

PARKE BANCORP, INC.  
Form 10-Q  
May 15, 2012

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

FORM 10-Q

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

For the quarterly period ended: March 31, 2012.

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-51338

PARKE BANCORP, INC.  
(Exact name of registrant as specified in its charter)

New Jersey  
(State or other jurisdiction of incorporation or organization)

65-1241959  
(IRS Employer Identification No.)

601 Delsea Drive, Washington Township, New Jersey  
(Address of principal executive offices)

08080  
(Zip Code)

856-256-2500  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year, if changed since last report)

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting  
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes       No

As of May 15, 2012, there were issued and outstanding 4,886,178 shares of the registrant's common stock.

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PARKE BANCORP, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Parke Bancorp, Inc. and Subsidiaries  
Consolidated Balance Sheets  
(unaudited)

(in thousands except share and per share data)

	March 31, 2012	December 31, 2011
Assets		
Cash and due from financial institutions	\$4,314	\$3,733
Federal funds sold and cash equivalents	98,498	106,495
Cash and cash equivalents	102,812	110,228
Investment securities available for sale, at fair value	21,337	22,517
Investment securities held to maturity (fair value of \$2,100 at March 31, 2012 and \$2,080 at December 31, 2011)	2,040	2,032
Total investment securities	23,377	24,549
Loans held for sale	863	225
Loans, net of unearned income	612,067	625,117
Less: Allowance for loan losses	17,557	19,323
Net loans	594,510	605,794
Accrued interest receivable	3,039	3,039
Premises and equipment, net	4,212	4,122
Other real estate owned (OREO)	23,934	19,410
Restricted stock, at cost	2,214	3,565
Bank owned life insurance (BOLI)	5,586	5,541
Other assets	14,057	14,265
Total Assets	\$774,604	\$790,738
Liabilities and Equity		
Liabilities		
Deposits		
Noninterest-bearing deposits	\$27,283	\$31,146
Interest-bearing deposits	620,211	603,709
Total deposits	647,494	634,855
FHLB borrowings	20,568	50,607
Other borrowed funds	10,000	10,000
Subordinated debentures	13,403	13,403
Accrued interest payable	605	618
Other liabilities	4,182	3,982
Total liabilities	696,252	713,465
Equity		
Preferred stock, cumulative perpetual, \$1,000 liquidation value; authorized 1,000,000 shares; Issued: 16,288 shares at March 31, 2012 and December 31, 2011	15,916	15,868
	510	510

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Common stock, \$.10 par value; authorized 10,000,000 shares; Issued: 5,097,078 shares at March 31, 2012 and December 31, 2011		
Additional paid-in capital	45,844	45,844
Retained earnings	19,343	17,808
Accumulated other comprehensive loss	(619 )	(626 )
Treasury stock, 210,900 shares at March 31, 2012 and December 31, 2011, at cost	(2,180 )	(2,180 )
Total shareholders' equity	78,814	77,224
Noncontrolling (minority) interest in consolidated subsidiaries	(462 )	49
Total equity	78,352	77,273
Total liabilities and equity	\$774,604	\$790,738
See accompanying notes to consolidated financial statements		

Parke Bancorp Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF INCOME  
(unaudited)

	For the three months ended March 31,	
	2012	2011
	(in thousands except share data)	
Interest income:		
Interest and fees on loans	\$9,512	\$9,816
Interest and dividends on investments	288	374
Interest on federal funds sold and cash equivalents	54	22
Total interest income	9,854	10,212
Interest expense:		
Interest on deposits	1,772	2,056
Interest on borrowings	243	351
Total interest expense	2,015	2,407
Net interest income	7,839	7,805
Provision for loan losses	2,250	2,400
Net interest income after provision for loan losses	5,589	5,405
Noninterest income (loss)		
Loan fees	54	64
Net income from BOLI	45	44
Service fees on deposit accounts	50	55
Gain on sale of SBA loans	602	2,244
Other than temporary impairment losses	(12	) (47
Portion of loss recognized in other comprehensive income (OCI) (before taxes)	12	27
Net impairment losses recognized in earnings	-	(20
(Gain) loss on sale of real estate	(88	) 52
Other miscellaneous income	444	52
Total noninterest income	1,107	2,491
Noninterest expense		
Compensation and benefits	1,442	1,414
Professional services	276	255
Occupancy and equipment	265	260
Data processing	94	110
FDIC Insurance	270	342
OREO expense	369	96
Other operating expense	814	720
Total noninterest expense	3,530	3,197
Income before income tax expense	3,166	4,699
Income tax expense	1,272	1,880
Net income attributable to Company and noncontrolling (minority) interests	1,894	2,819
Net income attributable to noncontrolling (minority) interests	(107	) (527
Net income attributable to Company	1,787	2,292

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Preferred stock dividend and discount accretion	252	249
Net income available to common shareholders	\$1,535	\$2,043
Earnings per common share		
Basic	\$0.31	\$0.42
Diluted	\$0.31	\$0.41
Weighted average shares outstanding		
Basic	4,886,178	4,886,178
Diluted	4,897,332	5,027,810
See accompanying notes to consolidated financial statements		

Parke Bancorp Inc. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(unaudited)

	For the three months ended March 31,	
	2012	2011
	(in thousands)	
Net income attributable to Company		
Other comprehensive income net of tax:	\$1,787	\$2,292
Unrealized gains (losses) on securities:		
Non-credit unrealized (losses) gains on securities with OTTI	(12	) 4
Net unrealized gains (losses) on securities without OTTI	15	(59 )
Total unrealized gains (losses) on securities	3	(55 )
Pension liability adjustments	4	11
Total other comprehensive income (loss)	7	(44 )
Total comprehensive income	\$1,794	\$2,248
See accompanying notes to consolidated financial statements		



Parke Bancorp, Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CHANGE IN TOTAL EQUITY  
(unaudited)

	Shares of Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholders' Equity	Non-Controlling (Minority) Interest	Total Equity	
Balance, December 31, 2011	\$ 15,869	17,078	\$ 510	\$ 45,844	\$ 17,808	\$ (626)	\$ (2,180)	\$ 77,224	\$ 49	\$ 77,273
Capital withdrawals by noncontrolling (minority) interest									(618)	(618)
Comprehensive income:										
Net income				1,787			1,787	107	1,894	
Non-credit unrealized losses on securities with OTTI, net of taxes					(12)		(12)		(12)	
Net unrealized gains on securities without OTTI, net of taxes					15		15		15	
Pension liability adjustments, net of taxes					4		4		4	
Total comprehensive income							1,794	107	1,901	
Dividend on preferred stock (5% annually)				(204)			(204)		(204)	
Accretion of discount on preferred stock	48			(48)						
Balance, March 31, 2012	\$ 15,917	17,078	\$ 510	\$ 45,844	\$ 19,343	\$ (619)	\$ (2,180)	\$ 78,814	\$ (462)	\$ 78,352

See accompanying notes to consolidated financial statements

Parke Bancorp Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	For the three months ended March 31,	
	2012	2011
	(in thousands)	
Cash Flows from Operating Activities		
Net income	\$1,894	\$2,819
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	92	91
Provision for loan losses	2,250	2,400
Bank owned life insurance	(45)	(44)
Supplemental executive retirement plan expense	34	112
Gain on sale of SBA loans	(602)	(2,244)
SBA loans originated for sale	(6,017)	(6,980)
Proceeds from sale of SBA loans originated for sale	6,671	7,767
(Gain) loss on sale of other real estate owned	89	(52)
Other than temporary decline in value of investments	0	(20)
Net accretion of purchase premiums and discounts on securities	(6)	(21)
Deferred income tax benefit	(13)	—
Changes in operating assets and liabilities:		
Increase in accrued interest receivable and other assets	(473)	(57)
Increase (decrease) in accrued interest payable and other accrued liabilities	157	(1,702)
Net cash provided by operating activities	4,031	2,069
Cash Flows from Investing Activities		
Redemptions of restricted stock	1,351	2
Proceeds from maturities and principal payments on mortgage backed securities	1,184	1,447
Proceeds from sale of other real estate owned	480	2,587
Advances on other real estate owned	(68)	—
Net decrease in loans	4,009	6,877
Purchases of bank premises and equipment	(182)	(16)
Net cash provided by investing activities	6,774	10,897
Cash Flows from Financing Activities		
Payment of dividend on preferred stock	(203)	(204)
Minority interest capital withdrawal, net	(618)	—
Net decrease in Federal Home Loan Bank and short term borrowings	(30,039)	(11,454)
Payments of Federal Home Loan Bank advances	—	(37)
Net decrease in noninterest-bearing deposits	(3,863)	(1,367)
Net increase (decrease) in interest-bearing deposits	16,502	(18,886)
Net cash used in financing activities	(18,221)	(31,948)
Decrease in cash and cash equivalents	(7,416)	(18,982)
Cash and Cash Equivalents, beginning of period	110,228	57,628
Cash and Cash Equivalents, end of period	\$102,812	\$38,646
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest on deposits and borrowed funds	\$2,027	\$2,561
Income taxes	\$1,000	\$1,880
Supplemental Schedule of Noncash Activities:		

Real estate acquired in settlement of loans	\$5,025	\$—
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See accompanying notes to consolidated financial statements

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Notes to Consolidated Financial Statements (Unaudited)

NOTE 1. ORGANIZATION

Parke Bancorp, Inc. ("Parke Bancorp" or the "Company") is a bank holding company incorporated under the laws of the State of New Jersey in January 2005 for the sole purpose of becoming the holding company of Parke Bank (the "Bank").

The Bank is a commercial bank which commenced operations on January 28, 1999. The Bank is chartered by the New Jersey Department of Banking and insured by the Federal Deposit Insurance Corporation ("FDIC"). Parke Bancorp and the Bank maintain their principal offices at 601 Delsea Drive, Washington Township, New Jersey. The Bank also conducts business through branches in Galloway Township, Northfield and Washington Township, New Jersey and Philadelphia, Pennsylvania.

The Bank competes with other banking and financial institutions in its primary market areas. Commercial banks, savings banks, savings and loan associations, credit unions and money market funds actively compete for savings and time certificates of deposit and all types of loans. Such institutions, as well as consumer financial and insurance companies, may be considered competitors of the Bank with respect to one or more of the services it renders.

The Bank is subject to the regulations of certain state and federal agencies, and accordingly, the Bank is periodically examined by such regulatory authorities. As a consequence of the regulation of commercial banking activities, the Bank's business is particularly susceptible to future state and federal legislation and regulations.

The FDIC and the New Jersey Department of Banking and Insurance Consent Orders: On April 9, 2012, the Bank entered into Consent Orders with the FDIC and the New Jersey Department of Banking and Insurance (the "Department"). Under the Consent Orders, the terms of which are substantially identical, the Bank is required, among other things, subject to review and approval by the FDIC and the Department: (i) to adopt and implement a plan to reduce the Bank's position in delinquent or classified assets; (ii) to adopt and implement a program providing for a periodic independent review of the Bank's loan portfolio and the identification of problem credits; (iii) to review and revise the Bank's loan policies and procedures to address identified lending deficiencies; and (iv) to adopt and implement a plan to reduce and manage each of the concentrations of credit identified by the FDIC and the Department.

The Consent Orders also require the Bank to obtain the prior approval of the FDIC and the New Jersey Department before declaring or paying any dividend or appointing or changing the title or responsibilities of any director or senior executive officer. Additional regulatory provisions require FDIC prior approval before the Bank enters into any employment agreement or other agreement or plan providing for the payment of a "golden parachute payment" or the making of any golden parachute payment.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation: The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America ("GAAP") and predominant practices within the banking industry.

The accompanying consolidated financial statements include the accounts of Parke Bancorp, Inc. and its wholly-owned subsidiaries Parke Bank, Parke Capital Markets, Farm Folly, Inc. and Taylors Glen LLC. Also included are the accounts of 44 Business Capital Partners LLC, a joint venture formed in 2009 to originate and service SBA loans. Parke Bank has a 51% ownership interest in the joint venture. Parke



Capital Trust I, Parke Capital Trust II and Parke Capital Trust III are wholly-owned subsidiaries but are not consolidated because they do not meet the requirements for consolidation under applicable accounting guidance. All significant inter-company balances and transactions have been eliminated.

The accompanying interim financial statements should be read in conjunction with the annual financial statements and notes thereto included in Parke Bancorp Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 since they do not include all of the information and footnotes required by GAAP. The accompanying interim financial statements for the three months ended March 31, 2012 and 2011 are unaudited. The balance sheet as of December 31, 2011, was derived from the audited financial statements. In the opinion of management, these financial statements include all normal and recurring adjustments necessary for a fair statement of the results for such interim periods. Results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results for the full year.

Use of Estimates: In preparing the interim financial statements, management makes estimates and assumptions based on available information that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and reported amounts of expenses and revenues. Actual results could differ from such estimates. The allowance for loan losses, deferred taxes, evaluation of investment securities for other-than-temporary impairment and fair values of financial instruments and other real estate owned ("OREO") are significant estimates and particularly subject to change.

#### Recently Issued Accounting Pronouncements:

In May 2011, FASB issued ASU 2011-04, Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This ASU does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted. This guidance is to be applied prospectively and is effective during interim and annual periods beginning after December 15, 2011. Adoption of this guidance has not had a material impact on results of operations or financial condition.

In June 2011, the FASB issued guidance to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments are effective for interim and annual periods beginning after December 15, 2011 with retrospective application. The Company adopted the accounting standard on January 1, 2012, as required, with no material impact on its results of operations or financial position.

NOTE 3. INVESTMENT SECURITIES

The following is a summary of the Company's investments in available-for-sale and held-to-maturity securities as of March 31, 2012 and December 31, 2011:

As of March 31, 2012	Amortized cost	Gross unrealized gains (amounts in thousands)	Gross unrealized losses	Other-than- temporary impairments in OCI	Fair value
Available-for-sale:					
U.S. Government sponsored entities	\$ 1,007	\$ 4	\$ —		