

PUBLIC DISCLOSURE

April 3, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lakeland Bank
Certificate Number: 19953

2717 Route 23 South
Newfoundland, New Jersey 07435

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING

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

The institution is rated “Outstanding”. An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following table indicates the performance level of Lakeland Bank with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The following factors influenced the assigned rating.

The Lending Test is rated High Satisfactory.

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- A high percentage of loans are made in the institution’s assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes.
- The institution exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its assessment area, low-income individuals, and/or very small businesses, consistent with safe and sound banking practices.

- The institution uses innovative and flexible lending practices in order to serve assessment area credit needs.
- The bank is a leader in making community development loans.

The Investment Test is rated Outstanding.

- The bank has an excellent level of qualified community development investments and grants, occasionally being in a leadership position.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The bank occasionally uses innovative and complex investments to support community development initiatives.

The Service Test is rated Outstanding.

- The bank's retail delivery systems are readily accessible to all portions of the assessment area. In addition, the bank offers a variety of alternative delivery systems.
- The bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate- income geographies and to low- and moderate- income individuals.
- Services and business hours are tailored to the convenience and needs of the assessment area, particularly low- and moderate- income geographies and individuals.
- The bank is a leader in providing community development services.

This organization is located in an upper-income census tract within the bank's assessment area.

YTD 2017

- The bank made a \$4.0 million loan to refinance a 42-unit apartment complex located in a middle-income census tract within the bank's assessment area. All 42 apartments in this complex provide affordable rents as designated by HUD's fair market rents. This loan is very responsive to affordable housing needs in the bank's assessment area.
- The bank made a \$950,000 mortgage to refinance a 12-unit multi-family dwelling located in a moderate-income tract in Hackensack, New Jersey. Eleven of these units provide affordable rents as designated by HUD's fair market rents. This property is located within the bank's assessment area and is very responsive to affordable housing needs in the bank's assessment area.

INVESTMENT TEST

Lakeland Bank has an excellent level of qualified community development investments and grants. The bank exhibits good responsiveness to credit and community economic developmental needs, and the bank occasionally uses innovative and complex investments to support community development initiatives.

Investment Activity

Lakeland Bank has an excellent level of qualified community development investment and grants. In total, the bank invested or continued to invest in 44 qualified investments totaling nearly \$41.0 million. Specifically, the bank held 24 qualified investments from prior periods and invested in 20 new qualified investments since the prior evaluation. In addition, the bank made 292 donations or grants to 81 different organizations totaling \$797,345. These organizations are diverse, and they provide valuable support for community development projects and initiatives in the assessment area. The majority of the bank's investments and grants directly benefited its assessment area and helped to meet needs that examiners identified when speaking to the community contacts. The bank's qualified investments and grants equates to 0.8 percent of total assets, 5.5 percent of total securities, and 6.5 percent of equity capital as of December 31, 2016. The level of CRA qualified investments and grants increased 25.8 percent since the last evaluation.

Management promoted community development in the assessment area through investment in affordable housing and community service initiatives that primarily target or benefit low- and moderate- income individuals and by promoting economic development by supporting permanent job creation, retention, and/or improvement to persons who were low- and moderate income. Similar to community development loans, the bank received credit for investments and grants outside the overall assessment area but within a broader statewide area.

The following table reflects qualified investments and donations by community development

purpose and includes prior period investments still outstanding.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	22	17,153	0	0	2	7,613	0	0	0	0	24	24,766
2014	3	3,671	2	400	0	0	1	50	0	0	6	4,121
2015	1	1,061	1	381	0	0	1	75	0	0	3	1,517
2016	2	4,629	2	496	1	400	2	200	0	0	7	5,725
YTD 2017*	3	3,810	0	0	1	250	0	0	0	0	4	4,060
Subtotal	31	30,324	5	1,277	4	8,263	4	325	0	0	44	40,189
Qualified Grants & Donations	67	142	215	584	10	71	0	0	0	0	292	797
Total	98	30,466	220	1,861	14	8,334	4	325	0	0	336	40,986

*Source: Bank Records; * 1/1/2017 – 4/3/2017*

Outlined below are the bank's new qualified investments:

- The bank participated in the Community Loan Fund of New Jersey Inc., an affiliate of the non-profit organization New Jersey Community Capital (NJCC). NJCC is a community development financial institution (CDFI) that provides innovative financing and technical assistance to foster the creation of quality homes, educational facilities, and employment opportunities in underserved communities in New Jersey. NJCC's investments strengthen neighborhoods, increase jobs, and provide greater opportunities for low-income populations. The bank contributed \$50,000 to this fund in 2014, \$75,000 in 2015, and \$100,000 in 2016.
- The bank participated in the Neighborhood Revitalization Tax Credit Program offered through the New Jersey Department of Community Affairs (NJDCA). This program supports specific projects that foster the revitalization of New Jersey's distressed neighborhoods. In 2014, the bank invested \$50,000 in a project sponsored by a local chapter of a national affordable housing organization. This project's goal was to provide affordable housing in the City of Paterson. A significant majority (90.9 percent) of Paterson's census tracts are low- or moderate- income. In 2016, the bank invested \$100,000 in a second project located in Paterson. This project, sponsored by a local community development corporation, financed the acquisition and transformation of property into a community center. This new community center provides educational, vocational, and micro-enterprise development services to neighborhood residents.
- During the evaluation period, the bank added a \$400,000 investment to the Solomon Hess Small Business Administration (SBA) loan fund. The bank also carried over a \$2.9 million investment in this same fund, giving them a total investment of \$3.3 million. The Solomon Hess SBA loan fund is a CDFI Fund that provides capital

products and programs to small business. This fund creates greater financial liquidity and a lower cost of capital within a certain segment of the SBA loan secondary market. The fund also promotes economic development by supporting permanent job creation or retention in low- or moderate-income census areas. The bank's donation went towards designated loans located inside the bank's assessment area.

- Eight of the bank's new qualified investments totaling \$13.1 million are mortgage-backed securities from various sources that consist of underlying mortgage loans originated to low- and moderate-income borrowers located in the bank's assessment area or in the general regional vicinity. The total amount of these mortgage-backed securities is \$13.1 million.
- The bank invested over \$1.0 million in four separate certificates of deposit (CDs) at a minority-owned CDFI headquartered in Newark, New Jersey. This CDFI helps urban communities within the bank's assessment area build economic strength by providing innovative personal checking accounts and low-cost business loans.
- In 2016, the bank renewed a \$250,000 CD at a minority-owned depository institution (MDI) located just outside of the bank's assessment area in New York, New York. This MDI serves the banking needs of small businesses located within the broader regional area that includes the northern New Jersey portion of the bank's assessment area.
- In 2017, the bank invested \$250,000 in a CDFI located in Paterson, New Jersey. This CDFI is located in a low-income census tract within the bank's assessment area.

Responsiveness to Credit and Community Development Needs

Lakeland Bank's qualified investments exhibit good responsiveness to community development needs. The bank's qualified investments have community development purposes that primarily benefit communities throughout the entire assessment area.

Innovativeness or Complexity of Qualified Investments

Lakeland Bank occasionally uses of innovative and complex investments to support community development initiatives. The bank actively seeks to identify qualified investment opportunities beyond grants and donations. This effort resulted in the 20 investments originated during the evaluation period that benefited the assessment area. As noted above, the bank made multiple investments in local CDFIs. These organizations use the bank's investment to provide affordable, flexible loans and investments to underserved communities. In addition, the bank increased its investment in the Solomon Hess SBA fund. The bank's contribution to this fund has directly benefited 15 assessment area small businesses that utilized the bank's funding to create or retain 192 jobs. Finally, the bank participated in the Neighborhood Revitalization Tax Credit Program. Through this program, the bank invested \$150,000 towards projects that benefited LMI individuals in the city of Paterson.

SERVICE TEST