 2007 as compared to 2006. In an effort to improve the net interest margin, the Corporation's strategic plan calls for an increased emphasis on commercial and construction loans, and accordingly, we hired additional commercial lending officers and support staff in 2007. In addition to this increase in staff, salary expense rose due to normal salary increases, trust department and branch expansion and higher group health insurance. At December 31, 2007, the Corporation's full-time equivalent staff was 254 compared with 232 at December 31, 2006.

Premises and equipment expense increased to $7.8 million in 2007 from $6.9 million in 2006, an increase of $852 thousand, or 12 percent. The Corporation opened its 22nd branch in Summit, New Jersey, in April 2007 and began recording additional depreciation, utility and maintenance expense as a result. The Corporation also recorded additional maintenance costs for branch upkeep and increases to expenditures such as utilities and real estate taxes.

Professional and legal fees increased $291 thousand, or 35 percent, over levels for 2006, due in part to expenses generated by a review of our benefit plans and higher recruitment fees to fill new lending positions. Advertising expenses increased $160 thousand, or 22 percent when compared to 2006 due to additional advertising for the Summit Branch and to promote deposit products. Excluding the above-mentioned components of other expense, all other expense categories totaled $4.8 million, an increase of $26 thousand, or less than one percent. The Corporation strives to operate in an efficient manner and control costs as a means of producing increased earnings and enhancing shareholder value.

The following table presents the major components of other expenses:

(In Thousands)	**2007**	2006	2004
Salaries and Benefits	**$17,511**	$15,698	$14,682
Premises and Equipment	**7,761**	6,909	6,705
Professional and Legal Fees	**1,124**	833	565
Advertising	**892**	732	936
Trust Department	**483**	467	408
Telephone	**450**	396	390
Stationery and Supplies	**440**	469	536
Postage	**342**	339	286
Other Expenses	**3,084**	3,102	2,984
Total Other Expenses	**$32,087**	$28,945	$27,492

INCOME TAXES: Income tax expense for the years ended December 31, 2007 and 2006 was $5.2 million and $3.5 million, respectively. The effective tax rate for the year ended December 31, 2007 was 30.53 percent compared to 25.53 percent for the year ended December 31, 2006. Higher taxable income combined with new regulations adopted by the State of New Jersey, Division of Taxation, relating to the dividends paid deduction on the Real Estate Investment Trust (REIT) subsidiary were the primary reasons for the higher effective tax rate.

RESULTS OF OPERATIONS 2006 COMPARED TO 2005: The Corporation's net income for the year ended December 31, 2006 was $10.2 million compared to $13.1 million for the year ended December 31, 2005, a decline of $2.9 million, or 22 percent. Earnings per diluted share were $1.22 and $1.56 for the years 2006 and 2005, respectively. These results produced a return on average assets of 0.79 percent as compared to 1.12 percent in 2005 and a return on average shareholders' equity of 10.10 percent as compared to 13.49 percent in 2005. In 2006, the Corporation experienced strong growth in loans and deposits; however, this was tempered by lower net interest margins and the resulting reduced net interest income.

Net interest income, on a fully tax-equivalent basis, declined from $36.3 million in 2005 to $34.0 million in 2006. Average earning assets increased $117.7 million or 11 percent from the average balances in 2005 and rates earned on earning assets increased 48 basis points in 2006. Interest expense increased 71 percent over the levels recorded in 2005 on average balances of interest-bearing liabilities that increased $107.3 million or 12 percent. Rates paid in 2006 on interest-bearing liabilities rose 119 basis points over those paid in 2005 as competitive pressure and the influence of rising federal funds target rates drove rates higher. In 2006, the net interest margin declined to 2.76 percent from 3.27 percent in 2005.

In 2006, other income was $10.3 million, a decline of 11 percent over 2005 levels and was attributable to a net loss on securities sold in 2006 offset, in part, by increases in trust fees and other noninterest income.

The Corporation completed a balance sheet restructuring in 2006, selling $61.6 million of available-for-sale securities, which resulted in a before tax charge of approximately $1.9 million and an after tax charge of $1.1 million, or $0.13 per diluted share. The Corporation used a majority of the proceeds from the sale to redeem high cost, short-term borrowings and used approximately $20 million to purchase floating-rate securities. The Corporation has experienced an improvement in net interest income and net interest margin as a result of the restructuring strategy. Net gains on sales of securities were $551 thousand for the year ended December 31, 2005 and included a $253 thousand gain on the non-monetary exchange of equity securities.

Trust fees increased $727 thousand, or 10 percent, to $8.4 million in 2006 as compared to 2005. This increase is attributable to an increased volume of business as the market value of assets under management increased to $1.92 billion. Other income of $837 thousand was realized in 2006 on increased cash surrender value on Bank Owned Life Insurance (BOLI) policies, as compared to $802 thousand in 2005. In 2006, other noninterest income, including net gains on sales of fixed assets, of $534 thousand was realized, an increase of $252 thousand, or 89 percent and was primarily due to increased non-recurring commercial and construction loan fee income.

Other expenses totaled $28.9 million in 2006, an increase of $1.5 million or 5 percent compared to $27.5 million in 2005. This increase is commensurate with the growth in the overall level of bank and trust business activity. Salaries and benefits expense increased $1.0 million, or 7 percent, in 2006 as compared to 2005. Normal salary increases, as well as additions to staff, branch expansion and higher group health insurance accounted for the increase. These increases were offset, in part, by lower profit sharing plan contributions. In addition, the Corporation began expensing stock-based compensation as required by Financial Accounting Standards Board (FASB) Statement No. 123R, "Share-Based Payment," and recorded $59 thousand of expense in 2006. At December 31, 2006, the Corporation's full-time equivalent staff was 232 compared with 228 at December 31, 2005.

In 2006, premises and equipment expense increased to $6.9 million from $6.7 million in 2005, an increase of $204 thousand, or 3 percent, due to increases charged by outside vendors for utilities, real estate taxes and additional maintenance costs for branch upkeep.

Advertising expenses decreased $204 thousand, or 22 percent when compared to 2005. In 2005, the Corporation had higher advertising to promote and introduce deposit products. Stationery and supplies expense declined $67 thousand, or 13 percent. Postage expense rose $53 thousand, or 19 percent, due to increases to postal rates and higher customer accounts. Professional and legal fees rose $268 thousand, or 47 percent, over levels for 2005, due to increases in consulting fees to improve compliance with banking laws and regulations and higher recruitment fees to fill new lending positions.

CAPITAL RESOURCES: The solid capital base of the Corporation provides the ability for future growth and financial strength. Maintaining a strong capital position supports the Corporation's goal of providing shareholders an attractive and stable long-term return on investment. Total shareholders' equity grew $3.7 million or 4 percent to $107.4 million at December 31, 2007 as compared with $103.8 million at December 31, 2006.

The Financial Accounting Standards Board (FASB) issued FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," which requires the Corporation to recognize on its balance sheet the funded status of pension and other postretirement benefit plans as of December 31, 2006. As a result, the Corporation recorded an unfunded pension benefit obligation, net of taxes, of $1.3 million at December 31, 2006.

At December 31, 2007, unrealized losses on securities, net of taxes, were $4.6 million as compared to unrealized losses on securities, net of taxes, of $1.4 million at December 31, 2006.

In addition, the Corporation recorded an adjustment of $494 thousand, net of taxes, resulting from the understatement of lease expense, to beginning retained earnings for 2006. This adjustment was related to the accounting for operating leases on a cash basis rather than a GAAP basis according to the guidance issued by the Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 was effective as of the end of the Corporation's 2006 fiscal year, allowing a one-time transitional cumulative effect adjustment to retained earnings as of January 1, 2006 for errors that were not previously deemed material, but are material under the guidance in SAB 108.

Federal regulations require banks to meet target Tier 1 and total capital ratios of 4 percent and 8 percent, respectively. The Corporation's Tier 1 and total capital ratios are well in excess of regulatory minimums at 14.92 percent and 15.91 percent, respectively, at December 31, 2007. The Corporation's capital leverage ratio was 8.59 percent at December 31, 2007.

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

Management feels the Corporation's liquidity position is sufficient to meet future needs. Cash and cash equivalents, including federal funds sold and interest-earning deposits, totaled $28.2 million at December 31, 2007. In addition, the Corporation has $236.9 million in securities designated as available for sale. These securities can be sold in response to liquidity concerns. As of December 31, 2007, investment securities and securities available for sale maturing within one year amounted to $21.2 million.

Another source of liquidity is borrowing capacity. The Corporation has a variety of sources of short-term liquidity available, including short and long-term borrowings from the Federal Home Loan Bank of New York, short-term borrowings from the Federal Reserve Bank Discount Window, federal funds purchased from correspondent banks and loan participation or sales of loans. The Corporation also generates liquidity from the regular principal payments received on its loan portfolio and on its mortgage-backed security portfolio.

ASSET/LIABILITY MANAGEMENT: The Corporation's Asset/Liability Committee (ALCO) is responsible for managing the exposure to changes in market interest rates and for establishing policies that monitor and coordinate its sources, uses and pricing of funds.

We have sought to manage our interest rate risk in order to control the exposure of our earnings and capital to changes in interest rates. As part of our ongoing asset/liability management, we currently use the following strategies to manage our interest rate risk:

- Actively market adjustable-rate residential mortgage loans
- Actively market commercial business loans, which tend to have shorter terms and higher interest rates than residential mortgage loans, and which generate customer relationships that can result in higher non-interest bearing demand deposit accounts
- Lengthen the weighted average maturity of our liabilities through retail deposit pricing strategies and through longer-term wholesale funding sources such as fixed-rate advances from the Federal Home Loan Bank of New York
- Invest in shorter to medium-term securities
- Maintain high levels of capital

The Corporation is not engaged in hedging through the use of derivatives nor does it use interest rate caps and floors.

ALCO uses a simulation model to analyze net interest income sensitivity to movements in interest rates. The simulation model projects net interest income based on various interest rate scenarios over a 12 and 24 month period. The model is based on the actual maturity and repricing characteristics of rate-sensitive assets and liabilities. The model incorporates certain assumptions, which management believes to be reasonable, regarding the impact of changing interest rates and the prepayment assumptions of certain assets and liabilities as of December 31, 2007. The model assumes changes in interest rates without any proactive change in the balance sheet by management. In the model, the forecasted shape of the yield curve remains static as of December 31, 2007.

The simulation model is based on market interest rates and prepayment speeds prevalent in the market as of December 31, 2007. New interest-earning asset and interest-bearing liability originations and rate spreads are estimated using the Corporation's budgeted originations for 2008.

The table shows the estimated changes in the Corporation's net portfolio value that would result from an immediate parallel change in the market interest rates at December 31, 2007:

(Dollars in Thousands)		Estimated Decrease in NPV		NPV as a Percentage of Present Value of Assets (2)	
Change in Interest Rates (basis points)	Estimated NPV (1)	Amount	Percent	NPV Ratio (3)	Increase/ (Decrease) (basis points)
+ 300	$162,228	$(14,052)	(7.97)%	13.52%	(24)
+ 200	169,315	(6,965)	(3.95)	13.79	3
+ 100	175,297	(983)	(0.56)	13.96	20
–	176,280	–	–	13.76	–
- 100	169,039	(7,241)	(4.11)	13.00	(76)
- 200	155,417	(20,863)	(11.84)	11.82	(194)
- 300	141,833	(34,447)	(19.54)	10.65	(311)

(1) NPV is the discounted present value of expected cash flows from assets and liabilities.

(2) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.

(3) NPV Ratio represents NPV divided by the present value of assets.

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

EFFECTS OF INFLATION AND CHANGING PRICES: The financial statements and related financial data presented herein have been prepared in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than do general levels of inflation. Interest rates do not necessarily move in the same magnitude as the prices of goods and services.

Real estate prices have declined in the Corporation's trade area and the values of real estate collateralizing the Corporation's loans could also be adversely affected. However, the Corporation is monitoring the situation closely and its results have not been adversely affected.

RECENT ACCOUNTING PRONOUNCEMENTS: In February 2007, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (Statement No. 159). Statement No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. Statement No. 159's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. Statement No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of Statement No. 157. The adoption of Statement No. 159 did not have a material impact on its financial statements.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" (Statement No. 157). Statement No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Statement No. 157 establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. The adoption of Statement No. 157 did not have a material impact on its financial statements.

In September 2006, the FASB Emerging Issues Task Force (EITF) finalized Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements." EITF 06-4 requires that a liability be recorded during the service period when a split-dollar life insurance agreement continues after participants' employment or retirement. The required accrued liability will be based on either the post-employment benefit cost for the continuing life insurance or based on the future death benefit depending on the contractual terms of the underlying agreement. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The adoption of EITF 06-4 will result in an accrued benefit liability entry of $449 thousand, which will be taken against retained earnings and an annual expense of approximately $94 thousand in 2008.

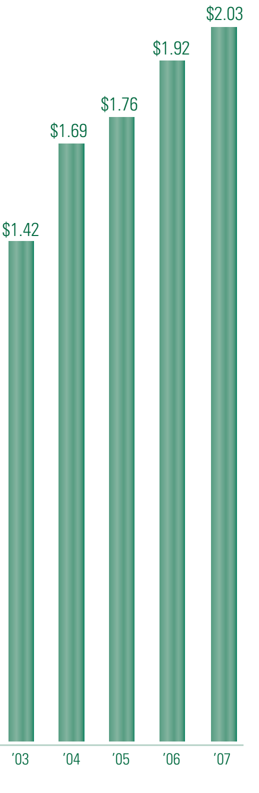
In September 2006, the FASB EITF finalized Issue No. 06-5, "Accounting for Purchases of Life Insurance - Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4" (Accounting for Purchases of Life Insurance). EITF 06-5 requires that a policyholder consider contractual terms of a life insurance policy in determining the amount that could be realized under the insurance contract. EITF 06-5 also requires that if the contract provides for a greater surrender value if all individual policies in a group are surrendered at the same time, that the surrender value be determined based on the assumption that policies will be surrendered on an individual basis. Lastly, EITF 06-5 discusses whether the cash surrender value should be discounted when the policyholder is contractually limited in its ability to surrender a policy. EITF 06-5 is effective for fiscal years beginning after December 15, 2006. The adoption of EITF 06-5 did not have a material impact on the financial statements.

In March 2006, the FASB issued Statement No. 156, "Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140" (Statement No. 156). Statement No. 156 provides the following: 1) revised guidance on when a servicing asset and servicing liability should be recognized; 2) requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; 3) permits an entity to elect to measure servicing assets and servicing liabilities at fair value each reporting date and report changes in fair value in earnings in the period in which the changes occur; 4) upon initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities for securities which are identified as offsetting the entity's exposure to changes in the fair value of servicing assets or liabilities that a servicer elects to subsequently measure at fair value; and 5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional footnote disclosures. Statement No. 156 is effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006 with the effects of initial adoption being reported as a cumulative-effect adjustment to retained earnings. The adoption of Statement No. 156 did not have a material impact on the Corporation's consolidated financial statements.

On November 5, 2007, the SEC issued Staff Accounting Bulletin No. 109, "Written Loan Commitments Recorded at Fair Value through Earnings" (SAB 109). Previously, SAB 105, "Application of Accounting Principles to Loan Commitments," stated that in measuring the fair value of a derivative loan commitment, a company should not incorporate the expected net future cash flows related to the associated servicing of the loan. SAB 109 supersedes SAB 105 and indicates that the expected net future cash flows related to the associated servicing of the loan should be included in measuring fair value for all written loan commitments that are accounted for at fair value through earnings. SAB 105 also indicated that internally-developed intangible assets should not be recorded as part of the fair value of a derivative loan commitment, and SAB 109 retains that view. SAB 109 is effective for derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The adoption of SAB 109 did not have a material impact on the Corporation's consolidated financial statements.

TRUST ASSETS

MARKET VALUE IN BILLIONS



PGB TRUST AND INVESTMENTS: PGB Trust and Investments, a division of the Bank, since its inception in 1972 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 and Investments are available to provide investment services at the Bank's Gladstone, Morristown and Summit Branches.

The market value of assets under management at December 31, 2007 was in excess of $2.03 billion. Fee income generated by PGB Trust and Investments was $9.6 million, $8.4 million and $7.6 million in 2007, 2006 and 2005, respectively.

FORWARD LOOKING STATEMENTS: The foregoing contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Corporation. Such statements are not historical facts and include expressions about the Corporation's confidence, strategies and expectations about earnings, new and existing programs and products, relationships, opportunities, technology and market conditions. These statements may be identified by forward-looking terminology such as "expect," "believe," or "anticipate," or expressions of confidence like "strong," or "on-going," or similar statements or variations of such terms. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities:

- Effectiveness of the Corporation's balance sheet restructuring initiative.
- Unexpected decline in the direction of the economy in New Jersey.
- Unexpected changes in interest rates.
- Failure to grow business.
- Inability to manage growth in commercial loans.
- Unexpected loan prepayment volume.
- Unanticipated exposure to credit risks.
- Insufficient allowance for loan losses.
- Competition from other financial institutions.
- Adverse effects of government regulation or different than anticipated effects from existing regulations.
- Decline in the levels of loan quality and origination volume.
- Decline in trust assets or deposits.
- Unexpected classification of securities to other-than-temporary impaired status.

The Corporation assumes no responsibility to update such forward-looking statements in the future.

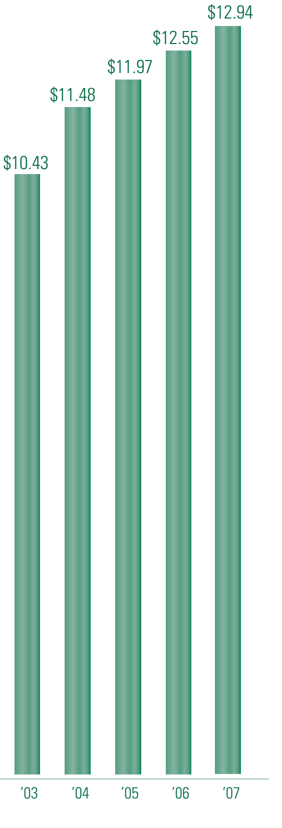
SELECTED CONSOLIDATED FINANCIAL DATA: The following is selected consolidated financial data for the Corporation and its subsidiaries for the years indicated. This information is derived from the historical consolidated financial statements and should be read in conjunction with the Consolidated Financial Statements and Notes.

	Years Ended December 31,				
(In Thousands Except Per Share Data)	**2007**	2006	2005	2004	2003
SUMMARY EARNINGS:					
Interest Income	**$ 72,352**	$ 67,267	$ 55,414	$ 44,917	$ 41,426
Interest Expense	**36,483**	34,444	20,123	9,860	10,262
Net Interest Income	**35,869**	32,823	35,291	35,057	31,164
Provision for Loan Losses	**750**	414	391	613	592
Net Interest Income After Provision For Loan Losses	**35,119**	32,409	34,900	34,444	30,572
Other Income, Exclusive of Securities Gains/(Losses), net	**13,789**	12,048	10,944	9,777	8,788
Other Expenses	**32,087**	28,945	27,492	25,178	22,557
Securities Gains/(Losses), Net	**254**	(1,781)	551	150	1,284
Income Before Income Tax Expense	**17,075**	13,731	18,903	19,193	18,087
Income Tax Expense	**5,213**	3,505	5,773	6,084	5,787
Net Income	**$ 11,862**	$ 10,226	$ 13,130	$ 13,109	$ 12,300
PER SHARE DATA:					
Earnings Per Share-Basic	**$ 1.43**	$ 1.24	$ 1.58	$ 1.60	$ 1.51
Earnings Per Share-Diluted	**1.42**	1.22	1.56	1.56	1.47
Cash Dividends Declared	**0.62**	0.58	0.50	0.42	0.38
Book Value End-Of-Period	**12.94**	12.55	11.97	11.48	10.43
Weighted Average Shares Outstanding	**8,299,271**	8,268,226	8,286,926	8,200,681	8,122,433
Common Stock Equivalents (Dilutive)	**69,754**	102,095	116,348	177,412	231,062
BALANCE SHEET DATA (At Period End):					
Total Assets	**$1,346,976**	$1,288,376	$1,255,383	$1,067,410	$968,154
Investment Securities	**45,139**	55,165	78,084	87,128	97,701
Securities Available for Sale	**236,944**	282,878	334,862	349,656	351,870
Loans	**981,180**	870,153	768,473	572,164	427,001
Allowance for Loan Losses	**7,500**	6,768	6,378	5,989	5,439
Total Deposits	**1,180,267**	1,144,736	1,041,996	935,666	845,771
Total Shareholders' Equity	**107,429**	103,763	99,155	94,669	85,054
Trust Assets (Market Value)	**2,028,232**	1,924,954	1,761,846	1,691,860	1,414,591
Cash Dividends Declared	**5,150**	4,794	4,143	3,226	2,760

SELECTED PERFORMANCE RATIOS:	**2007**	2006	2005	2004	2003
Return on Average Total Assets	**0.90%**	0.79%	1.12%	1.30%	1.34%
Return on Average Total Shareholders' Equity	**11.12**	10.10	13.49	14.72	15.14
Dividend Payout Ratio	**43.42**	46.88	31.56	24.61	22.44
Average Total Shareholders' Equity to Average Assets	**8.12**	7.84	8.30	8.82	8.84
Non-Interest Expenses to Average Assets	**2.44**	2.24	2.34	2.49	2.45
Non-Interest Income to Average Assets	**1.07**	0.80	0.98	0.98	1.10
ASSET QUALITY RATIOS (At Period End):					
Non-Accrual Loans to Total Loans	**0.22%**	0.22%	0.04%	0.06%	0.04%
Non-Performing Assets to Total Assets	**0.16**	0.16	0.03	0.03	0.02
Allowance For Loan Losses to Non-Performing Loans	**3.5X**	3.3X	16.5X	17.1X	25.3X
Allowance For Loan Losses to Total Loans	**0.76%**	0.78%	0.83%	1.05%	1.27%
Net Charge-Offs/(Recoveries) to Average Loans Plus Other Real Estate Owned	**0.00**	0.00	0.00	0.01	(0.02)
LIQUIDITY AND CAPITAL RATIOS:					
Average Loans to Average Deposits	**78.22%**	77.47%	69.25%	55.94%	51.23%
Total Shareholders' Equity to Total Assets	**7.98**	8.05	7.90	8.87	8.79
Tier 1 Capital to Risk Weighted Assets	**14.92**	15.33	16.71	19.02	20.38
Total Capital to Risk Weighted Assets	**15.91**	16.31	17.78	20.25	21.74
Tier 1 Leverage Ratio	**8.59**	8.20	8.66	9.18	8.91

DIVIDENDS PER SHARE
IN DOLLARS

BOOK VALUE PER SHARE
IN DOLLARS



THE FOLLOWING TABLE SETS FORTH CERTAIN UNAUDITED QUARTERLY FINANCIAL DATA FOR THE PERIODS INDICATED:

SELECTED 2007 QUARTERLY DATA:

(IN THOUSANDS EXCEPT PER SHARE DATA)	**MARCH 31**	**JUNE 30**	**SEPTEMBER 30**	**DECEMBER 31**
INTEREST INCOME	**$17,294**	**$17,895**	**$18,256**	**$18,907**
INTEREST EXPENSE	**8,970**	**9,225**	**9,369**	**8,919**
NET INTEREST INCOME	**8,324**	**8,670**	**8,887**	**9,988**
PROVISION FOR LOAN LOSSES	**125**	**100**	**125**	**400**
TRUST FEES	**2,142**	**2,459**	**2,252**	**2,710**
SECURITIES GAINS/(LOSSES), NET	**162**	**220**	**-**	**(128)**
OTHER INCOME	**884**	**881**	**912**	**1,549**
OTHER EXPENSES	**7,558**	**8,019**	**8,098**	**8,412**
INCOME BEFORE INCOME TAX EXPENSE	**3,829**	**4,111**	**3,828**	**5,307**
INCOME TAX EXPENSE	**1,137**	**1,298**	**1,179**	**1,599**
NET INCOME	**$ 2,692**	**$ 2,813**	**$ 2,649**	**$ 3,708**
EARNINGS PER SHARE-BASIC	**$ 0.33**	**$ 0.34**	**$ 0.32**	**$ 0.45**
EARNINGS PER SHARE-DILUTED	**0.32**	**0.33**	**0.32**	**0.44**

SELECTED 2006 QUARTERLY DATA:

(IN THOUSANDS EXCEPT PER SHARE DATA)	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
INTEREST INCOME	$15,794	$16,581	$17,524	$17,368
INTEREST EXPENSE	7,218	8,405	9,669	9,152
NET INTEREST INCOME	8,576	8,176	7,855	8,216
PROVISION FOR LOAN LOSSES	39	100	125	150
TRUST FEES	2,245	2,078	1,872	2,172
SECURITIES GAINS/(LOSSES), NET	51	5	(1,837)	-
OTHER INCOME	890	908	880	1,003
OTHER EXPENSES	7,118	7,386	7,210	7,231
INCOME BEFORE INCOME TAX EXPENSE	4,605	3,681	1,435	4,010
INCOME TAX EXPENSE	1,359	986	44	1,116
NET INCOME	$ 3,246	$ 2,695	$ 1,391	$ 2,894
EARNINGS PER SHARE-BASIC	$ 0.39	$ 0.33	$ 0.17	$ 0.35
EARNINGS PER SHARE-DILUTED	0.39	0.32	0.17	0.34

Management Report

Internal Control Over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. The Corporation's internal control system was designed to provide reasonable assurance to the Corporation's management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2007. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based upon our assessment we believe that, as of December 31, 2007, the Corporation's internal control over financial reporting is effective based upon those criteria. The Corporation's independent auditors have issued an audit report on our assessment of, and the effective operation of, the Corporation's internal control over financial reporting. This report begins on the next page.

Frank A. Kissel
Chairman of the Board and
Chief Executive Officer

Arthur F. Birmingham
Executive Vice President,
Chief Financial Officer and
Chief Accounting Officer

February 29, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Peapack-Gladstone Financial Corporation:

We have audited Peapack-Gladstone Financial Corporation's (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Peapack-Gladstone Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of condition at December 31, 2007 and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended of Peapack-Gladstone Financial Corporation and our report dated February 29, 2008 expressed an unqualified opinion on those financial statements.

Crowe Chizek and Company LLC

Livingston, New Jersey
February 29, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Peapack-Gladstone Financial Corporation:

We have audited the accompanying statement of condition of Peapack-Gladstone Financial Corporation as of December 31, 2007, and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Peapack-Gladstone Financial Corporation's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2008 expressed an unqualified opinion thereon.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Livingston, New Jersey
February 29, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Peapack-Gladstone Financial Corporation:

We have audited the accompanying consolidated statement of condition of Peapack-Gladstone Financial Corporation and subsidiary (the Corporation) as of December 31, 2006, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peapack-Gladstone Financial Corporation and subsidiary as of December 31, 2006, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 14 to the consolidated financial statements, effective January 1, 2006, the Corporation adopted SEC Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements."

KPMG LLP

Short Hills, New Jersey
February 27, 2007

Consolidated Statements Of Condition

(In Thousands Except Per Share Data)	December 31, 2007	2006
ASSETS		
Cash and Due From Banks	**$ 25,443**	$ 23,190
Federal Funds Sold	**1,771**	103
Interest-Earning Deposits	**973**	6,965
Total Cash and Cash Equivalents	**28,187**	30,258
Investment Securities Held to Maturity (Approximate Market Value $45,070 in 2007 and $54,523 in 2006)	**45,139**	55,165
Securities Available for Sale	**236,944**	282,878
FHLB and FRB Stock, at cost	**4,293**	3,308
Loans	**981,180**	870,153
Less: Allowance for Loan Losses	**7,500**	6,768
Net Loans	**973,680**	863,385
Premises and Equipment	**26,236**	24,059
Accrued Interest Receivable	**5,122**	5,181
Cash Surrender Value of Life Insurance	**19,474**	18,689
Other Assets	**7,901**	5,453
Total Assets	**$1,346,976**	$1,288,376
LIABILITIES		
Deposits:		
Noninterest-Bearing Demand Deposits	**$ 199,266**	$ 196,519
Interest-Bearing Deposits:		
Checking	**145,490**	142,676
Savings	**64,772**	73,998
Money Market Accounts	**377,544**	366,874
Certificates of Deposit over $100,000	**155,410**	126,014
Certificates of Deposit less than $100,000	**237,785**	238,655
Total Deposits	**1,180,267**	1,144,736
Overnight Borrowings	**15,650**	-
Federal Home Loan Bank Advances	**29,169**	23,964
Accrued Expenses and Other Liabilities	**14,461**	15,913
Total Liabilities	**1,239,547**	1,184,613
SHAREHOLDERS' EQUITY		
Common Stock (No Par Value; Stated Value $0.83 Per Share; Authorized 20,000,000 shares; Issued Shares, 8,577,446 at December 31, 2007 and 8,497,463 at December 31, 2006; Outstanding shares, 8,304,486 at December 31, 2007 and 8,270,973 at December 31, 2006)	**7,148**	7,081
Surplus	**90,677**	89,372
Treasury Stock at Cost, 272,960 shares in 2007 and 226,490 shares in 2006	**(6,255)**	(4,999)
Retained Earnings	**21,750**	15,038
Accumulated Other Comprehensive Loss, Net of Income Tax Benefit	**(5,891)**	(2,729)
Total Shareholders' Equity	**107,429**	103,763
Total Liabilities and Shareholders' Equity	**$1,346,976**	$1,288,376

See accompanying notes to Consolidated Financial Statements

Consolidated Statements Of Income

(In Thousands, Except Per Share Data)	Years Ended December 31, 2007	2006	2005
INTEREST INCOME			
Interest and Fees on Loans	**$55,906**	$49,510	$38,559
Interest on Investment Securities Held to Maturity:			
Taxable	**848**	1,068	1,591
Tax-Exempt	**1,062**	1,344	1,188
Interest and Dividends on Securities Available for Sale:			
Taxable	**12,859**	14,789	13,619
Tax-Exempt	**982**	349	358
Interest on Federal Funds Sold	**656**	146	73
Interest-Earning Deposits	**39**	61	26
Total Interest Income	**72,352**	67,267	55,414
INTEREST EXPENSE			
Interest on Checking Accounts	**1,076**	1,044	2,192
Interest on Savings and Money Market Accounts	**15,166**	12,522	6,304
Interest on Certificates of Deposit Over $100,000	**7,134**	5,406	2,678
Interest on Other Certificates of Deposit	**11,870**	10,099	5,931
Interest on Overnight and Short-Term Borrowings	**272**	4,305	1,879
Interest on Federal Home Loan Bank Advances	**965**	1,068	1,139
Total Interest Expense	**36,483**	34,444	20,123
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	**35,869**	32,823	35,291
Provision for Loan Losses	**750**	414	391
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**35,119**	32,409	34,900
OTHER INCOME			
Trust Fees	**9,563**	8,367	7,640
Service Charges and Fees	**2,350**	2,310	2,220
Bank Owned Life Insurance	**900**	837	802
Other Income	**976**	534	282
Securities Gains/(Losses), Net	**254**	(1,781)	551
Total Other Income	**14,043**	10,267	11,495
OTHER EXPENSES			
Salaries and Employee Benefits	**17,511**	15,698	14,682
Premises and Equipment	**7,761**	6,909	6,705
Professional and Legal Fees	**1,124**	833	565
Advertising	**892**	732	936
Other Expenses	**4,799**	4,773	4,604
Total Other Expenses	**32,087**	28,945	27,492
INCOME BEFORE INCOME TAX EXPENSE	**17,075**	13,731	18,903
Income Tax Expense	**5,213**	3,505	5,773
NET INCOME	**$11,862**	$10,226	$13,130
EARNINGS PER SHARE			
Basic	**$ 1.43**	$ 1.24	$ 1.58
Diluted	**1.42**	1.22	1.56

See accompanying notes to Consolidated Financial Statements

Consolidated Statements Of Changes In Shareholders' Equity

(In Thousands, Except Per Share Data)	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2004 8,246,042 Shares Outstanding	$6,994	$87,991	$(2,867)	$1,113	$1,438	$94,669
Comprehensive Income:						
Net Income 2005				13,130		13,130
Unrealized Holding Losses on Securities Arising During the Period (Net of Income Tax Benefit of $2,504)					(4,037)	
Less: Reclassification Adjustment for Gains Included in Net Income (Net of Income Tax of $193)					358	
Net Unrealized Holding Losses on Securities Arising During the Period (Net of Income Tax Benefit of $2,697)					(4,395)	(4,395)
Total Comprehensive Income						8,735
Dividends Declared ($0.50 per Share)				(4,143)		(4,143)
Common Stock Options Exercised and Related Tax Benefits, 68,673 shares	67	982				1,049
Treasury Stock Transactions, 41,420 shares			(1,155)			(1,155)
Balance at December 31, 2005 8,284,715 Shares Outstanding	$7,061	$88,973	$(4,022)	$10,100	$(2,957)	$99,155
Cumulative Effect Adjustment resulting from the adoption of SAB No. 108 (Net of income tax benefit of $341)				(494)		(494)
Balance at January 1, 2006, As adjusted	$7,061	$88,973	$(4,022)	$9,606	$(2,957)	$98,661

(In Thousands, Except Per Share Data)	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Comprehensive Income:						
Net Income 2006				10,226		10,226
Unrealized Holding Gains on Securities Arising During the Period (Net of Income Tax Benefit of $398)					416	
Less: Reclassification Adjustment for Losses Included in Net Income (Net of Income Tax of $623)					(1,158)	
Net Unrealized Holding Gains on Securities Arising During the Period (Net of Income Tax Benefit of $1,021)					1,574	1,574
Total Comprehensive Income						11,800
Adjustment to initially apply FAS Statement 158 (Net of tax Benefit of $929)					(1,346)	(1,346)
Dividends Declared ($0.58 per Share)				(4,794)		(4,794)
Common Stock Option Expense		59				59
Exercised and Related Tax Benefits, 13,742 shares	20	340				360
Treasury Stock Transactions 37,484 shares			(977)			(977)
Balance at December 31, 2006 8,270,973 Shares Outstanding	$7,081	$89,372	$(4,999)	$15,038	$(2,729)	$103,763
Comprehensive Income:						
Net Income 2007				**11,862**		**11,862**
Unrealized Holding Losses on Securities Arising During the Period (Net of Income Tax Benefit of $2,110)					**(3,076)**	
Less: Reclassification Adjustment for Gains Included in Net Income (Net of Income Tax of $89)					**165**	
Net Unrealized Holding Losses on Securities Arising During the Period (Net of Income Tax Benefit of $2,199)					**(3,241)**	**(3,241)**
Pension Costs (Net of Tax of $54)					**79**	**79**
Total Comprehensive Income						**8,700**
Dividends Declared ($0.62 per Share)				**(5,150)**		**(5,150)**
Common Stock Option Expense		**203**				**203**
Exercised and Related Tax Benefits, 79,983 shares	**67**	**1,102**				**1,169**
Treasury Stock Transactions, 46,470 shares			**(1,256)**			**(1,256)**
Balance at December 31, 2007 8,304,486 Shares Outstanding	**$7,148**	**$90,677**	**$(6,255)**	**$21,750**	**$(5,891)**	**$107,429**

See Accompanying Notes to Consolidated Financial Statements

Consolidated Statements Of Cash Flows

(In Thousands)	2007	2006	2005
	Years Ended December 31,		
OPERATING ACTIVITIES:			
Net Income	**$ 11,862**	$ 10,226	$ 13,130
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:			
Depreciation	**2,254**	2,068	1,991
Amortization of Premium and Accretion of Discount on Securities, Net	**313**	498	1,009
Provision for Loan Losses	**750**	414	391
Stock-based Compensation	**203**	59	-
Deferred Tax Expense/(Benefit)	**256**	(1,786)	(2,008)
(Gain)/Loss on Sale of Securities, Net	**(254)**	1,781	(298)
Gain on Loans Sold	**(3)**	(3)	(13)
Gain on Disposal of Premises and Equipment	**(548)**	(15)	(28)
Increase in Cash Surrender Value of Life Insurance	**(785)**	(732)	(704)
Decrease/(Increase) in Accrued Interest Receivable	**59**	(353)	(453)
(Increase)/Decrease in Other Assets	**(559)**	2,434	(2,305)
(Decrease)/Increase in Accrued Expenses and Other Liabilities	**(1,407)**	7,767	3,792
Net Cash Provided by Operating Activities	**12,141**	22,358	14,504
INVESTING ACTIVITIES:			
Proceeds From Maturities of Investment Securities Held to Maturity	**16,435**	32,505	35,119
Proceeds From Maturities of Securities Available for Sale	**60,804**	66,093	51,383
Proceeds From Calls of Investment Securities Held to Maturity	**150**	11,996	5,685
Proceeds From Sales and Calls of Securities Available for Sale	**16,086**	60,330	42,225
Purchase of Investment Securities Held to Maturity	**(6,654)**	(9,722)	(32,000)
Purchase of Securities Available for Sale, including FHLB And FRB Stock	**(37,345)**	(82,569)	(88,569)
Proceeds From Sales of Loans	**3,701**	622	2,316
Purchase of Loans	**–**	(26,774)	(191,842)
Net Increase in Loans	**(114,743)**	(75,549)	(6,772)
Purchases of Premises and Equipment	**(4,544)**	(4,715)	(3,259)
Proceeds from Disposal of Premises and Equipment	**661**	15	47
Net Cash Used in Investing Activities	**(65,449)**	(27,768)	(185,667)
FINANCING ACTIVITIES:			
Net Increase in Deposits	**35,531**	102,740	106,330
Net Increase in Overnight Borrowings	**15,650**	–	–
Net (Decrease)/Increase in Short-Term Borrowings	**–**	(77,500)	77,500
Proceeds From FHLB Advances	**11,000**	–	–
Repayments of FHLB Advances	**(5,795)**	(7,741)	(1,689)
Dividends Paid	**(5,062)**	(4,713)	(3,891)
Tax Benefit on Stock Option Exercises	**93**	29	347
Exercise of Stock Options	**1,076**	331	702
Purchase of Treasury Stock	**(1,256)**	(977)	(1,155)
Net Cash Provided by Financing Activities	**51,237**	12,169	178,144
Net (Decrease)/increase In Cash And Cash Equivalents	**(2,071)**	6,759	6,981
Cash and Cash Equivalents at Beginning of Year	**30,258**	23,499	16,518
Cash and Cash Equivalents at End of Year	**$ 28,187**	$ 30,258	$ 23,499
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash Paid During the Year for:			
Interest	**$ 34,578**	$ 32,857	$ 18,399
Income Taxes	**4,527**	2,222	8,307

See accompanying notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Organization: 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 consolidated statements also include the Bank's wholly-owned subsidiary, Peapack-Gladstone Investment Company and its wholly-owned subsidiary, Peapack-Gladstone Mortgage Group, Inc. While the following footnotes include the collective results of Peapack-Gladstone Financial Corporation and Peapack-Gladstone Bank, these footnotes primarily reflect the Bank's and its subsidiaries' activities. All significant intercompany balances and transactions have been eliminated from the accompanying consolidated financial statements.

Business: Peapack-Gladstone Bank, the subsidiary of the Corporation, provides a full range of banking services to individual and corporate customers through its branch operations in central New Jersey. The Bank is subject to competition from other financial institutions, is regulated by certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Basis of Financial Statement Presentation: The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statement of condition and revenues and expenses for that period. Actual results could differ from those estimates.

Segment Information: Substantially all of the Corporation's business is conducted through its banking subsidiary and involves the delivery of loan and deposit products and trust services to customers. The Corporation makes operating decisions and assesses performance based on an ongoing review of these banking operations, which constitute the only operating segment for financial reporting.

Cash and Cash Equivalents: For purposes of the statements of cash flows, cash and cash equivalents include cash and due from banks, interest-earning deposits and federal funds sold. Generally, federal funds are sold for one-day periods. Net cash flows are reported for customer loan and deposit transactions and federal funds purchased and overnight funds.

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.

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.

Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses and results in a new cost basis being established. In estimating other-than-temporary losses, 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 the Corporation's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value.

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

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

Loans: Loans 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 unearned income 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.

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 certain factors indicate reasonable doubt as to the timely collectibility of such interest, generally when the loan becomes over 90 days delinquent. A non-accrual loan is not returned to an accrual status until factors indicating doubtful collection no longer exist. Commercial loans are generally charged off after an analysis is completed which indicates that collectibility of the full principal balance is in doubt. Consumer loans are generally charged off after they become 120 days past due. Mortgage loans are not generally placed on a nonaccrual status unless the value of the real estate has deteriorated to the point that a potential loss of principal or interest exists. 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 collectibility is reasonably assured, loans are returned to accrual status. 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 maintained at a level considered adequate to provide for probable loan losses inherent in the portfolio. The allowance is based on management's evaluation of the loan portfolio considering economic conditions, the volume and nature of the loan portfolio, historical loan loss experience and individual credit situations. The allowance is increased by provisions charged to expense and reduced by charge-offs net of recoveries.

Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a loan to be impaired when it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, the amount of impairment is measured based on the fair value of the collateral. Impairment losses are included in the allowance for loan losses through provisions charged to operations.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation. Depreciation charges are computed using the straight-line method. Equipment and other fixed assets are depreciated over the estimated useful lives, which range from three to ten years. Premises are depreciated over the estimated useful life of 40 years, while leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of the lease. Expenditures for maintenance and repairs are expensed as incurred. The cost of major renewals and improvements are capitalized. Gains or losses realized on routine dispositions are recorded as other income or other expense.

Bank Owned Life Insurance (BOLI): The Bank has purchased life insurance policies on certain key executives. BOLI is recorded at its cash surrender value, which is the amount that can be realized.

The FASB Emerging Issues Task Force (EITF) finalized Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements" (EITF 06-4) in September 2006. EITF 06-4 requires that a liability be recorded during the service period when a split-dollar life insurance agreement continues after participants' employment or retirement. The required accrued liability will be based on either the post-employment benefit cost for the continuing life insurance or based on the future death benefit depending on the contractual terms of the underlying agreement. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The Corporation adopted EITF 06-4 on January 1, 2008, which resulted in a cumulative-effect adjustment decreasing retained earnings and increasing liabilities by $449 thousand as of January 1, 2008.

In September 2006, the FASB EITF finalized Issue No. 06-5, "Accounting for Purchases of Life Insurance - Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4 (Accounting for Purchases of Life Insurance)" (EITF 06-5). EITF 06-5 requires that a policyholder consider contractual terms of a life insurance policy in determining the amount that could be realized under the insurance contract. EITF 06-5 also requires that if the contract provides for a greater surrender value if all individual policies in a group are surrendered at the same time, that the surrender value be determined based on the assumption that policies will be surrendered on an individual basis. Lastly, EITF 06-5 discusses whether the cash surrender value should be discounted when the policyholder is contractually limited in its ability to surrender a policy. EITF 06-5 is effective for fiscal years beginning after December 15, 2006. The adoption of EITF 06-5 did not have a material impact on the financial statements.

Other Real Estate Owned: Other real estate owned is carried at fair value minus estimated costs to sell, based on an independent appraisal. When a property is acquired, the excess of the loan balance over the estimated fair value is charged to the allowance for loan losses. Any subsequent write-downs that may be required to the carrying value of the properties or losses on the sale of properties are charged to the valuation allowance on other real estate owned or to other expense. The Corporation had no other real estate owned as of December 31, 2007 and 2006.

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

The Corporation recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in its financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on the enacted tax rates applicable to taxable income for the years in which these temporary differences are expected to be recovered or settled. Such tax assets and liabilities are adjusted for the effect of a change in tax rates in the period of enactment.

The Corporation adopted FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes," (FIN 48), as of January 1, 2007. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no affect on the Corporation's financial statements.

The Corporation is no longer subject to examination by the U.S. federal tax authorities for years prior to 2004 or by New Jersey tax authorities for years prior to 2003.

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

In February 2006, the State of New Jersey Division of Taxation adopted new regulations relating to the dividends paid by Real Estate Investment Trusts (REIT). Dividends received from a REIT are now ineligible for inclusion in the dividends received deduction for corporations. This regulation applies to dividends paid on or after February 6, 2006. This new regulation did not have a material impact on the Corporation's financial condition or results of operations during 2006; however, tax expense increased in 2007 as a result of this regulation.

Benefit Plans: The Corporation has a defined benefit pension plan covering substantially all of its salaried employees, which is more fully described in Note 11. The benefits are based on an employee's compensation during the five years before retirement, age at retirement and years of service. The Corporation makes annual contributions to the plan equal to the maximum amount that can be deducted for income tax purposes.

Effective December 31, 2006, the Corporation adopted FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (Statement No. 158), which requires employers to recognize on their balance sheets the funded status of pension and other postretirement benefit plans. Statement 158 will also require fiscal-year-end measurements of plan assets and benefit obligations, eliminating the use of earlier measurement dates currently permissible. The new measurement-date requirement will not be effective until fiscal years ending after December 15, 2008 and the Corporation will comply with this requirement at that time. Statement 158 amends Statements 87, 88, 106 and 132R, but retains most of their measurement and disclosure guidance and will not change the amounts recognized in the income statement as net periodic benefit cost. The Corporation recorded $2.3 million as unfunded pension benefit obligation at December 31, 2006. Provisions related to changes in funded status were adopted in 2007 and provisions related to the measurement date will be adopted in 2008.

Stock Option Plans: The Corporation has incentive and non-qualified stock option plans that allow the granting of shares of the Corporation's common stock to employees and non-employee directors, which are more fully described in Note 12. The options granted under these plans are exercisable at a price equal to the fair market 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.

Effective January 1, 2006, the Corporation adopted FASB Statement No. 123R, "Share-based Payment," (Statement 123R), using the modified prospective transition method. Accordingly, the Corporation has recorded stock-based employee compensation cost using the fair value method starting in 2006. In 2007 and 2006, the Corporation recorded stock-based compensation expense of $203 thousand and $59 thousand, respectively.

Prior to January 1, 2006, the Corporation reported employee compensation expense for its stock option plans using the intrinsic value method; therefore, no stock-based compensation cost is reflected in net income for the year ended December 31, 2005, as all options granted had an exercise price equal to the market value of their underlying common stock on the date of grant. Stock-based compensation cost, net of related tax effects, would have been $1.6 million under Statement 123R for the year ended December 31, 2005.

The following table illustrates the effect on net income and earnings per share for the years ended December 31, 2005 as if the Corporation had applied the fair value recognition provisions of Statement 123R, to stock-based employee compensation in that year.

(In Thousands Except Per Share Data)	**2005**
Net Income:	
As Reported	$13,130
Less: Total Stock-Based Compensation Expense Determined Under the Fair Value Based Method on All Stock Options, Net of Related Tax Effects	1,603
Pro Forma	$11,527
Earnings Per Share:	
As Reported:	
Basic	$ 1.58
Diluted	1.56
Pro Forma:	
Basic	$ 1.39
Diluted	1.37

Earnings per Share: In calculating earnings per share, there are no adjustments to net income, which is the numerator of both the Basic and Diluted EPS. The weighted average number of shares outstanding used in the denominator for Diluted EPS is increased over the denominator used for Basic EPS by the effect of potentially dilutive common stock equivalents utilizing the treasury stock method. Common stock equivalents are common stock options outstanding.

The following table shows the calculation of both Basic and Diluted earnings per share for the years ended December 31, 2007, 2006 and 2005:

(In Thousands Except Per Share Data)	**2007**	2006	2005
Net Income	**$ 11,862**	$ 10,226	$ 13,130
Basic Weighted Average Shares Outstanding	**8,299,271**	8,268,226	8,286,926
Plus: Common Stock Equivalents	**69,754**	102,095	116,348
Diluted Weighted Average Shares Outstanding	**8,369,026**	8,370,321	8,403,274
Earnings Per Share:			
Basic	**$ 1.43**	$ 1.24	$ 1.58
Diluted	**1.42**	1.22	1.56

Stock options for 375,638, 317,209 and 325,814 were not considered in computing diluted earnings per share for 2007, 2006 and 2005, respectively, because they were antidilutive.

Treasury Stock: Treasury stock is recorded using the cost method and is presented as an unallocated reduction of shareholders' equity.

Comprehensive Income: Comprehensive income consists of net income and the change during the period in net unrealized gains (losses) on securities available for sale, net of tax, and is presented in the consolidated statements of changes in shareholders' equity.

New Accounting Policies: In February 2007, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (Statement No. 159). Statement No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. Statement No. 159's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. Statement No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of Statement No. 157. The adoption of Statement No. 159 did not have a material impact on its financial statements.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" (Statement No. 157). Statement No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Statement No. 157 establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. The adoption of Statement No. 157 did not have a material impact on its financial statements.

Reclassification: Certain reclassifications have been made in the prior periods' financial statements in order to conform to the 2007 presentation.

2. INVESTMENT SECURITIES HELD TO MATURITY

A summary of amortized cost and approximate market value of investment securities held to maturity included in the consolidated statements of condition as of December 31, 2007 and 2006 follows:

		2007		
(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
U.S. Treasury	**$ 500**	**$ 14**	**$ –**	**$ 514**
Mortgage-Backed Securities	**13,196**	**84**	**(88)**	**13,192**
State and Political Subdivisions	**31,443**	**58**	**(137)**	**31,364**
Total	**$45,139**	**$156**	**$(225)**	**$45,070**

		2006		
(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
U.S. Treasury	$ 1,000	$ 2	$ (1)	$ 1,001
Mortgage-Backed Securities	17,350	60	(245)	17,165
State and Political Subdivisions	36,815	29	(487)	36,357
Total	$55,165	$ 91	$(733)	$ 54,523

The amortized cost and approximate fair value of investment securities held to maturity as of December 31, 2007, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Securities not due at a single maturity, mortgage-backed securities, are shown separately.

Maturing In: (In Thousands)	Amortized Cost	Approximate Fair Value
One Year or Less	$10,648	$10,604
After One Year Through Five Years	19,945	19,897
After Five Years Through Ten Years	1,350	1,377
	31,943	31,878
Mortgage-Backed Securities	13,196	13,192
Total	$45,139	$45,070

Securities having an approximate carrying value of $300 thousand as of December 31, 2007 and 2006 were pledged to secure public funds and for other purposes required or permitted by law.

The following table presents the Corporation's investment securities held to maturity with continuous unrealized losses and the approximate fair value of these investments as of December 31, 2007 and 2006.

2007

	Duration Of Unrealized Loss					
	Less Than 12 Months		12 Months Or Longer		Total	
(In Thousands)	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses
Mortgage-Backed Securities	**$1,235**	**$ (2)**	**$ 6,025**	**$ (86)**	**$ 7,260**	**$ (88)**
State and Political Subdivisions	**5,449**	**(30)**	**15,634**	**(107)**	**21,083**	**(137)**
Total	**$6,684**	**$(32)**	**$21,659**	**$(193)**	**$28,343**	**$(225)**

2006

	Duration Of Unrealized Loss					
	Less Than 12 Months		12 Months Or Longer		Total	
(In Thousands)	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses
U.S Treasury	$ –	$ –	$ 499	$ (1)	$ 499	$ (1)
Mortgage-Backed Securities	1,298	(14)	9,202	(231)	10,500	(245)
State and Political Subdivisions	7,753	(30)	24,850	(457)	32,603	(487)
Total	$9,051	$(44)	$ 34,551	$(689)	$43,602	$(733)

Management has determined that these unrealized losses on debt securities are temporary and due to interest rate fluctuations rather than the credit ratings of the issuers. The Corporation has a policy to purchase only from issuers with an investment grade credit rating and monitors credit ratings periodically.

The unrealized losses on investments in mortgage-backed securities were caused by interest rate increases and recent volatile market conditions in the mortgage-backed securities market. These securities are all rated AAA. The Corporation has the ability and intent to hold these securities for a period of time sufficient to recover all gross unrealized losses.

3. 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 December 31, 2007 and 2006 follows:

(In Thousands)	2007 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
U.S. Government-Sponsored Agencies	**$ 23,999**	**$ 60**	**$ (7)**	**$ 24,052**
Mortgage-Backed Securities	**119,073**	**204**	**(784)**	**118,493**
State and Political Subdivisions	**24,926**	**192**	**(495)**	**24,623**
Other Securities	**76,631**	**349**	**(7,204)**	**69,776**
Total	**$244,629**	**$ 805**	**$(8,490)**	**$236,944**

(In Thousands)	2006 Gross Amortized Cost	Gross Unrealized Gains	Unrealized Losses	Approximate Fair Value
U.S. Government-Sponsored Agencies	$ 57,265	$ 46	$ (489)	$ 56,822
Mortgage-Backed Securities	143,680	25	(2,969)	140,736
State and Political Subdivisions	22,998	99	(10)	23,087
Other Securities	61,179	1,293	(239)	62,233
Total	$ 285,122	$1,463	$(3,707)	$282,878

The amortized cost and approximate fair value of securities available for sale as of December 31, 2007, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

Maturing In: (In Thousands)	Amortized Cost	Approximate Fair Value
One Year or Less	$ 10,499	$ 10,503
After One Year Through Five Years	19,509	19,506
After Five Years Through Ten Years	2,768	2,900
After Ten Years	88,673	81,511
	121,449	114,420
Mortgage-Backed Securities	119,073	118,493
Marketable Equity Securities	4,107	4,031
Total	$244,629	$236,944

Securities having an approximate carrying value of $17.5 million and $9.5 million as of December 31, 2007 and December 31, 2006, respectively, were pledged to secure public funds and for other purposes required or permitted by law.

Gross gains on sales of securities of $498 thousand, $83 thousand and $443 thousand and gross losses on sales of securities of $272 thousand, $1.9 million and $145 thousand were realized in 2007, 2006 and 2005, respectively. In 2007, the Corporation recognized $28 thousand in gains on the non-monetary exchange of equity securities. Also, the Corporation recognized $253 thousand in gains on the non-monetary exchange of equity securities in 2005.

The following table presents the Corporation's available for sale securities with continuous unrealized losses and the approximate fair value of these investments.

	2007					
	Duration Of Unrealized Loss					
	Less Than 12 Months		12 Months Or Longer		Total	
(In Thousands)	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses
U.S. Government-Sponsored Agencies	**$ –**	**$ –**	**$ 1,491**	**$ (7)**	**$ 1,491**	**$ (7)**
Mortgage-Backed Securities	**14,492**	**(57)**	**59,266**	**(727)**	**73,758**	**(784)**
State and Political Subdivisions	**16,363**	**(491)**	**328**	**(4)**	**16,691**	**(495)**
Other Securities	**53,297**	**(6,310)**	**3,459**	**(538)**	**56,756**	**(6,848)**
Marketable Equity Securities	**2,350**	**(309)**	**176**	**(47)**	**2,526**	**(356)**
Total	**$86,502**	**$(7,167)**	**$ 64,720**	**$(1,323)**	**$151,222**	**$(8,490)**

	2006					
	Duration Of Unrealized Loss					
	Less Than 12 Months		12 Months Or Longer		Total	
(In Thousands)	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses	Approximate Fair Value	Unrealized Losses
U.S. Government-Sponsored Agencies	$ 2,985	$ (14)	$ 41,775	$ (475)	$ 44,760	$ (489)
Mortgage-Backed Securities	18,905	(123)	113,178	(2,846)	132,083	(2,969)
State and Political Subdivisions	–	–	328	(10)	328	(10)
Other Securities	11,128	(78)	3,401	(99)	14,529	(177)
Marketable Equity Securities	437	(40)	174	(22)	611	(62)
Total	$33,455	$ (255)	$158,856	$(3,452)	$192,311	$(3,707)

Management has determined that these unrealized losses on debt securities are temporary and due to interest rate fluctuations and volatility rather than the credit ratings of the issuers. The Corporation has a policy to purchase debt securities only from issuers with an investment grade credit rating and monitors credit ratings periodically.

The unrealized losses on investments in mortgage-backed securities were caused by interest rate increases and recent volatile market conditions in the mortgage-backed securities market. These securities are all rated AAA. The Corporation has the ability and intent to hold these securities for a period of time sufficient to recover all gross unrealized losses.

The investments in the other securities category consist primarily of pools of trust preferred securities. Most of these securities are adjustable with the rate resetting on a quarterly basis. These securities were investment grade at the time of purchase and remain investment grade at this time. The securities continue to perform according to their contractual terms and all interest payments are current. The Corporation has the ability and intent to hold these investments until a market recovery or maturity. Accordingly, the Corporation has not recognized any other-than-temporary impairment on these securities.

The sale of investment securities at a loss during the restructuring initiative undertaken in 2006 does not change management's assertion that the Bank has the ability and intent to hold temporarily impaired securities to recovery. The Bank's Asset/Liability Committee decided to execute a restructuring of the investment portfolio as a result of the unusual interest rate environment, an inverted yield curve. The transaction was executed in reaction to changes in market conditions to improve performance, reduce leverage and reduce interest rate risk. Management's decision on the total amount of the program was driven by the goal of reducing the overnight borrowings position substantially.

4. LOANS

Loans outstanding as of December 31, consisted of the following:

(In Thousands)	**2007**	2006
Residential Mortgage	**$497,016**	$498,079
Commercial Mortgage	**237,316**	165,652
Commercial Loans	**129,747**	107,357
Construction Loans	**60,589**	44,764
Consumer Loans	**37,264**	35,836
Other Loans	**19,248**	18,465
Total	**$981,180**	$870,153

Included in the totals above for December 31, 2007 is $3.4 million of unamortized discount and $2.8 million of deferred origination costs net of deferred origination fees as compared to $3.3 million of unamortized discount and $3.1 million of deferred origination costs net of deferred origination fees for December 31, 2006.

Non-accrual loans totaled $2.1 million and $1.9 million at December 31, 2007 and 2006, respectively. At December 31, 2007 there were no loans past due 90 days or more and still accruing interest. At December 31, 2006 there were $197 thousand of loans past due 90 days or more and still accruing interest.

At December 31, 2007, the impaired loan portfolio consisted of four commercial loans for $1.8 million for which there was $111 thousand of specific allocation in the allowance for loan losses. At December 31, 2006, the impaired loan portfolio consisted of two commercial loans for $1.5 million for which there was $378 thousand of specific allocation in the allowance for loan losses. At December 31, 2005 there were no impaired loans. At December 31, 2007, there were no commitments to lend additional funds to borrowers whose loans are classified as nonperforming.

(In Thousands)	**2007**	2006	2005
Average of Individually Impaired Loans During Year	**$4,686**	$12	$ –
Interest Income Recognized During Impairment	**341**	–	–
Cash-Basis Interest Income Recognized	**341**	–	–

In the ordinary course of business, the Corporation, through the Bank, may extend credit to officers, directors or their associates. These loans are subject to the Corporation's normal lending policy and Federal Reserve Bank Regulation O. All loans are currently performing.

The following table shows the changes in loans to officers, directors or their associates:

(In Thousands)	**2007**	2006
Balance Beginning of Year	**$2,907**	$1,949
New loans	**2,706**	2,182
Repayments	**(1,240)**	(1,224)
Balance at End of Year	**$4,373**	$2,907

5. *ALLOWANCE FOR LOAN LOSSES*

A summary of changes in the allowance for loan losses for the years indicated follows:

	Years Ended December 31,		
(In Thousands)	**2007**	2006	2005
Balance, Beginning of Year	**$6,768**	$6,378	$5,989
Provision Charged to Expense	**750**	414	391
Loans Charged-Off	**(23)**	(26)	(16)
Recoveries	**5**	2	14
Balance, End of Year	**$7,500**	$6,768	$6,378

6. *PREMISES AND EQUIPMENT*

Premises and equipment as of December 31, follows:

(In Thousands)	**2007**	2006
Land	**$ 6,027**	$ 5,154
Buildings	**11,316**	8,612
Furniture and Equipment	**16,268**	15,545
Leasehold Improvements	**8,284**	8,246
Projects in Progress	**2,586**	3,276
	44,481	40,833
Less: Accumulated Depreciation	**18,245**	16,774
Total	**$26,236**	$24,059

Depreciation expense amounted to $2.3 million, $2.1 million and $2.0 million for the years ended December 31, 2007, 2006 and 2005, respectively.

7. *DEPOSITS*

The scheduled maturities of time deposits are as follows:

(In Thousands)	
2008	$364,307
2009	15,058
2010	5,678
2011	4,668
2012	3,484
Total	$393,195

8. FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

Advances from the Federal Home Loan Bank of New York (FHLB) totaled $29.2 million and $24.0 million at December 31, 2007 and 2006, respectively, with a weighted average interest rate of 3.69 percent and 3.59 percent, respectively.

Advances totaling $13.0 million at December 31, 2007, have fixed maturity dates, while advances totaling $5.2 million 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 $237.2 million at December 31, 2007 and $279.0 million at December 31, 2006.

At December 31, 2007, the Corporation had $11 million in fixed rate advances that are noncallable for one or two years and then callable quarterly with final maturities of three, five or ten years. These advances are secured by pledges of investment securities totaling $13.1 million at December 31, 2007.

The scheduled repayments of advances are as follows:

(In Thousands)	
2008	$ 1,421
2009	3,249
2010	12,373
2011	3,446
2012	5,462
Over 5 Years	3,218
Total	$29,169

At December 31, 2007, overnight borrowings with FHLB totaled $15.7 million at a rate of 4.11 percent as compared to no overnight borrowings at December 31, 2006. At December 31, 2007, unused short-term or overnight borrowings commitments totaled $184.4 million from FHLB and $58.0 million from correspondent banks.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of significant financial instruments:

The carrying amount of cash, cash equivalents, interest-bearing deposits, Federal Home Loan Bank and Federal Reserve Bank stock and overnight borrowings is considered to be fair value. The carrying amount of deposits with no stated maturity, such as demand deposits, checking accounts, savings and money market accounts, is equal to fair value.

The fair value of securities is based upon market prices or dealer quotes. If no such information is available, fair value is based on the rate and term of the security and information about the issuer.

The fair value of loans is estimated by discounting the future cash flows using the buildup approach consisting of four components: the risk-free rate, credit quality, operating expense and prepayment option price.

The fair value of certificates of deposit is based on the discounted value of the contractual cash flows.

The fair value of FHLB advances is based on current rates for similar financing.

The following table summarizes carrying amounts and fair values for financial instruments at December 31:

	2007		2006	
(In Thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents	**$ 28,187**	**$ 28,187**	$ 30,258	$ 30,258
Investment Securities	**45,139**	**45,070**	55,165	54,523
Securities Available for Sale	**236,944**	**236,944**	282,878	282,878
FHLB and FRB Stock	**4,293**	**4,293**	3,308	3,308
Loans, Net of Allowance for Loan Losses	**973,680**	**980,126**	863,385	854,585
Financial Liabilities:				
Deposits	**1,180,267**	**1,180,724**	1,144,736	1,143,170
Overnight Borrowings	**15,650**	**15,650**	–	–
Federal Home Loan Bank Advances	**29,169**	**28,675**	23,964	22,909

10. INCOME TAXES

The income tax expense included in the consolidated financial statements for the years ended December 31, is allocated as follows:

(In Thousands)	2007	2006	2005
Federal:			
Current Expense	**$3,986**	$ 4,963	$7,570
Deferred Expense/(Benefit)	**878**	(645)	(1,637)
State:			
Current Expense	**971**	328	211
Deferred Benefit	**(622)**	(1,141)	(371)
Total Income Tax Expense	**$5,213**	$ 3,505	$5,773

Shareholders' Equity:			
Deferred Expense/(Benefit) on Unrealized (Loss)/Gain on Available for Sale	**$(3,060)**	$1,021	$(2,697)
Lease Adjustment	**–**	(341)	–
Unfunded Pension Benefit	**(875)**	(929)	–
Total Deferred Benefit	**$(3,935)**	$ (249)	$(2,697)

Total income tax expense differed from the amounts computed by applying the U.S. Federal income tax rate of 35 percent to income before taxes as a result of the following:

(In Thousands)	2007	2006	2005
Computed "Expected" Tax Expense	**$5,976**	$4,806	$6,616
Increase/(Decrease) in Taxes Resulting From:			
Tax-Exempt Income	**(746)**	(509)	(492)
State Income Taxes	**225**	(529)	(104)
Bank Owned Life Insurance Income	**(270)**	(254)	(244)
Other	**28**	(9)	(3)
Total Income Tax Expense	**$5,213**	$3,505	$5,773

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31 are as follows:

(In Thousands)	2007	2006
Deferred Tax Assets:		
Allowance for Loan Losses	**$3,006**	$2,707
Unfunded Pension Benefit	**875**	929
Unrealized Loss on Securities Available for Sale	**3,060**	861
State Net Operating Loss Carry Forward	**1,131**	569
Lease Adjustment	**267**	312
Post Retirement Benefits	**483**	294
Prepaid Alternative Minimum Assessment	**283**	283
Contribution Limitation	**34**	37
Capital Loss Carryover	**–**	23
Other	**7**	–
Total Gross Deferred Tax Assets	**$9,146**	$6,015
Deferred Tax Liabilities:		
Bank Premises and Equipment, Principally Due to Difference in Depreciation	**$1,751**	$ 681
Deferred Loan Origination Costs and Fees	**702**	633
Nonmonetary Gain	**84**	95
Deferred Income	**133**	–
Investment Securities, Principally Due to the Accretion of Bond Discount	**89**	81
Deferred REIT Dividend	**–**	28
Total Gross Deferred Tax Liabilities	**2,759**	1,518
Net Deferred Tax Asset	**$6,387**	$4,497

Based upon taxes paid and projected future taxable income, management believes that it is more likely than not that the gross deferred tax assets will be realized.

11. BENEFIT PLANS

Pension Plan

The Corporation has a defined benefit pension plan covering substantially all of its salaried employees. The benefits are based on an employee's compensation during the five years before retirement, age at retirement, and years of service. The Corporation used a December 14 measurement date for its pension plans.

The following table shows the change in benefit obligation and plan assets of the defined benefit pension plan at December 31:

(In Thousands)	**2007**	2006
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	**$13,942**	$12,383
Service Cost	**1,753**	1,670
Interest Cost	**779**	659
Actuarial Gain	**(295)**	(659)
Benefits Paid	**(140)**	(111)
Benefit Obligation at End of Year	**$16,039**	$13,942
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	**$11,377**	$ 9,450
Actual Return on Plan Assets	**817**	794
Employer Contribution	**1,100**	1,244
Benefits Paid	**(140)**	(111)
Fair Value of Plan Assets at End of Year	**$13,154**	$ 11,377
Funded Status at End of Year	**$(2,885)**	$(2,565)

Amounts recognized in other comprehensive income at December 31 consist of:

(In Thousands)	**2007**	2006
Unrecognized Net Actuarial Loss	**$ 2,157**	$ 2,296
Unrecognized Transition Asset	**(13)**	(19)
Unrecognized Prior Service Cost	**(2)**	(2)
Total Accumulated Other Comprehensive Loss	**$ 2,142**	$ 2,275

The accumulated benefit obligation was $12.4 million and $10.5 million at December 31, 2007 and 2006.

Net periodic expense for the years ended December 31, included the following components:

	2007	2006	2005
Service Cost	**$ 1,753**	$1,670	$1,404
Interest Cost	**779**	659	586
Expected Return on Plan Assets	**(1,008)**	(897)	(534)
Net Periodic Benefit Cost	**1,524**	1,432	1,456
Amortization of:			
Net Loss	**35**	75	68
Transition Asset	**(7)**	(7)	(7)
Total Recognized in Other Comprehensive Income	**28**	68	61
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	**$ 1,552**	$1,500	$1,517

The estimated net actuarial gain and prior service costs that will be recognized as components of net periodic benefit cost over in 2008 are $33 thousand and $7 thousand, respectively.

The following table shows the actuarial assumptions applied for the valuation of plan obligations at December 31:

	2007	2006	2005
Discount Rate	**5.75%**	5.75%	5.50%
Rate of Increase on Future Compensation	**3.00**	3.00	3.00

The Discount Rate was obtained using a high-quality (AA rated), corporate bond rate at year end.

The following table shows the actuarial assumptions applied for the net periodic expense at December 31:

	2007	2006	2005
Discount Rate	**5.75%**	5.50%	5.75%
Rate of Increase on Future Compensation	**3.00**	3.00	3.0
Expected Long-Term Rate of Return on Plan Assets	**8.50**	8.50	5.75

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual assets categories.

The asset allocation of the Corporation's pension benefits plan assets at December 31, were as follows:

	2007	2006
Equity Securities	**58.3%**	59.7%
Debt Securities	**36.8**	37.3
Cash and Cash Equivalents	**4.9**	3.0
Total	**100.0%**	100.0%

The Plan's Trustees are granted full discretion to buy, sell, invest and reinvest in accordance with the pension plan's investment policy. The Trustees establish target asset allocations for equity and debt securities at their regular committee meetings. Cash equivalents are invested in money market funds or in other high quality investments approved by the Trustees of the Plan.

The Corporation expects to contribute $1.0 million to its pension plan in 2008.

The following table shows the estimated future pension benefit payments.

(In Thousands)	
2008	$ 246
2009	270
2010	432
2011	493
2012	629
2013-2017	5,346

Savings and Profit Sharing Plans

In addition to the retirement plan, the Corporation sponsors a profit sharing plan and a savings plan under Section 401(k) of the Internal Revenue Code, covering substantially all salaried employees over the age of 21 with at least 12 months service. Under the savings portion of the plan, employee contributions are partially matched by the Corporation. Expense for the savings plan was approximately $51 thousand, $45 thousand and $42 thousand in 2007, 2006 and 2005, respectively. Contributions to the profit sharing plan are made at the discretion of the Board of Directors and all funds are invested solely in Peapack-Gladstone Corporation common stock. The contribution to the profit sharing plan was $100 thousand in 2007, $100 thousand in 2006 and $225 thousand in 2005.

12. STOCK OPTION PLANS

The Corporation's stock option plans 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 total number available to grant in active plans was 1,046,961 shares. There are no shares remaining for issuance with respect to stock option plans approved in 1995; however, shares granted under those plans are still included in the numbers below.

Options granted under these plans are, in general, exercisable not earlier than one year after the date of grant, at a price equal to the fair market value of the common stock on the date of grant, and expire not more than ten years after the date of grant. Stock options may vest during a period of up to five years after the date of grant. Some options granted to officers at or above the senior vice president level were immediately exercisable at the date of grant. As noted in Footnote 1, the Board of Directors accelerated the vesting of 79,200 of the unvested stock options awarded to outside directors under the Corporation's 1998 and 2002 Stock Option Plans for Outside Directors on December 8, 2005.

Changes in options outstanding during 2007 were as follows:

	Number of Shares	Exercise Price Per Share	Weighted Average Exercise Price	Aggregate Intrinsic Value (In Thousands)
Balance, December 31, 2006	603,469	$11.85-$32.14	$22.91	
Granted During 2007	66,045	25.10-31.01	28.12	
Exercised During 2007	(79,983)	11.85-26.65	13.54	
Forfeited During 2007	(5,719)	16.86-31.01	23.70	
Balance, December 31, 2007	583,812	$13.62-$32.14	$24.77	$1,476

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Corporation's closing stock price on the last trading day of 2007 and the exercise price, multiplied by the number of in-the-money options).

The aggregate intrinsic value of options exercised during 2007, 2006 and 2005 was $1.2 million, $288 thousand and $1.5 million, respectively.

The following table summarizes information about stock options outstanding at December 31, 2007.

Exercise Price	Shares Outstanding	Remaining Contractual Life	Shares Exercisable
< $18.00	137,615	2.2 years	137,615
18.01 – 28.00	75,369	2.3 years	67,576
28.01 – 28.50	63,930	9.0 years	868
28.51 – 29.00	290,438	5.9 years	282,575
29.01 – 32.14	16,460	6.6 years	13,536
$24.77 *	583,812	4.9 years	502,170

* Weighted average exercise price

At December 31, 2007, there were 435,286 additional shares available for grant under the Plans.

The per share weighted-average fair value of stock options granted during 2007, 2006 and 2005 was $10.38, $8.56 and $9.51, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted average assumptions:

	2007	2006	2005
Dividend yield	**2.00%**	2.19%	1.69%
Expected volatility	**43%**	37%	40%
Expected life	**5 years**	5 years	5 years
Risk-free interest rate	**4.56%**	4.76%	3.79%

The expected life of the option is the typical vesting period of the Corporation's options. The risk-free interest rate is the rate on a five year treasury bond. The volatility, or beta, is the performance the stock has experienced in the last five years.

As of December 31, 2007, there was approximately $629 thousand of unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Corporation's stock incentive plans. That cost is expected to be recognized over a weighted average period of 2.0 years.

13. COMMITMENTS

The Corporation, in the ordinary course of business, is a party to litigation arising from the conduct of its business. Management does not consider that these actions depart from routine legal proceedings and believes that such actions will not affect its financial position or results of its operations in any material manner. There are various outstanding commitments and contingencies, such as guarantees and credit extensions, including mostly variable-rate loan commitments of $142.9 million and $124.4 million at December 31, 2007 and 2006, respectively, which are not included in the accompanying consolidated financial statements. These commitments include unused commercial and home equity lines of credit.

The Corporation issues financial standby letters of credit that are within the scope of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." These are irrevocable undertakings by the Corporation to guarantee payment of a specified financial obligation. Most of the Corporation's financial standby letters of credit arise in connection with lending relationships and have terms of one year of less. The maximum potential future payments the Corporation could be required to make equals the contract amount of the standby letters of credit and amounted to $12.7 million and $9.3 million at December 31, 2007 and 2006, respectively. The Corporation's recognized liability for financial standby letters of credit was insignificant at December 31, 2007.

For commitments to originate loans, the Corporation's maximum exposure to credit risk is represented by the contractual amount of those instruments. Those commitments represent ultimate exposure to credit risk only to the extent that they are subsequently drawn upon by customers. The Corporation uses the same credit policies and underwriting standards in making loan commitments as it does for on-balance-sheet instruments. For loan commitments, the Corporation would generally be exposed to interest rate risk from the time a commitment is issued with a defined contractual interest rate.

At December 31, 2007, the Corporation was obligated under non-cancelable operating leases for certain premises. Rental expense aggregated $2.5 million, $2.3 million and $2.1 million for the years ended December 31, 2007, 2006 and 2005, respectively, which is included in premises and equipment expense in the consolidated statements of income.

The minimum annual lease payments under the terms of the lease agreements, as of December 31, 2007, were as follows:

(In Thousands)

2008	$ 2,467
2009	2,352
2010	2,230
2011	1,684
2012	1,688
Thereafter	11,278
Total	$21,699

The Corporation is also obligated under legally binding and enforceable agreements to purchase goods and services from third parties, including data processing service agreements.

14. SEC STAFF ACCOUNTING BULLETIN NO. 108

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that the Corporation quantify misstatements based on their impact on each of its financial statements and related disclosures. SAB 108 was effective as of the end of the Corporation's 2006 fiscal year, allowing a one-time transitional cumulative effect adjustment to retained earnings as of January 1, 2006 for errors that were not previously deemed material, but are material under the guidance in SAB 108.

The Corporation has several operating leases that have been previously accounted for on a cash basis, which is not in accordance with the straight-line basis requirements of FASB Statement No. 13, "Accounting for Leases." In prior years, the Corporation had evaluated the impact of this error on an annual basis and determined that the difference was not material in each of the respective years. Upon the adoption of SAB 108, which requires that the impact of the error be evaluated on a cumulative basis, the Corporation determined that the error was material and therefore, recorded a correction to the rent liability of $835 thousand and a cumulative effect adjustment, net of tax, of $494 thousand to Shareholders' Equity at the beginning of 2006.

15. REGULATORY CAPITAL

The Corporation and the Bank are subject to various regulatory capital requirements administered by the Federal banking 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. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of the Corporation's and the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Corporation's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2007, that the Corporation and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2007, the Corporation and the Bank met all requirements to be considered well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Corporation and the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table.

The Corporation's actual capital amounts and ratios are presented in the following table.

(In Thousands)	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions		For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007:						
Total Capital (To Risk-Weighted Assets)	**$120,229**	**15.91%**	**$75,570**	**10.00%**	**$60,456**	**8.00%**
Tier I Capital (To Risk-Weighted Assets)	**112,729**	**14.92**	**45,342**	**6.00**	**30,228**	**4.00**
Tier I Capital (To Average Assets)	**112,729**	**8.59**	**65,654**	**5.00**	**39,393**	**3.00**
As of December 31, 2006:						
Total Capital (To Risk-Weighted Assets)	$ 112,663	16.31%	$69,071	10.00%	$55,257	8.00%
Tier I Capital (To Risk-Weighted Assets)	105,895	15.33	41,443	6.00	27,629	4.00
Tier I Capital (To Average Assets)	105,895	8.20	64,539	5.00	38,724	3.00

The Bank's actual capital amounts and ratios are presented in the following table.

(In Thousands)	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions		For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007:						
Total Capital (To Risk-Weighted Assets)	**$99,254**	**10.53%**	**$94,271**	**10.00%**	**$75,417**	**8.00%**
Tier I Capital (To Risk-Weighted Assets)	**91,753**	**9.73**	**56,563**	**6.00**	**37,708**	**4.00**
Tier I Capital (To Average Assets)	**91,753**	**6.90**	**66,491**	**5.00**	**39,895**	**3.00**
As of December 31, 2006:						
Total Capital (To Risk-Weighted Assets)	$92,214	13.55%	$68,070	10.00%	$54,456	8.00%
Tier I Capital (To Risk-Weighted Assets)	85,446	12.55	40,842	6.00	27,228	4.00
Tier I Capital (To Average Assets)	85,446	6.76	63,175	5.00	37,905	3.00

16. CONDENSED FINANCIAL STATEMENTS OF PEAPACK-GLADSTONE FINANCIAL CORPORATION (PARENT COMPANY ONLY)

The following information of the parent company only financial statements should be read in conjunction with the notes to the consolidated financial statements.

Statements Of Condition

(In Thousands)	December 31, 2007	2006
ASSETS:		
Cash	**$ 207**	$ 147
Interest-Earning Deposits	**11,057**	7,266
Total Cash and Cash Equivalents	**11,264**	7,413
Securities Available for Sale	**10,418**	15,057
Investment in Subsidiary	**86,543**	82,728
Other Assets	**779**	182
Total Assets	**$109,004**	$105,380
LIABILITIES:		
Other Liabilities	**$ 1,575**	$ 1,617
Total Liabilities	**1,575**	1,617
SHAREHOLDERS' EQUITY:		
Common Stock	**7,148**	7,081
Surplus	**90,677**	89,372
Treasury Stock	**(6,255)**	(4,999)
Retained Earnings	**21,750**	15,038
Accumulated Other Comprehensive Loss, Net of Income Tax Benefit	**(5,891)**	(2,729)
Total Shareholders' Equity	**107,429**	103,763
Total Liabilities and Shareholders' Equity	**$109,004**	$105,380

Statements Of Income

(In Thousands)	Years Ended December 31, 2007	2006	2005
INCOME			
Dividend From Bank	**$ 5,000**	$ 6,250	$ 6,000
Other Income	**978**	854	627
Securities Gains, Net	**233**	83	395
Total Income	**6,211**	7,187	7,022
EXPENSES			
Other Expenses	**98**	106	109
Total Expenses	**98**	106	109
Income Before Income Tax Expense and Equity in Undistributed Earnings of Bank	**6,113**	7,081	6,913
Income Tax Expense	**356**	268	318
Net Income Before Equity in Undistributed Earnings of Bank	**5,757**	6,813	6,595
Equity in Undistributed Earnings of Bank	**6,105**	3,413	6,535
Net Income	**$11,862**	$10,226	$13,130

Statements Of Cash Flows

(In Thousands)	Years Ended December 31, 2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	**$11,862**	$10,226	$13,130
Less Equity in Undistributed Earnings	**(6,105)**	(3,413)	(6,535)
Amortization and Accretion on Securities	**(3)**	(1)	11
Gain on Securities Available for Sale	**(233)**	(83)	(142)
(Increase)/Decrease in Other Assets	**(527)**	139	(93)
Increase in Other Liabilities	**200**	53	21
Net Cash Provided by Operating Activities	**5,194**	6,921	6,392
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds From Sales and Calls of Securities Available for Sale	**4,024**	1,580	4,855
Proceeds From Maturities of Securities Available for Sale	**1,002**	2,001	1,500
Purchase of Securities Available for Sale	**(1,220)**	(4,835)	(6,130)
Net Cash Provided by/(Used in) Investing Activities	**3,806**	(1,254)	225
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends Paid	**(5,062)**	(4,713)	(3,891)
Tax Benefit on Stock Option Exercises	**93**	29	347
Exercise of Stock Options	**1,076**	331	702
Treasury Stock Transactions	**(1,256)**	(977)	(1,155)
Net Cash Used in Financing Activities	**(5,149)**	(5,330)	(3,997)
Net Increase in Cash and Cash Equivalents	**3,851**	337	2,620
Cash and Cash Equivalents at Beginning of Period	**7,413**	7,076	4,456
Cash and Cash Equivalents at End of Period	**$11,264**	$ 7,413	$ 7,076

Common Stock Prices (Unaudited)

The following table shows the 2007 and 2006 range of prices paid on known trades of Peapack-Gladstone Financial Corporation common stock.

2007	**High**	**Low**	**Dividend Per Share**
1st Quarter	**$31.03**	**$25.62**	**$0.15**
2nd Quarter	**32.47**	**26.78**	**0.15**
3rd Quarter	**27.80**	**24.80**	**0.16**
4th Quarter	**26.35**	**24.45**	**0.16**

2006	High	Low	Dividend Per Share
1st Quarter	$29.50	$24.45	$0.14
2nd Quarter	26.26	23.52	0.14
3rd Quarter	27.40	24.15	0.15
4th Quarter	28.10	24.00	0.15

OFFICERS

LOAN AND ADMINISTRATION	FRANK A. KISSEL	CHAIRMAN OF THE BOARD & CEO*
GLADSTONE	ROBERT M. ROGERS	PRESIDENT & COO*
	ARTHUR F. BIRMINGHAM	EXECUTIVE VICE PRESIDENT & CFO *
	GARRETT P. BROMLEY	EXECUTIVE VICE PRESIDENT & CHIEF LENDING OFFICER
	FINN M.W. CASPERSEN, JR.	EXECUTIVE VICE PRESIDENT & GENERAL COUNSEL
	PAUL W. BELL	SENIOR VICE PRESIDENT & FACILITIES MANAGER
	ROBERT A. BUCKLEY	SENIOR VICE PRESIDENT & BRANCH ADMINISTRATOR
	MICHAEL J. GIACOBELLO	SENIOR VICE PRESIDENT & SENIOR COMMERCIAL LOAN OFFICER
	BRIDGET J. WALSH	SENIOR VICE PRESIDENT & HUMAN RESOURCES DIRECTOR
	TODD T. BRUNGARD	VICE PRESIDENT & BANK SECRECY ACT COMPLIANCE OFFICER
	ROBERT G. DI IENNO	VICE PRESIDENT
	STEPHANIE M. DIXON-ADKINS	VICE PRESIDENT
	KAREN M. FERRARO	VICE PRESIDENT
	DIRK H. GRAHAM	VICE PRESIDENT
	THOMAS N. KASPER	VICE PRESIDENT
	CHARLES T. KIRK	VICE PRESIDENT
	VALERIE L. KODAN	VICE PRESIDENT
	KATHERINE M. KREMINS	VICE PRESIDENT & RISK MANAGEMENT ADMINISTRATOR
	DOREEN A. MACCHIAROLA	VICE PRESIDENT & CORPORATE TRAINER
	STEPHEN S. MILLER	VICE PRESIDENT
	ELAINE MULDOWNEY	VICE PRESIDENT
	DENISE M. PACE	VICE PRESIDENT & MARKETING DIRECTOR
	DENISE L. PARELLA	VICE PRESIDENT & BUSINESS DEVELOPMENT OFFICER
	CHRISTOPHER P. POCQUAT	VICE PRESIDENT
	MARY M. RUSSELL	VICE PRESIDENT & COMPTROLLER
	SCOTT T. SEARLE	VICE PRESIDENT
	JAMES S. STADTMUELLER	VICE PRESIDENT
	VERONICA V. VALENTINE	VICE PRESIDENT & BUSINESS DEVELOPMENT OFFICER
	MARGARET O. VOLK	VICE PRESIDENT & MORTGAGE OFFICER
	JESSE D. WILLIAMS	VICE PRESIDENT
	RANDALL J. WILLIAMS	VICE PRESIDENT
	JULIE A. BURT	ASSISTANT VICE PRESIDENT
	BETTY J. CARIELLO	ASSISTANT VICE PRESIDENT & ASSISTANT COMPTROLLER
	LYNDA A. CROSS	ASSISTANT VICE PRESIDENT & SECURITY OFFICER
	E. SUE GIANETTI	ASSISTANT VICE PRESIDENT

*DENOTES A HOLDING COMPANY OFFICER

	SUSAN K. SMITH	Assistant Vice President
	SHERYL L. CAPPA	Assistant Cashier
	MARJORIE A. DZWONCZYk	Assistant Cashier & CRA and Compliance Officer
	ALEXANDRA A. GARMS	Assistant Cashier
	ANNETTE HANSON	Assistant Cashier
	LISA A. LOUGH	Assistant Cashier
	ERAM F. MIRZA	Assistant Cashier
	DAVID L. PETRY	Assistant Cashier
	MICHELE RAVO	Assistant Cashier
	ANA P. RIBEIRO	Assistant Cashier
	LAURA M. WATT	Assistant Cashier
	ANTOINETTE ROSELL	Corporate Secretary *
OPERATIONS Bedminster	HUBERT P. CLARKE	Senior Vice President & Chief Information Officer
	V. SHERRI LICATA	Vice President
	DIANE M. RIDOLFI	Vice President
	FRANK C. WALDRON	Vice President
	GREGORY T. ADAMS	Assistant Vice President
	KRISTIN A. ROMEO	Assistant Vice President
	MARGARET A. TRIMMER	Assistant Vice President
	CAROL L. BEHLER	Assistant Cashier
	NANCY A. MURPHY	Assistant Cashier
	VITA M. PARISI	Assistant Cashier
AUDIT	KAREN M. CHIARELLO	Vice President & Auditor
Chester	LISA S. HAGEN	Assistant Cashier
LOANS	MARC R. MAGLIARO	Vice President
Morristown	JOHN P. PENKRAT	Vice President
	JOHN A. SCERBO	Vice President
	NANCY J. WYNANT	Vice President

*Denotes a Holding Company Officer

PGB TRUST & INVESTMENTS	CRAIG C. SPENGEMAN	PRESIDENT & CHIEF INVESTMENT OFFICER *
GLADSTONE	BRYANT K. ALFORD	FIRST VICE PRESIDENT & SENIOR TRUST OFFICER
	JOHN M. BONK	FIRST VICE PRESIDENT & DIRECTOR OF BUSINESS DEVELOPMENT
	JOHN E. CREAMER	FIRST VICE PRESIDENT & SENIOR PORTFOLIO MANAGER
	JOHN C. KAUTZ	FIRST VICE PRESIDENT & SENIOR INVESTMENT OFFICER
	MICHAEL PYLYPYSHYN	FIRST VICE PRESIDENT & SENIOR TRUST OPERATIONS OFFICER
	CATHERINE M. DENNING	VICE PRESIDENT & TRUST OFFICER
	GLENN C. GUERIN	VICE PRESIDENT & TRUST OFFICER
	MICHAEL E. HERRMANN	VICE PRESIDENT & TRUST OFFICER
	JAMES R. HOUSMAN	VICE PRESIDENT & DIRECTOR OF TAX
	PETER T. LILLARD	VICE PRESIDENT & TRUST OFFICER
	SCOTT A. MARSHMAN	VICE PRESIDENT & TRUST OFFICER
	EDWARD P. NICOLICCHIA	VICE PRESIDENT & TRUST OFFICER
	KATHERINE S. QUAY	VICE PRESIDENT & TRUST OFFICER
	ANNE M. SMITH	VICE PRESIDENT & TRUST OFFICER
	MJ SULLY	VICE PRESIDENT & TRUST OFFICER
	KURT G. TALKE	VICE PRESIDENT & TRUST OFFICER
	THOMAS S. DIEMAR	ASSISTANT VICE PRESIDENT & TRUST OFFICER
	DAVID C. O'MEARA	ASSISTANT VICE PRESIDENT & TRUST OFFICER
	CATHERINE A. MCCATHARN	TRUST OFFICER & ASSISTANT CORPORATE SECRETARY *
	PATRICIA K. SAWKA	TRUST OFFICER
MORRISTOWN	JOHN J. LEE	VICE PRESIDENT & TRUST OFFICER
	MICHAEL T. TORMEY	VICE PRESIDENT & TRUST OFFICER

*DENOTES A HOLDING COMPANY OFFICER

BRANCHES

Bernardsville	CHARLES A. STUDDIFORD, III	Vice President
	CAROL E. RITZER	Assistant Vice President
Bridgewater	TODD E. YOUNG	Vice President
Califon	ANN W. KALLAM	Vice President
	JACQUELINE R. MILLER	Assistant Cashier
Chatham	MARY ANNE MALONEY	Vice President
	LISA A. TREICH	Assistant Cashier
Chester	JOAN S. WYCHULES	Vice President
	LOUISE TAKACS	Assistant Cashier
Chubb Corporate Headquarters	AMY A. MESSLER	Assistant Cashier
Clinton	CAROLYN I. SEPKOWSKI	Vice President
	HEATHER L. BEGASSE	Assistant Cashier
Far Hills	ROHINTON E. MADON	Assistant Cashier
Fellowship	JANET E. BATTAGLIA	Assistant Cashier
Gladstone	ANNETTE F. MALANGA	Assistant Vice President
Green Village	DONNA I. GISONE	Vice President
Hillsborough	TERESA M. LAWLER	Assistant Vice President
Long Valley	AMY E. GLASER	Vice President
	THERESE TADOLINI	Assistant Cashier
Mendham	LINDA S. ZIROPOULOS	Vice President
	ANNA M. MENTES	Assistant Cashier
Morristown	VALERIE A. OLPP	Vice President
Oldwick	DEBORAH J. KREHELY	Assistant Vice President
Pluckemin	LEE ANN HUNT	Vice President
Pottersville	TRACEY L. TODD	Assistant Cashier
Summit – DeForest	M. NICOLE JEFFERYS	Vice President
Warren	RONALD F. FIELD	Assistant Vice President
	JAMES CICCONE	Assistant Cashier

Directors

ANTHONY J. CONSI, II
Chester, NJ

PAMELA HILL
President, Ferris Corp
Gladstone, NJ

FRANK A. KISSEL
Chairman of the Board & Chief Executive Officer

JOHN D. KISSEL
Turpin Realty, Inc.
Far Hills, NJ

JAMES R. LAMB, ESQ.
James R. Lamb, P.C.
Morristown, NJ

EDWARD A. MERTON
President, Merton Excavating & Paving Co.
Chester, NJ

F. DUFFIELD MEYERCORD
Managing Director and Partner, Carl Marks Consulting Group, LLC
Bedminster, NJ

JOHN R. MULCAHY
Far Hills, NJ

ROBERT M. ROGERS
President & Chief Operating Officer

PHILIP W. SMITH, III
President, Phillary Management, Inc.
Far Hills, NJ

CRAIG C. SPENGEMAN
President, PGB Trust and Investments

JACK D. STINE
Director Emeritus
Pluckemin, NJ

OFFICES

LOAN & ADMINISTRATION BUILDING 158 Route 206 North, Gladstone, NJ 07934	(908) 234-0700
PGB TRUST & INVESTMENTS 190 Main Street, Gladstone, NJ 07934	(908) 719-4360
BERNARDSVILLE 36 Morristown Road, Bernardsville, NJ 07924	(908) 766-1711
BRIDGEWATER 619 East Main Street, Bridgewater, NJ 08807	(908) 429-9988
CALIFON 438 Route 513, Califon, NJ 07830	(908) 832-5131
CHATHAM 311 Main Street, Chatham, NJ 07928	(973) 635-8500
CHESTER 350 Main Street, Chester, NJ 07930	(908) 879-8115
CHUBB CORPORATE HEADQUARTERS 15 Mountain View Road, Warren, NJ 07059	(908) 903-2597
CLINTON 189 Center Street, Clinton, NJ 08809	(908) 238-1935
FAR HILLS 26 Dumont Road, Far Hills, NJ 07931	(908) 781-1018
FELLOWSHIP VILLAGE 8000 Fellowship Road, Basking Ridge, NJ 07920	(908) 719-4332
GLADSTONE (Main Office) 190 Main Street, Gladstone, NJ 07934	(908) 719-4360
GREEN VILLAGE 278 Green Village Road, Green Village, NJ 07935	(973) 377-0081
HILLSBOROUGH 417 Route 206 North, Hillsborough, NJ 08844	(908) 281-1031
LONG VALLEY 59 East Mill Road (Route 24), Long Valley, NJ 07853	(908) 876-3300
MENDHAM 17 East Main Street, Mendham, NJ 07945	(973) 543-6499
MORRISTOWN 233 South Street, Morristown, NJ 07960	(973) 455-1118
NEW VERNON Village Road, New Vernon, NJ 07976	(973) 540-0444
OLDWICK 169 Lamington Road, Oldwick, NJ 08858	(908) 439-2320
PLUCKEMIN 468 Route 206 North, Bedminster, NJ 07921	(908) 658-4500
POTTERSVILLE 11 Pottersville Road, Pottersville, NJ 07979	(908) 439-2265
SUMMIT - DEFOREST 48 DeForest Avenue, Summit, NJ 07901	(908) 273-2890
WARREN 58 Mountain Boulevard, Warren, NJ 07059	(908) 757-2805

Shareholder Information

Corporate Address

158 Route 206, North
Gladstone, New Jersey 07934
(908) 234-0700
www.pgbank.com

Stock Listing

Peapack-Gladstone Financial Corporation common stock is traded on the American Stock Exchange under the symbol PGC and reported in the Wall Street Journal and most major newspapers.

Independent Registered Public Accounting Firm

Crowe Chizek and Company LLC
354 Eisenhower Parkway, Plaza 1
Livingston, New Jersey 07039-1027

Transfer Agent

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016-3572

Shareholder Relations

Arthur F. Birmingham, Executive Vice President and Chief Financial Officer
(908) 719-4308
birmingham@pgbank.com

Annual Meeting

The annual meeting of shareholders of Peapack-Gladstone Financial Corporation will be held on April 22, 2008 at 2:00 p.m. at Fiddler's Elbow Country Club in Bedminster Township.

NOTES