PARKE BANCORP, INC.
Form 10-Q
May 15, 2013

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

FORM 10-Q

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

For the quarterly period ended: March 31, 2013.

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 [X] 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 [X] 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 [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]

As of May 15, 2013, there were issued and outstanding 5,416,124 shares of the registrant's common stock.

PARKE BANCORP, INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2013

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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, 2013	December 31, 2012
Assets		
Cash and due from financial institutions	$ 1,602	$ 2,601
Federal funds sold and cash equivalents	61,571	74,265
Cash and cash equivalents	63,173	76,866
Investment securities available for sale, at fair value	18,884	19,340
Investment securities held to maturity (fair value of $2,212 at March 31, 2013 and $2,239 at December 31, 2012)	2,075	2,066
Total investment securities	20,959	21,406
Loans held for sale	1,335	495
Loans, net of unearned income	631,621	629,712
Less: Allowance for loan losses	(19,861)	(18,936)
Net loans	611,760	610,776
Accrued interest receivable	2,708	2,727
Premises and equipment, net	3,943	3,989
Other real estate owned (OREO)	25,906	26,057
Restricted stock, at cost	2,221	2,223
Bank owned life insurance (BOLI)	10,835	10,743
Deferred tax asset	4,725	4,696
Other assets	9,534	10,499
Total Assets	$ 757,099	$ 770,477
Liabilities and Equity		
Liabilities		
Deposits		
Noninterest-bearing deposits	$ 27,956	$ 30,342
Interest-bearing deposits	595,721	606,865
Total deposits	623,677	637,207
FHLBNY borrowings	20,406	20,448
Other borrowed funds	10,000	10,000
Subordinated debentures	13,403	13,403
Accrued interest payable	527	537
Other liabilities	4,388	5,339
Total liabilities	672,401	686,934
Equity		
Preferred stock, cumulative perpetual, $1,000 liquidation value; authorized 1,000,000 shares; Issued: 16,288 shares at March 31, 2013 and December 31, 2012	16,116	16,065

Common stock, $.10 par value; authorized 10,000,000 shares; Issued: 5,627,024 shares at March 31, 2013 and 5,594,793 shares at December 31, 2012		563		560
Additional paid-in capital		49,035		48,869
Retained earnings		22,951		21,068
Accumulated other comprehensive loss		(757)		(745)
Treasury stock, 210,900 shares at March 31, 2013 and December 31, 2012, at cost		(2,180)		(2,180)
Total shareholders' equity		85,728		83,637
Noncontrolling interest in consolidated subsidiaries		(1,030)		(94)
Total equity		84,698		83,543
Total liabilities and equity	$	757,099	$	770,477

See accompanying notes to consolidated financial statements

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

	For the three months ended March 31, 2013	2012
	(in thousands except share data)	
Interest income:		
Interest and fees on loans	$9,047	$9,512
Interest and dividends on investments	205	288
Interest on federal funds sold and cash equivalents	40	54
Total interest income	9,292	9,854
Interest expense:		
Interest on deposits	1,374	1,772
Interest on borrowings	223	243
Total interest expense	1,597	2,015
Net interest income	7,695	7,839
Provision for loan losses	1,000	2,250
Net interest income after provision for loan losses	6,695	5,589
Noninterest income		
Gain on sale of SBA loans	499	602
Loan fees	162	54
Net income from BOLI	92	45
Service fees on deposit accounts	51	50
Other than temporary impairment losses	—	(12)
Portion of loss recognized in other comprehensive income (OCI) (before taxes)	—	12
Net impairment losses recognized in earnings	—	—
Loss on sale and write-down of real estate owned	(364)	(88)
Other	207	444
Total noninterest income	647	1,107
Noninterest expense		
Compensation and benefits	1,658	1,442
Professional services	316	276
Occupancy and equipment	244	265
Data processing	111	94
FDIC insurance	248	270
OREO expense	385	369
Other operating expense	766	814
Total noninterest expense	3,728	3,530
Income before income tax expense	3,614	3,166
Income tax expense	1,413	1,272
Net income attributable to Company and noncontrolling interest	2,201	1,894
Net income attributable to noncontrolling interest	(64)	(107)
Net income attributable to Company	2,137	1,787
Preferred stock dividend and discount accretion	254	252
Net income available to common shareholders	$1,883	$1,535

Earnings per common share		
Basic	$0.35	$0.29
Diluted	$0.35	$0.28
Weighted average shares outstanding		
Basic	5,385,684	5,374,561
Diluted	5,432,109	5,386,786

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, 2013	For the three months ended March 31, 2012
	(in thousands)	
Net income attributable to Company and other comprehensive income:	$2,137	$1,787
Unrealized gains on securities:		
Non-credit related unrealized gains on securities with OTTI	12	(17)
Unrealized losses on securities without OTTI	(61)	21
Tax Impact	20	(1)
Less reclassification adjustment for gain on sales of securities realized in net income	—	—
Less reclassification adjustment for credit related OTTI realized in net income	—	—
Total unrealized losses on securities	(29)	3
Gross pension liability adjustments	28	5
Tax Impact	(11)	(1)
Total pension liability adjustment	17	4
Total other comprehensive loss	(12)	7
Total comprehensive income	$2,125	$1,794

See accompanying notes to consolidated financial statements

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

	Preferred Stock	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	(in thousands except share data)									
Balance, December 31, 2012	$16,065	5,594,793	$560	$48,869	$21,068	$(745)	$(2,180)	$83,637	$(94)	$83,543
Capital withdrawals by noncontrolling interest									(1,000)	(1,000)
Stock options exercised		32,231	3	166				169		169
10% common stock dividend										
Net income					2,137			2,137	64	2,201
Changes in other comprehensive income						(12)		(12)		(12)
Dividend on preferred stock (5% annually)					(203)			(203)		(203)
Accretion of discount on preferred stock	51				(51)					
Balance, March 31, 2013	$16,116	5,627,024	$563	$49,035	$22,951	$(757)	$(2,180)	$85,728	$(1,030)	$84,698

See accompanying notes to consolidated financial statements

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

	For the three months ended March 31, 2013	2012
	(Amounts in thousands)	
Cash Flows from Operating Activities		
Net income	$ 2,201	$ 1,894
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	82	92
Provision for loan losses	1,000	2,250
Bank owned life insurance	(92)	(45)
Supplemental executive retirement plan expense	33	34
Gain on sale of SBA loans	(499)	(602)
SBA loans originated for sale	(4,752)	(6,017)
Proceeds from sale of SBA loans originated for sale	4,402	6,671
Loss on sale & write down of other real estate owned	364	89
Net accretion of purchase premiums and discounts on securities	12	(6)
Deferred income tax benefit	(29)	(13)
Changes in operating assets and liabilities:		
Decrease (increase) in accrued interest receivable and other assets	998	(473)
(Decrease) increase in accrued interest payable and other accrued liabilities	(960)	157
Net cash provided by operating activities	2,760	4,031
Cash Flows from Investing Activities		
Purchases of investment securities available for sale	(2,022)	—
Redemptions of restricted stock	2	1,351
Proceeds from sale and call of securities available for sale	1,000	—
Proceeds from maturities and principal payments on mortgage backed securities	1,406	1,184
Proceeds from sale of other real estate owned	817	480
Advances on other real estate owned	—	(68)
Net (increase) decrease in loans	(3,014)	4,009
Purchases of bank premises and equipment	(36)	(182)
Net cash (used in) provided by investing activities	(1,847)	6,774
Cash Flows from Financing Activities		
Payment of dividend on preferred stock	(203)	(203)
Minority interest capital withdrawal, net	(1,000)	(618)
Proceeds from exercise of stock options and warrants	169	—
Net decrease in FHLBNY and short term borrowings	(42)	(30,039)
Net decrease in noninterest-bearing deposits	(2,386)	(3,863)

Net (decrease) increase in interest-bearing deposits		(11,144)		16,502
Net cash used in financing activities		(14,606)		(18,221)
Decrease in cash and cash equivalents		(13,693)		(7,416)
Cash and Cash Equivalents, January 1,		76,866		110,228
Cash and Cash Equivalents, March 31,	$	63,173	$	102,812
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the year for:				
Interest on deposits and borrowed funds	$	1,607	$	2,027
Income taxes	$	1,000	$	1,000
Supplemental Schedule of Noncash Activities:				
Real estate acquired in settlement of loans	$	1,030	$	5,025

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 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 and Parke Capital Markets. 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

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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, 2012 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, 2013 and 2012 are unaudited. The balance sheet as of December 31, 2012, 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, 2013 are not necessarily indicative of the results for the full year.

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 December 2011, the FASB issued ASU 2011-11, "Balance Sheet, Disclosure about Offsetting Assets and Liabilities (Topic 210)". The objective of this update is to provide enhanced disclosures that will enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities within the scope of this Update. The amendments require enhanced disclosures by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they offset in accordance with either Section 210-20-45 or Section 815-10-45. These amendments are effective for annual periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. Adoption of this update did not have a material impact on the Company's financial position or results of operations.

In January 2013, the FASB issued ASU 2013-01, "Balance Sheet, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (Topic 210)". The amendments in this update clarify that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. An entity is required to apply the amendments for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the required disclosures retrospectively for all comparative periods presented. Adoption of this update did not have a material impact on the Company's financial position or results of operations.

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (Topic 220)". The amendments in this update aim to improve the reporting of reclassifications out of accumulated other comprehensive income.

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The amendments in this update seek to attain that objective by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is reclassified to a balance sheet account instead of directly to income or expense in the same reporting period. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The Company adopted the amendments of ASU 2011-12 effective January 1, 2012 and has applied the amendments retrospectively. Adoption of this update did not have a material impact on the Company's financial position or results of operations.

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, 2013 and December 31, 2012:

As of March 31, 2013	Amortized cost	Gross unrealized gains	Gross unrealized losses	Other-than-temporary impairments in OCI	Fair value
		(Amounts in thousands)			
Available for sale:					
U.S. Government sponsored entities	$7	$—	$—	$—	$7
Corporate debt obligations	500	11	—	—	511
Residential mortgage-backed securities	13,055	457	—	—	13,512
Collateralized mortgage obligations	813	47	—	—	860
Collateralized debt obligations	5,556	—	1,075	487	3,994
Total available for sale	$19,931	$515	$1,075	$487	$18,884
Held to maturity:					
States and political subdivisions	$2,075	$137	$—	$—	$2,212

As of December 31, 2012	Amortized cost	Gross unrealized gains	Gross unrealized losses	Other-than-temporary impairments in OCI	Fair value
		(Amounts in thousands)			
Available for sale:					
U.S. Government sponsored entities	$7	$—	$—	$—	$7
Corporate debt obligations	1,500	24	—	—	1,524
Residential mortgage-backed securities	12,359	540	—	—	12,899
Collateralized mortgage obligations	916	58	—	—	974
Collateralized debt obligations	5,556	—	1,121	499	3,936
Total available for sale	$20,338	$622	$1,121	$499	$19,340
Held to maturity:					
States and political subdivisions	$2,066	$173	$—	$—	$2,239

The amortized cost and fair value of debt securities classified as available for sale and held to maturity, by contractual maturity as of March 31, 2013 are as follows:

	Amortized Cost	Fair Value
	(Amounts in thousands)	
Available for sale:		
Due within one year	$ —	$ —
Due after one year through five years	—	—
Due after five years through ten years	2,737	2,784
Due after ten years	6,062	4,512
Residential mortgage-backed securities and collateralized mortgage obligations	11,132	11,588
Total available for sale	$ 19,931	$ 18,884
Held to maturity:		
Due within one year	$ —	$ —
Due after one year through five years	—	—
Due after five years through ten years	—	—
Due after ten years	2,075	2,212
Total held to maturity	$ 2,075	$ 2,212

Expected maturities will differ from contractual maturities for mortgage related securities because the issuers of certain debt securities do have the right to call or prepay their obligations without any penalty.

As of March 31, 2013 and December 31, 2012, approximately $15.1 million and $10.3 million, respectively, of investment securities are pledged as collateral for borrowed funds. In addition, securities with a carrying value of $3.9 million and $4.2 million, respectively, were pledged to secure public deposits at March 31, 2013 and December 31, 2012.

The following tables show the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other than temporarily impaired ("OTTI"), aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2013 and December 31, 2012:

As of March 31, 2013	Less Than 12 Months		12 Months or Greater		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(Amounts in thousands)			
Available for sale:						
Collateralized debt obligations	—	—	3,676	1,075	3,676	1,075
Total available for sale	$ —	$ —	$ 3,676	$ 1,075	$ 3,676	$ 1,075
Held to maturity:						
States and political subdivisions	$ —	$ —	$ —	$ —	$ —	$ —

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As of December 31, 2012	Less Than 12 Months		12 Months or Greater		Total
	Fair	Unrealized	Fair	Unrealized	
Description of Securities	Value	Losses	Value	Losses	