

Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

PARKE BANCORP, INC.  
Form 10QSB  
November 10, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20429

Form 10-QSB

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

For the quarterly period ended: September 30, 2005

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 small business issuer as specified in its charter)

New Jersey

65-1241959

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer Identification Number)

601 Delsea Drive, Washington Township, New Jersey 08080

-----  
(Address of principal executive offices)

856-256-2500

-----  
(Issuer's telephone number)

N/A

---  
(Former name, former address and former fiscal year,  
if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 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 X  
---                      ---

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

Yes                      No X  
---                      ---

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes  
of common equity as of the latest practicable date: 2,263,400 shares of common  
stock outstanding as of October 20, 2005.

Transitional Small Business Disclosure Format (check one):

Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Yes                      No    X  
 ---                      ---

PARKE BANCORP, INC.

FORM 10-QSB

FOR THE QUARTER ENDED SEPTEMBER 30, 2005

INDEX

	Page ----
Part I	FINANCIAL INFORMATION
Item 1.	Financial Statements.....1
Item 2.	Management's Discussion and Analysis or Plan of Operation.....10
Item 3.	Controls and Procedures.....15
Part II	OTHER INFORMATION
Item 1.	Legal Proceedings.....16
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.....16
Item 3.	Default Upon Senior Securities.....16
Item 4.	Submission of Matters to a Vote of Security Holders.....16
Item 5.	Other Information.....16
Item 6.	Exhibits.....16
SIGNATURES.....17	
EXHIBITS and CERTIFICATIONS	

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PARKE BANCORP, INC. AND SUBSIDIARY  
 CONSOLIDATED BALANCE SHEETS  
 SEPTEMBER 30, 2005 AND DECEMBER 31, 2004

	September 30, 2005	December 2004
	-----	-----
	(unaudited)	
ASSETS		
Cash and cash due from banks	\$ 7,230,097	\$ 1,780
Federal funds sold	5,587,798	21
	-----	-----
Cash and cash equivalents	12,817,895	1,801
Investment securities available for sale, at market value	20,126,308	24,042
Investment securities held to maturity, at amortized cost (market value \$2,339,691 in 2005 and \$540,740 in 2004)	2,402,119	547
	-----	-----

Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Total investment securities	22,528,427	24,590
Restricted stock, at cost	746,900	1,064
Loans	232,109,937	188,606
Less: allowance for loan losses	(3,199,812)	(2,620)
Total net loans	228,910,125	185,986
Building premises and equipment, net	3,139,169	3,247
Accrued interest receivable and other assets	8,010,246	7,648
Total assets	\$ 276,152,762	\$ 224,338

See Notes to Consolidated Financial Statements

1

PARKE BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2005 AND DECEMBER 31, 2004

	September 30, 2005	December 2004
	(unaudited)	
LIABILITIES & SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Noninterest-bearing demand	\$ 17,580,840	\$ 15,960
Interest-bearing	202,929,277	163,624
Total deposits	220,510,117	179,585
Borrowed funds	5,082,500	3,100
Federal Home Loan Bank advances	12,230,738	17,278
Subordinated debentures	10,000,000	
Accrued interest payable and other accrued liabilities	2,470,790	1,545
Total liabilities	250,294,145	201,509
COMMITMENTS AND CONTINGENCIES (Note 1)		
SHAREHOLDERS' EQUITY		
Common stock, \$ 0.10 par value, 10,000,000 shares authorized; 2,255,090 shares issued and outstanding at September 30, 2005 and 2,175,559 shares issued and outstanding at December 31, 2004	225,509	217
Preferred stock, 1,000,000 shares authorized; no shares issued and outstanding at both dates	-	
Additional paid-in capital	20,046,126	19,390
Retained earnings	5,818,130	3,292
Accumulated other comprehensive loss	(231,148)	(71)

Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Total shareholders' equity	25,858,617	22,829
Total liabilities and shareholders' equity	\$ 276,152,762	\$ 224,338

See Notes to Consolidated Financial Statements

2

PARKE BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	For the three months ended September 30,	For the t months en September
	2005	2004
INTEREST AND DIVIDEND INCOME		
Loans, including fees	\$ 4,116,948	\$ 2,770,
Investment securities	273,994	193,
Federal funds sold	43,426	16,
Total interest and dividend income	4,434,368	2,980,
INTEREST EXPENSE		
Deposits	1,593,048	898,
Federal Home Loan Bank advances	128,546	47,
Borrowed funds	89,315	7,
Total interest expense	1,810,909	954,
Net interest income	2,623,459	2,026,
PROVISION FOR LOAN LOSSES	298,005	101,
Net interest income after provision for loan losses	2,325,454	1,924,
NONINTEREST INCOME		
Loan brokerage fees	--	5,
Service charges and other fee income	237,771	278,
Gain (loss) on sale of securities	--	7,
Total noninterest income	237,771	291,
NONINTEREST EXPENSES		
Compensation and benefits	560,614	479,
Occupancy, equipment and data processing	196,282	184,
Marketing and business development	74,361	27,

Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Professional services	161,522	75,
Other operating expenses	88,945	190,
	-----	-----
Total noninterest expenses	1,081,724	956,
	-----	-----
INCOME BEFORE INCOME TAX EXPENSE	1,481,501	1,258,
INCOME TAX EXPENSE	592,100	490,
	-----	-----
NET INCOME	\$ 889,401	\$ 768,
	=====	=====
NET INCOME PER COMMON SHARE		
Basic	\$ 0.39	\$ 0
	=====	=====
Diluted	\$ 0.34	\$ 0
	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	2,253,522	2,151,
	=====	=====
Diluted	2,652,323	2,519,
	=====	=====

See Notes to Consolidated Financial Statements

3

PARKE BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004  
(Unaudited)

	Common Stock	Additional Paid in Capital	Retained Earnings	Accu Ot Compr Incom
	-----	-----	-----	-----
Balance, December 31, 2003	\$178,624	\$19,185,351	\$570,939	\$
Stock options and warrants exercised	902	82,092	-	
Comprehensive income				
Net income for the period	-	-	2,047,238	
Change in net unrealized gain on securities available for sale, net of reclassification adjustment and tax effects, if any	-	-	-	(
Total comprehensive income				
	-----	-----	-----	-----
Balance, September 30, 2004	\$179,526	\$19,267,443	\$2,618,177	\$
	=====	=====	=====	=====
Balance, December 31, 2004	\$217,556	\$19,390,102	\$3,292,697	\$ (
Stock options and				

Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

warrants exercised	7,953	656,024	-	
Comprehensive income				
Net income for the period	-	-	2,525,433	
Change in net unrealized loss on securities available for sale, net of reclassification adjustment and tax effects, if any	-	-	-	(1)
Total comprehensive income				
Balance, September 30, 2005	\$225,509	\$20,046,126	\$5,818,130	\$ (2)

See Notes to Consolidated Financial Statements

4

PARKE BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004  
(Unaudited)

	2005
	-----
<b>OPERATING ACTIVITIES</b>	
Net income	\$ 2,525,433
Adjustments to reconcile net income to net cash provided by Operating activities:	
Depreciation and amortization	198,960
Provision for loan losses	806,162
Net accretion of investment securities premiums/discounts	(66,656)
Realized losses (gains) on sale of securities	9,240
Changes in operating assets and liabilities:	
Increase in accrued interest receivable and other assets	(254,995)
Increase in accrued interest payable and other liabilities	925,115
Net cash provided by operating activities	4,143,259
	-----
<b>INVESTING ACTIVITIES</b>	
Purchases of investment securities available for sale	(4,836,518)
Proceeds from sales of restricted stock	317,300
Proceeds from sales of investment securities available for sale	5,092,055
Proceeds from maturities/call of investment securities available for sale	-
Principal payments on mortgage-backed securities available for sale	1,597,314
Net increase in loans	(43,729,948)
Purchase of building premises and equipment	(90,950)
Net cash used in investing activities	(41,650,747)
	-----
<b>FINANCING ACTIVITIES</b>	
Proceeds from issuance of common stock	663,977
Net increase in borrowed funds	1,982,500
Net increase in subordinated debt	10,000,000

**Edgar Filing: PARKE BANCORP, INC. - Form 10QSB**

Net decrease in Federal Home Loan Bank advances	(5,047,988)
Net increase in interest-bearing deposits	39,304,710
Net increase in noninterest-bearing deposits	1,620,396
	-----
Net cash provided by financing activities	48,523,595
	-----
 INCREASE IN CASH AND CASH EQUIVALENTS	 11,016,107
 CASH AND CASH EQUIVALENTS, JANUARY 1,	 1,801,788
	-----
 CASH AND CASH EQUIVALENTS, SEPTEMBER 30,	 \$ 12,817,895
	=====
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period for:	
Interest on deposits and borrowed funds/FHLB advances	\$ 4,023,000
	=====
Income taxes	\$ 1,220,000
	=====

See Notes to Consolidated Financial Statements

5

PARKE BANCORP, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1. GENERAL

Business

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"). Parke Bancorp recognized the assets and liabilities transferred at the carrying amounts in the accounts of the Bank as of June 1, 2005, the effective date of the reorganization. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and are presented as if the exchange of shares occurred as of January 1, 2004. Pursuant to the Plan of Acquisition, each outstanding share of Parke Bank was converted automatically by operation of law into one share of Parke Bancorp. Parke Bancorp had no activity prior to the competition of this reorganization. Parke Bancorp is authorized to issue 10,000,000 shares of common stock, par value \$0.10 per share and 1,000,000 shares of serial preferred stock, par value \$0.10 per share. Options and warrants outstanding under the Bank's various Plans were converted automatically by operation of law into options and warrants to purchase shares of Parke Bancorp on the same terms and conditions.

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 offices in Northfield and Washington Township, New Jersey. In addition, the Bank also has a Loan Production Office in Philadelphia, Pennsylvania maintained exclusively for loan production.

## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

### Financial Statements

The financial statements as of September 30, 2005 and for the three-month and nine-month periods ended September 30, 2005 and September 30, 2004 included herein have not been audited. Comparison to 2004 year-end and interim period financial data relate to the financial condition and results of operations of Parke Bank. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted; therefore, these financial statements should be read in conjunction with the Bank's audited financial statements and the notes thereto for the years ended December 31, 2004 and 2003 included in the Bank's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004, as filed with the FDIC. The accompanying financial statements reflect all adjustments, which are, in the opinion of management, necessary to present a fair statement of the results for the interim periods presented. Such adjustments are of a normal recurring nature. The results for the three months and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005 or any other periods.

### Basis of Financial Statement Presentation

The financial statements include the accounts of Parke Bancorp and the Bank. All significant inter-company accounts and transactions have been eliminated. Such statements have been prepared in accordance with accounting principles generally accepted in the United States of America and general practice within the banking industry.

### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

6

### Investments

The Bank has identified investment securities that will be held for indefinite periods of time, including securities that will be used as a part of the Bank's asset/liability management strategy and may be sold in response to changes in interest rates, prepayments and similar factors. These securities are classified as "available-for-sale" and are carried at fair value, with temporary unrealized gains or losses reported as a separate component of accumulated other comprehensive income (losses), net of the related income tax effect. Declines in the fair value of the individual available-for-sale securities below their cost that are other than temporary result in write downs of the individual securities to their fair value and are included in noninterest income in the consolidated statements of operations. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer, or that the Bank would not have the intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value. The unrealized losses that existed as of September 30, 2005 are the result of market changes in interest rates since the securities were purchased. This factor coupled with the fact the Bank has both the intent and ability to hold securities for a period of time sufficient to allow for any



## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

anticipated recovery in fair value substantiates that the unrealized losses in the available-for-sale portfolio are temporary.

### Commitments

In the general course of business, there are various outstanding commitments to extend credit, such as letters of credit and un-advanced loan commitments, which are not reflected in the accompanying financial statements. Management does not anticipate any material losses as a result of these commitments.

### Contingencies

The Company is from time to time a party to routine litigation in the normal course of its business. Management does not believe that the resolution of this litigation will have a material adverse effect on the financial condition or results of operations of the Company. However, the ultimate outcome of any such litigation, as with litigation generally, is inherently uncertain and it is possible that some litigation matters may be resolved adversely to the Company.

### NOTE 2. EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to holders of common stock (the numerator) by the weighted average number of common shares outstanding (the denominator) during the period. Shares issued during the period are weighted for the portion of the period that they were outstanding. The weighted average number of common shares outstanding for the three months ended September 30, 2005 and 2004 was 2,253,522 and 2,151,334, respectively, and for the nine months ended September 30, 2005 and 2004, was 2,235,239 and 2,149,081, respectively.

Diluted earnings per share are similar to the computation of basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive options and warrants outstanding had been exercised. The assumed conversion of dilutive options and warrants resulted in 398,801 and 367,675 additional shares for the three months period ended September 30, 2005 and 2004, respectively, and for the nine months ended September 30, 2005 and 2004 was 391,667 and 375,983, respectively.

Both basic and diluted earnings per share computations give retroactive effect to stock dividends declared and paid in December 2004.

7

### NOTE 3. STOCK-BASED EMPLOYEE COMPENSATION

The Company has stock-based employee compensation plans. As permitted under generally accepted accounting principles, grants of options under the plans are accounted for under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. Because options granted under the plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant, no stock-based employee compensation cost is included in determining net income. The following table illustrates the effect on net income and earnings per share for the three and nine months ended September 30, 2005 and 2004, if the Company had applied the fair value recognition provisions of Financial Accounting Standards Board ("FASB") Statement No. 123, Accounting for

## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Stock-Based Employee Compensation, to stock-based employee compensation. Both basic and diluted calculations give retroactive effect to stock dividends declared.

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
	-----	-----	-----	-----
Net income, as reported	\$889,401	\$768,605	\$2,525,433	\$2,047,2
Deduct total stock-based compensation expense determined under the fair value method for all awards, net of related tax effects	-	-	(90,000)	(34,8
Pro-forma net income	\$889,401	\$768,605	\$2,435,433	\$2,012,4
	=====	=====	=====	=====
Basic earnings per share:				
As reported	\$0.39	\$0.36	\$1.13	\$0.
Pro-forma	\$0.39	\$0.36	\$1.09	\$0.
Diluted earnings per share:				
As reported	\$0.34	\$0.31	\$0.96	\$0.
Pro-forma	\$0.34	\$0.31	\$0.93	\$0.

#### NOTE 4. REGULATORY RESTRICTIONS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) 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).

8

Parke Bank

Actual	Ratio	For Capital Adequacy Purpos	Ra
Amount		Amount	

Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

	-----	-----	-----	-----
As of September 30, 2005:				
Total Risk Based Capital (to Risk Weighted Assets)	\$37,574	16%	\$18,790	8
Tier 1 Capital (to Risk Weighted Assets)	\$34,627	15%	\$9,419	4
Tier 1 Capital (to Average Assets)	\$34,627	13%	\$10,688	4

	Actual		For Capital	
	Amount	Ratio	Adequacy Purpos	Ra
	-----	-----	-----	-----
As of December 31, 2004:				
Total Risk Based Capital (to Risk Weighted Assets)	\$25,254	13%	\$15,042	8
Tier 1 Capital (to Risk Weighted Assets)	\$22,900	12%	\$7,521	4
Tier 1 Capital (to Average Assets)	\$22,900	11%	\$8,301	4

Parke Bancorp, Inc.

	Actual		For Capital	
	Amount	Ratio	Adequacy Purpos	Ra
	-----	-----	-----	-----
As of September 30, 2005:				
Total Risk Based Capital (to Risk Weighted Assets)	\$29,036	10%	\$18,830	8
Tier 1 Capital (to Risk Weighted Assets)	\$26,089	11%	\$9,415	4
Tier 1 Capital (to Average Assets)	\$26,089	12%	\$10,688	4

	Actual		For Capital	
	Amount	Ratio	Adequacy Purpos	Ra
	-----	-----	-----	-----
As of December 31, 2004:				
Total Risk Based Capital (to Risk Weighted Assets)	n/a	n/a	n/a	8
Tier 1 Capital (to Risk Weighted Assets)	n/a	n/a	n/a	4
Tier 1 Capital (to Average Assets)	n/a	n/a	n/a	4

## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Management believes, as of September 30, 2005 and December 31, 2004, that the Bank and the Bancorp met all capital adequacy requirements to which it was subject.

9

### NOTE 5. SUBORDINATED DEBENTURES

On August 23, 2005, Parke Capital Trust I, a Delaware statutory business trust and a wholly-owned subsidiary of the Company, issued \$5 million of variable rate capital trust pass-through securities to investors. The variable interest rate re-prices quarterly at the three-month LIBOR plus 1.66% and was 5.48% at September 30, 2005. Parke Capital Trust I purchased \$5.2 million of variable rate junior subordinated deferrable interest debentures from The Company. The debentures are the sole asset of the Trust. The terms of the junior subordinated debentures are the same as the terms of the capital securities. The Company has also fully and unconditionally guaranteed the obligations of the Trust under the capital securities. The capital securities are redeemable by the Company on or after November 23, 2010, at par or earlier if the deduction of related interest for federal income taxes is prohibited, classification as Tier 1 Capital is no longer allowed, or certain other contingencies arise. The capital securities must be redeemed upon final maturity of the subordinated debentures on November 23, 2035. Proceeds of approximately \$4.2 million were contributed to paid-in capital at the Bank. The remaining \$800,000 was retained at the Company for future use.

On August 23, 2005, Parke Capital Trust II, a Delaware statutory business trust and a wholly-owned subsidiary of the Company, issued \$5 million of fixed/variable rate capital trust pass-through securities to investors. Currently, the interest rate is fixed at 6.25%. The fixed/variable interest rate re-prices quarterly at the three-month LIBOR plus 1.66% beginning November 23, 2010. Parke Capital Trust II purchased \$5.2 million of variable rate junior subordinated deferrable interest debentures from the Company. The debentures are the sole asset of the Trust. The terms of the junior subordinated debentures are the same as the terms of the capital securities. The Company has also fully and unconditionally guaranteed the obligations of the Trust under the capital securities. The capital securities are redeemable by the Company on or after November 23, 2010, at par or earlier if the deduction of related interest for federal income taxes is prohibited, classification as Tier 1 Capital is no longer allowed, or certain other contingencies arise. The capital securities must be redeemed upon final maturity of the subordinated debentures on November 23, 2035. Proceeds of approximately \$4.2 million were contributed to paid-in capital at the Bank. The remaining \$800,000 was retained at the Company for future use.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

#### Forward-Looking Statements

The Company may from time to time make written or oral "forward-looking statements" including statements contained in this Report and in other communications by the Company which are made in good faith pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, such as statements of the Company's plans, objectives, expectations, estimates and intentions, involve risks and uncertainties and are subject to change based on various important factors (some of which are beyond the Company's control). The following factors, among others,

## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

could cause the Company's financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, inflation, interest rate, market and monetary fluctuations; the timely development of and acceptance of new products and services of the Company and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services; the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance); technological changes; acquisitions; changes in consumer spending and saving habits; and the success of the Company at managing the risks involved in the foregoing.

The Company cautions that the foregoing list of important factors is not exclusive. The Company also cautions readers not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date on which they are given. The Company is not obligated to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after any such date. Readers should carefully review the risk factors described in other documents the Company files from time to time with the SEC, including quarterly reports on Form 10-QSB, annual reports on Form 10-KSB and any current reports on Form 8-K.

10

### General

The Company's results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on its interest-earning assets, such as loans and securities, and the interest expense paid on its interest-bearing liabilities, such as deposits and borrowings. The Company also generates noninterest income such as service charges, earnings from bank owned life insurance (BOLI), loan exit fees and other fees. The Company's noninterest expenses primarily consist of employee compensation and benefits, occupancy expenses, marketing expenses, data processing costs and other operating expenses. The Company is also subject to losses in its loan portfolio if borrowers fail to meet their obligations. The Company's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory agencies.

### Results of Operations Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004 (Unaudited)

The following discussion compares the results of operations for the three month period ended September 30, 2005 (unaudited) to the results of operations for the three month period ended September 30, 2004 (unaudited). This discussion should be read in conjunction with the accompanying financial statements (unaudited) and related notes as well as the financial information included in the 2004 annual report on Form 10KSB.

Net Income. For the three months ended September 30, 2005, net income totaled \$889,401, compared to \$768,605 for the three months ended September 30, 2004. Diluted earnings per share for the three months ended September 30, 2005 totaled \$0.34, compared to \$0.31 per share for the same period of 2004.

## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Increased net income for the three months ended September 30, 2005 was attributable primarily to increases in revenue (net interest income and non interest income) of \$543,781, partially offset by an increase in the provision for loan losses of \$196,054, an increase in non interest expenses of \$124,831, and an increase in tax expense of \$102,100.

**Net Interest Income.** Our primary source of earnings is net interest income, which is the difference between income earned on interest-earning assets, such as loans and investment securities, and interest expense incurred on the interest-bearing sources of funds, such as deposits and borrowings. The level of net interest income is determined primarily by the average balances ("volume") and the rate spreads between the interest-earning assets and our funding sources.

Net interest income for the three months ended September 30, 2005 totaled \$2.6 million, an increase of 29.5% compared to \$2.0 million for the three months ended September 30, 2004. The increase is directly attributable to the growth in loan balances. The net interest margin for the three months ended September 30, 2005 was 4.2%, compared to 4.3% for the comparable period of 2004.

Interest income increased by \$1.5 million for the three months ended September 30, 2005, primarily as a result of an increase of \$64.6 million in average interest-earning assets. Average loans outstanding increased by \$60.2 million and average investment securities increased by \$4.4 million. Yields on earning assets for the three months ended September 30, 2005 increased to 7.0% from 6.4% for the same period of 2004. Interest expense increased by \$856,750, which is primarily attributable to average interest-bearing liabilities increasing by \$59.9 million coupled with a general rise in interest rates. Average interest-bearing deposits increased by \$49.0 million and average borrowings increased by \$10.9 million. The average rate paid on interest-bearing liabilities increased to 3.3% for the three months ended September 30, 2005 from 2.2% for the same period of 2004.

**Noninterest Income.** Noninterest income decreased \$53,487, or 18.4%, for the three months ended September 30, 2005 to \$237,771, down from \$291,258 for the same period of 2004, reflecting mainly a decrease in service charges.

**Provision for Loan Losses.** The provision for loan losses was \$298,005 for the three months ended September 30, 2005, compared to \$101,951 for the same period in 2004. The increase in the provision for the 2005 period was due to substantial loan growth in 2005.

11

**Noninterest Expenses.** For the three months ended September 30, 2005, noninterest expenses increased by \$124,831, or 13.1%, to \$1.1 million compared to \$956,893 for the same period of 2004. A 16.9% increase in compensation expenses was related to personnel costs for staffing increases to support loan and deposit growth. In addition, marketing costs increased for new promotional programs, and professional fees increased due to the formation of the holding company.

**Income Taxes.** The Company recorded income tax expense of \$592,100, on income before taxes of \$1.5 million for the three months ended September 30, 2005, resulting in an effective tax rate of 40.0%, compared to income tax expense of \$490,000 on income before taxes of \$1.3 million for the same period of 2004, resulting in an effective tax rate of 38.9%.

Results of Operations  
Nine Months Ended September 30, 2005 Compared to

## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Nine Months Ended September 30, 2004  
(Unaudited)

The following discussion compares the results of operations for the nine months ended September 30, 2005 (unaudited) to the results of operations for the nine months ended September 30, 2004 (unaudited). This discussion should be read in conjunction with the accompanying financial statements (unaudited) and related notes as well as the financial information included in the 2004 annual report on Form 10KSB.

**Net Income.** For the nine months ended September 30, 2005, net income totaled \$2.5 million, compared to \$2.0 million for the nine months ended September 30, 2004. Diluted earnings per share for the first nine months of 2005 totaled \$0.96, compared to \$0.81 per share for the same period of 2004. Increased net income for the first nine months of 2004 was attributable primarily to increases in revenue (net interest income and noninterest income) of \$1.9 million, partially offset by an increase in the provision for loan losses of \$406,751, an increase in noninterest expenses of \$656,516, and an increase in tax expense of \$364,150.

**Net Interest Income.** Net interest income for the first nine months of 2005 totaled \$7.6 million, an increase of 30.4% over \$5.9 million for the nine months ended September 30, 2004. Net interest income increased during the nine months ended September 30, 2005 due to increased interest income. The net interest margin for the nine months ended September 30, 2005 was 4.3%, which was the slightly lower for the comparable period last year of 4.4%..

Interest income increased by \$3.7 million, driven by an increase of \$58.7 million in average interest-earning assets. Average loans outstanding increased by \$52.7 million, while average investment securities increased by \$6.0 million and federal funds sold decreased by \$1.4 million. Yields on earning assets for the nine months ended September 30, 2005 increased to 6.9% from 6.4% for the same period of 2004. Interest expense increased by \$1.9 million for the nine months. Average interest-bearing liabilities increased by \$51.1 million. Average interest-bearing deposits increased by \$42.0 million and average borrowings increased by \$9.1 million. The average rate paid on interest-bearing liabilities increased to 3.0% for the nine months ended September 30, 2005 from 2.3% for the same period of 2004.

**Noninterest Income.** Noninterest income increased \$120,188, or 20.4%, for the nine months ended September 30, 2005 to \$708,998, up from \$588,810 for the same period of 2004 due to additional loan exit fees in 2005.

**Provision for Loan Losses.** The provision for loan losses was \$806,162 for the nine months ended September 30, 2005, compared to \$399,411 for the same period in 2004. The increase in the provision for the 2005 period was due to substantial loan growth in 2005.

**Noninterest Expenses.** For the nine months ended September 30, 2005, noninterest expenses increased by \$656,516, or 24.4%, to \$3.4 million compared to \$2.7 million for the same period of 2004. A 27.0% increase in compensation expenses was related to personnel costs as a result of staffing increases in the loan and deposit areas compared to the same period of 2004. Professional expenses increased \$373,635 to \$564,672 due to reorganization and costs associated with the formation of the holding company.

**Income Taxes.** The Company recorded income tax expense of \$1.7 million on income before taxes of \$4.2 million for the nine months ended September 30, 2005, resulting in an effective tax rate of 39.9%, compared to income tax expense of \$1.3 million on income before taxes of \$3.4 million for the same period of 2004, resulting in an effective tax rate of 39.0%.

## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

12

### Financial Condition At September 30, 2005 and December 31, 2004 (Unaudited)

The following discussion compares the financial condition at September 30, 2005 (unaudited) to the financial statements at December 31, 2004. This discussion should be read in conjunction with the accompanying financial statements (unaudited) and related notes as well as statistical information included in this Form 10-QSB.

Total assets increased to \$276.2 million at September 30, 2005, compared to \$224.3 million at December 31, 2004, increasing \$51.8 million, or 23.1%. Loans outstanding increased \$43.5 million, or 23.2%. Deposits increased by \$40.9 million, or 22.8%. Borrowed funds increased by \$6.9 million, or 34.0%. Shareholders' equity increased by \$3.0 million, or 13.3%, driven by net income of \$2.5 million for the nine months ended September 30, 2005, and the exercise of warrants and options in the amount of \$663,977.

The increase in total loans was primarily due to increases in the commercial loans, which grew by \$41.7 million and totaled \$209.0 million as of September 30, 2005. This increase is in line with the Company's management's strategic plan and reflects increased origination activity over the past year and a strong local real estate market. All other categories of loans increased in the aggregate by \$1.8 million.

Allowance for Loan Losses. The allowance for loan losses was \$3.2 million at September 30, 2005 as compared to \$2.6 million at December 31, 2004. The ratio of the allowance for loan losses to total loans decreased to 1.38% at September 30, 2005 from 1.39% at December 31, 2004. The Company's management has considered non-performing assets and other assets of concern in establishing the allowance for loan losses. The Company continues to monitor its allowance for loan losses and will make future additions or reductions in light of the level of loans in its portfolio and as economic conditions dictate. The current level of the allowance for loan losses is a result of the Company's management's assessment of the risks within the portfolio based on the information revealed in credit reporting processes. The Company utilizes a risk-rating system on all commercial, business, agricultural, construction and multi-family and commercial real estate loans, including purchased loans. A periodic credit review is performed on all types of loans to establish the necessary reserve based on the estimated risk within the portfolio. This assessment of risk takes into account the composition of the loan portfolio, historical loss experience for each loan category, previous loan experience, concentrations of credit, current economic conditions, and other factors that in management's judgment deserve recognition.

Although the Company's management believes that it uses the best information available to determine the allowances, unforeseen market conditions could result in adjustments and net earnings being significantly affected if circumstances differ substantially from the assumptions used in making the final determinations. Future additions to the Company's allowances may result from periodic loan, property and collateral reviews and thus cannot be predicted in advance.

Non-performing assets, expressed as a percentage of total assets, increased to 0.2% at September 30, 2005, from 0.1% at December 31, 2004. At September 30, 2005, the Company had \$520,000 in non-accruing loans, which increased from \$240,816 in non-accruing loans at December 31, 2004. One loan became non-accrual during the quarter



## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Deposits. Deposits totaled \$220.5 million at September 30, 2005, increasing \$40.9 million, or 22.8%, from the December 31, 2004 balance of \$179.6 million. The increase in deposits is attributable to the Company's management's growth strategy, which includes significant marketing, promotion and cross selling of additional products to existing customers. New accounts generated \$15.0 million in savings deposits in the third quarter due to a successful promotion program. In addition, the Company continued to use brokered deposits as a funding source when needed.

Included in deposits at September 30, 2005 and December 31, 2004 were \$61.4 million and \$38.9 million, respectively, of brokered deposits.

Borrowed Funds. Borrowed funds totaled \$27.3 million at September 30, 2005, increasing \$6.9 million, or 34.0%, from December 31, 2004. This increase was attributable to the issuance of trust preferred securities totaling \$10 million in August 2005 offset by maturities of the Federal Home Loan Bank ("FHLB") advances.

13

### Comparative Average Balances, Interest and Yields

The following table provides information regarding the average balances and yield/rates on interest-earning assets and interest-bearing liabilities during the periods indicated:

	Nine Months Ended			
	September 30, 2005			
	Average Balance	Interest Income/Expense	Annual Yield	Average Balance
<b>Assets</b>				
Loans	\$209,947,182	\$11,317,002	7.2%	\$157,224,0
Investment securities	24,289,057	868,372	4.8	16,889,0
Federal funds sold	2,221,788	52,290	3.1	3,654,1
Total interest-earning assets	236,458,027	\$12,237,664	6.9	177,767,2
Allowance for loan losses	(2,906,584)			(2,425,4
Other assets	15,486,413			15,804,5
Total assets	\$249,037,856			\$191,146,3
<b>Liabilities and Shareholders' Equity</b>				
Regular savings deposits	\$ 25,254,599	\$ 466,304	2.5%	\$ 22,031,1
NOW & money market	25,456,954	330,053	1.7	29,378,0
Time deposits	135,735,369	3,272,056	3.2	93,035,0
Total interest-bearing deposits	186,446,922	4,068,413	2.9	144,444,2
Borrowed funds & FHLB advances	19,748,951	522,929	3.5	10,645,7

## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Total interest-bearing liabilities	206,195,873	\$4,591,342 =====	3.0	155,090,0
Non interest-bearing demand deposits	16,473,659			13,547,2
Other liabilities	1,777,934			1,498,5
Shareholders' equity	24,590,390			21,010,5
	-----			-----
Total liabilities and shareholders' Equity	\$249,037,856 =====			\$191,146,3 =====
Net interest income		\$7,646,322 =====		
Interest rate spread			3.9%	
Net interest margin			4.3%	

### Critical Accounting Policy

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The financial information contained within these statements is, to a significant extent, financial information that is used on approximate measures of the financial effects of transactions and events that have already occurred. Based on its consideration of accounting policies that involve the most complex and subjective decisions and assessments, management has identified its most critical accounting policy to be related to the allowance for loan losses. The Company's allowance for loan loss methodology incorporates a variety of risk considerations, both quantitative and qualitative in establishing an allowance for loan loss that management believes is appropriate at each reporting date. Quantitative factors include the Company's historical loss experience, delinquency and charge-offs trends, collateral values, changes in nonperforming loans, and other factors. Quantitative factors also incorporate known information about individual loans, including borrowers' sensitivity to increase rate movements. Qualitative factors include the general economic environment in the Company's market area. Size and complexity of individual credits in relation to loan structure, existing loan policies and pace of portfolio growth are other qualitative factors that are considered in the methodology. Management may report a materially different amount for the provision for loan losses in the statement of operations to change the allowance for loan losses if its assessment of the above factors were different. This discussion and analysis should be read in conjunction with the Company's financial statements and the accompanying notes presented elsewhere herein, as well as the portion of this Management's Discussion and Analysis, which discusses the allowance for loan losses in this section, entitled "Financial Condition". Although management believes the levels of this allowance as of September 30, 2005 and December 31, 2004 were adequate to absorb losses inherent in the loan portfolio, a decline in local economic conditions, or other factors, could result in increasing losses that can not be reasonably predicated at this time.

### Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise out of the ordinary course of business. Liquidity addresses the Company's ability to meet deposit withdrawals on demand or at contractual maturity, to repay borrowings as they mature, and to fund current and planned expenditures.

## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

Liquidity is derived from increased repayment and income from interest-earning assets. The loan to deposit ratio was 103.8% and 105.0% at September 30, 2005 and December 31, 2004, respectively. Funds received from new and existing depositors provided a large source of liquidity for the nine month period ended September 30, 2005. The Company seeks to rely primarily on core deposits from customers to provide stable and cost-effective sources of funding to support local growth. The Company also seeks to augment such deposits with longer term and higher yielding certificates of deposit. To the extent that retail deposits are not adequate to fund customer loan demand, liquidity needs can be met in the short-term funds market. Longer term funding can be obtained through the issuance of trust preferred securities and advances from the FHLB. As of September 30, 2005, the Company maintained lines of credit with the FHLB of \$23.9 million.

As of September 30, 2005, the Company's investment securities portfolio included \$8.6 million of mortgage-backed securities that provide significant cash flow each month. The majority of the investment portfolio is classified as available for sale, is readily marketable, and is available to meet liquidity needs. The Company's residential real estate portfolio includes loans, which are underwritten to secondary market criteria, and accordingly could be sold in the secondary mortgage market if needed as an additional source of liquidity. The Company's management is not aware of any known trends, demands, commitments or uncertainties that are reasonably likely to result in material changes in liquidity.

### Capital

A strong capital position is fundamental to support the continued growth of the Company. The Company is subject to various regulatory capital requirements. Regulatory capital is defined in terms of Tier I capital (shareholders' equity as adjusted for unrealized gains or losses on available-for-sale securities), Tier II capital (which includes a portion of the allowance for loan losses) and total capital (Tier I plus Tier II). Risk-based capital ratios are expressed as a percentage of risk-weighted assets. Risk-weighted assets are determined by assigning various weights to all assets and off-balance sheet associated risk. Regulators have also adopted minimum Tier I leverage ratio standards, which measure the ratio of Tier I capital to total assets.

At September 30, 2005, the Company's management believes that the Bank and the Company are "well-capitalized" and in compliance with all applicable regulatory requirements.

## ITEM 3. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures. Based on their evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, (the "Exchange Act")), the Company's principal executive officer and principal financial officer have concluded that as of the end of the period covered by this Quarterly Report on Form 10-QSB, such disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods.

### Internal Controls

Changes in internal control over financial reporting. During the last fiscal quarter, there was no change in the Company's internal control over

## Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

15

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

On December 27, 2004, Republic First Bank filed an action captioned Republic First Bank v. Parke Bank and Vito S. Pantilione in the Superior Court of New Jersey Law Division, Gloucester County, alleging, among other things, fraud, negligent misrepresentation, breach of fiduciary duty and breach of contract in connection with certain loans to two Parke Bank customers in which Republic First Bank became a participant. Republic First Bank is seeking unspecified damages and requesting that a receivership be appointed for certain collateral. The complaint in the action was served on us in January 2005. The Bank filed an answer to the complaint, and the case is currently in the discovery phase. The Bank believes that the action is without merit and intends to vigorously defend against it.

On June 1, 2005, Atlantic Central Bankers Bank and New Century Bank filed an action captioned Atlantic Central Bankers Bank and New Century Bank v. Parke Bank and Parke Capital Markets in the Superior Court of New Jersey Chancery Division, Cape May County, alleging breach of participation agreements and fraudulent misrepresentation in connection with the plaintiffs' participations in loans to the same Parke Bank customers as the Republic First Bank matter discussed above. In August 2005, the plaintiffs' motion for a preliminary injunction was denied, and they were ordered to pay the Bank's expenses. This case has been consolidated with the Republic First Bank case, and is currently in the discovery phase. The Bank believes that the action is without merit and intends to vigorously defend against it.

On November 4, 2004, Stephen P. Magenta and other parties filed an action captioned Stephen P. Magenta, et. al. v. General Insulation Services, Inc., et. al. in the Superior Court of New Jersey Law Division, Gloucester County, related to the alleged embezzlement of over \$1 million by an employee of one of our customers of funds maintained in accounts at the Bank. All but one of the claims against the Bank have been dismissed. The Bank believes that the action is without merit and intends to vigorously defend against it. In addition, the Bank believes that this action is covered by its insurance.

Other than the foregoing, at September 30, 2005, the Company was not a party to any material legal proceedings.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

#### ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

#### ITEM 5. OTHER INFORMATION

None.

Edgar Filing: PARKE BANCORP, INC. - Form 10QSB

ITEM 6. EXHIBITS

- 31 Certifications required by Rule 13a-14(a) or 15d-14(a).
- 32 Certification required by Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350.

16

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARKE BANCORP, INC.

Date: November 9, 2005

/s/Vito S. Pantilione

-----  
Vito S. Pantilione  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: November 9, 2005

/s/Ernest D. Huggard

-----  
Ernest D. Huggard  
Senior Vice President and  
Chief Financial Officer  
(Principal Accounting Officer)