

PARKE BANCORP, INC.  
Form 10-Q  
May 15, 2015

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, 2015.

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 65-1241959  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

601 Delsea Drive, Washington Township, New Jersey 08080  
(Address of principal executive offices) (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

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, 2015, there were issued and outstanding 6,256,012 shares of the registrant's common stock.

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PARKE BANCORP, INC.

FORM 10-Q

FOR THE QUARTER ENDED March 31, 2015

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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, 2015	December 31, 2014
Assets		
Cash and due from financial institutions	\$3,260	\$4,033
Federal funds sold and cash equivalents	36,523	32,205
Total cash and cash equivalents	39,783	36,238
Investment securities available for sale, at fair value	47,836	28,208
Investment securities held to maturity (fair value of \$2,456 at March 31, 2015 and \$2,377 at December 31, 2014)	2,151	2,141
Total investment securities	49,987	30,349
Loans held for sale	905	2,932
Loans, net of unearned income	717,960	713,061
Less: Allowance for loan losses	(16,183 )	(18,043 )
Net loans	701,777	695,018
Accrued interest receivable	2,837	2,827
Premises and equipment, net	4,430	4,490
Other real estate owned (OREO)	22,516	20,931
Restricted stock, at cost	4,072	3,152
Bank owned life insurance (BOLI)	11,552	11,464
Deferred tax asset	10,526	10,518
Other assets	5,245	3,787
Total Assets	\$853,630	\$821,706
Liabilities and Equity		
Liabilities		
Deposits		
Noninterest-bearing deposits	\$45,626	\$42,554
Interest-bearing deposits	613,178	605,379
Total deposits	658,804	647,933
FHLB NY borrowings	69,807	49,352
Subordinated debentures	13,403	13,403
Accrued interest payable	442	445
Other liabilities	6,546	7,523
Total liabilities	749,002	718,656
Equity		
Preferred stock, 1,000,000 shares authorized, \$1,000 liquidation value Series B - non-cumulative convertible; Issued: 20,000 shares at March 31, 2015 and December 31, 2014	20,000	20,000
Common stock, \$.10 par value; authorized 15,000,000 shares; Issued: 6,256,012 shares at March 31, 2015 and 6,208,259 shares at December 31, 2014	626	621

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Additional paid-in capital	51,698	51,316
Retained earnings	34,521	32,983
Accumulated other comprehensive income	185	165
Treasury stock, 241,900 shares at March 31, 2015 and 210,900 shares at December 31, 2014, at cost	(2,531 )	(2,180 )
Total shareholders' equity	104,499	102,905
Noncontrolling interest in consolidated subsidiaries	129	145
Total equity	104,628	103,050
Total liabilities and equity	\$853,630	\$821,706

See accompanying notes to consolidated financial statements

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

	For the three months ended March 31,	
	2015	2014
	(in thousands except share data)	
Interest income:		
Interest and fees on loans	\$9,139	\$9,290
Interest and dividends on investments	246	293
Interest on federal funds sold and cash equivalents	15	23
Total interest income	9,400	9,606
Interest expense:		
Interest on deposits	1,131	1,177
Interest on borrowings	213	221
Total interest expense	1,344	1,398
Net interest income	8,056	8,208
Provision for loan losses	840	1,000
Net interest income after provision for loan losses	7,216	7,208
Noninterest income:		
Gain on sale of SBA loans	557	321
Loan fees	316	215
Net income from BOLI	87	88
Service fees on deposit accounts	70	57
Loss on sale and write-down of real estate owned	(169	) (396
Realized gain on sale of AFS securities	—	) 178
Other	400	497
Total noninterest income	1,261	960
Noninterest expense:		
Compensation and benefits	1,990	1,843
Professional services	509	410
Occupancy and equipment	325	296
Data processing	139	117
FDIC insurance	165	241
OREO expense	486	760
Other operating expense	736	876
Total noninterest expense	4,350	4,543
Income before income tax expense	4,127	3,625
Income tax expense	1,521	1,162
Net income attributable to Company and noncontrolling interest	2,606	2,463
Net income attributable to noncontrolling interest	(106	) (137
Net income attributable to Company	2,500	) 2,326
Preferred stock dividend and discount accretion	300	300

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Net income available to common shareholders	\$2,200	\$2,026
Earnings per common share:		
Basic	\$0.37	\$0.34
Diluted	\$0.31	\$0.29
Weighted average shares outstanding:		
Basic	6,010,792	5,988,742
Diluted	7,939,684	7,912,972
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,	
	2015	2014
	(in thousands)	
Net income attributable to Company	\$2,500	\$2,326
Unrealized gains (losses) on securities:		
Non-credit related unrealized gains on securities with OTTI	26	—
Unrealized gains on securities without OTTI	9	416
Less reclassification adjustment for gains on securities included in net income	—	(178 )
Tax impact	(15 )	(95 )
Total unrealized gains on securities	20	143
Gross pension liability adjustments	—	—
Tax Impact	—	—
Total pension liability adjustment	—	—
Total other comprehensive income	20	143
Total comprehensive income	\$2,520	\$2,469
See accompanying notes to consolidated financial statements		



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

	Preferred Stock	Shares of Common Stock	Additional Common Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholder Equity	Non-Controlling Interest	Total Equity	
(in thousands except share data)										
B a l a n c e , December 31, 2014	\$ 20,000	6,208,259	\$ 621	\$ 51,316	\$ 32,983	\$ 165	\$(2,180)	\$ 102,905	\$ 145	\$ 103,050
C a p i t a l withdrawals by noncontrolling interest								(122)	(122)	
Stock options exercised		47,753	5	382			387		387	
Net income				2,500			2,500	106	2,606	
Changes in other comprehensive income					20		20		20	
Purchase of treasury stock						(351)	(351)		(351)	
Dividend on preferred stock				(300)			(300)		(300)	
Dividend on common stock				(662)			(662)		(662)	
Balance, March 31, 2015	\$ 20,000	6,256,012	\$ 626	\$ 51,698	\$ 34,521	\$ 185	\$(2,531)	\$ 104,499	\$ 129	\$ 104,628

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,	
	2015	2014
	(amounts in thousands)	
Cash Flows from Operating Activities:		
Net income	\$2,606	\$2,463
Adjustments to reconcile net income to net cash provided (used in) operating activities:		
Depreciation and amortization	79	86
Provision for loan losses	840	1,000
Net gain from sales of investment securities	—	(178 )
Bank owned life insurance	(87 )	(88 )
Gain on sale of SBA loans	(557 )	(321 )
SBA loans originated for sale	(3,018 )	(8,331 )
Proceeds from sale of SBA loans originated for sale	5,602	3,364
Loss on sale & write down of OREO	169	396
Net accretion of purchase premiums and discounts on securities	(680 )	(22 )
Contribution of OREO property	—	22
Deferred income tax benefit	(8 )	(8,013 )
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable and other assets	(2,143 )	6,356
Decrease in accrued interest payable and other accrued liabilities	(980 )	(608 )
Net cash provided by (used in) operating activities	1,823	(3,874 )
Cash Flows from Investing Activities:		
Purchases of investment securities available for sale	(19,976 )	—
(Purchases) redemptions of restricted stock	(920 )	205
Proceeds from sale and call of securities available for sale	—	3,974
Proceeds from maturities and principal payments on mortgage backed securities	1,050	978
Proceeds from sale of OREO	751	241
Advances on OREO	(242 )	(66 )
Net (increase) decrease in loans	(9,862 )	2,315
Purchases of bank premises and equipment	(19 )	(50 )
Net cash (used in) provided by investing activities	(29,218 )	7,597
Cash Flows from Financing Activities:		
Payment of dividend on preferred stock	(300 )	(57 )
Purchase of treasury stock	(351 )	—
Minority interest capital withdrawal, net	(122 )	(150 )
Proceeds from exercise of stock options and warrants	387	61
Net increase (decrease) in FHLB NY and short term borrowings	20,455	(4,544 )
Net increase (decrease) in noninterest-bearing deposits	3,072	(1,246 )
Net increase in interest-bearing deposits	7,799	7,931
Net cash provided by financing activities	30,940	1,995
Net increase in cash and cash equivalents	3,545	5,718
Cash and Cash Equivalents, January 1,	36,238	45,661
Cash and Cash Equivalents, March 31,	\$39,783	\$51,379
Supplemental Disclosure of Cash Flow Information:		

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Cash paid during the year for:

Interest on deposits and borrowed funds	\$1,347	\$1,367
Income taxes	\$2,500	\$1,650
Supplemental Schedule of Noncash Activities:		
Real estate acquired in settlement of loans	\$2,263	\$1,324

See accompanying notes to consolidated financial statements

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 Insurance (the "Department") 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.

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 the Company and its wholly-owned subsidiary the Bank. Also included are the accounts of 44 Business Capital Partners LLC, a joint venture formed in 2009 to originate and service SBA loans. The 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2014 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, 2015 and 2014 are unaudited. The balance sheet as of December 31, 2014, 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, 2015 are not necessarily indicative of the results for the full year. Certain reclassifications have been made to prior period amounts to conform to the current year presentation, with no impact on current earnings or shareholders' equity.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term include the allowance for loan losses, other than temporary impairment losses on investment securities, the valuation of deferred income taxes, servicing assets and carrying value of OREO.

Recently Issued Accounting Pronouncements:

In January 2014, the FASB issued ASU 2014-04, "Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." ASU 2014-04 clarifies that an in-substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (a) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (b) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU 2014-04 requires interim and annual disclosure of both (a) the amount of foreclosed residential real estate property held by the creditor and (b) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in ASU 2014-04 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. There was no significant impact to amounts reported in the consolidated financial position or results of operations from the adoption of the ASU.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (ASU 2014-09)," which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2017.

In June 2014, the FASB issued ASU No. 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures," which changes the accounting for repurchase-to-maturity transactions (repos-to-maturity) and enhances the required disclosures for repurchase agreements and other similar transactions (repos). Repos-to-maturity and the repurchase financings will be accounted for as secured borrowings. In addition, the standard requires new disclosures for repos. ASU No. 2014-11 provisions are effective for the first interim or annual period beginning after December 15, 2014. There was no significant impact to amounts reported in the consolidated financial position or results of operations from the adoption of the ASU.

In August 2014, the FASB issued ASU No. 2014-14, "Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure," which will require creditors to derecognize certain foreclosed government-guaranteed mortgage loans and to recognize a separate other receivable that is measured at the



amount the creditor expects to recover from the guarantor, and to treat the guarantee and the receivable as a single unit of account. ASU 2014-14 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. There was no significant impact to amounts reported in the consolidated financial position or results of operations from the adoption of the ASU.

### 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, 2015 and December 31, 2014:

As of March 31, 2015	Amortized cost	Gross unrealized gains	Gross unrealized losses	Other-than- temporary impairments in OCI	Fair value
		(amounts in thousands)			
Available for sale:					
Corporate debt obligations	\$500	\$25	\$—	\$—	\$525
Residential mortgage-backed securities	45,886	816	116	—	46,586
Collateralized mortgage obligations	336	14	—	—	350
Collateralized debt obligations	806	—	—	431	375
Total available for sale	\$47,528	\$855	\$116	\$431	\$47,836