

PARKE BANCORP, INC.
Form 10-Q
May 16, 2016

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, 2016.

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

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

Large accelerated filer [] Accelerated filer [] Non-accelerated filer [] Smaller reporting company [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 16, 2016, there were issued and outstanding 6,220,962 shares of the registrant's common stock.

PARKE BANCORP, INC.

FORM 10-Q

FOR THE QUARTER ENDED March 31, 2016

INDEX

	Page
Part I FINANCIAL INFORMATION	
Item 1. Financial Statements	1
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3. Quantitative and Qualitative Disclosures About Market Risk	32
Item 4. Controls and Procedures	32
Part II OTHER INFORMATION	
Item 1. Legal Proceedings	32
Item 1A. Risk Factors	33
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 3. Defaults Upon Senior Securities	33
Item 4. Mine Safety Disclosures	33
Item 5. Other Information	33
Item 6. Exhibits	33

SIGNATURES

EXHIBITS and CERTIFICATIONS

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, 2016	December 31, 2015
Assets		
Cash and due from financial institutions	\$3,701	\$ 3,131
Federal funds sold and cash equivalents	23,242	24,298
Total cash and cash equivalents	26,943	27,429
Investment securities available for sale, at fair value	41,788	42,567
Investment securities held to maturity (fair value of \$2,477 at March 31, 2016 and \$2,471 at December 31, 2015)	2,192	2,181
Total investment securities	43,980	44,748
Loans held for sale	2,068	2,640
Loans, net of unearned income	802,552	758,501
Less: Allowance for loan losses	(16,819)	(16,136)
Net loans	785,733	742,365
Accrued interest receivable	3,172	3,012
Premises and equipment, net	4,639	4,591
Other real estate owned (OREO)	16,123	16,629
Restricted stock, at cost	5,014	4,789
Bank owned life insurance (BOLI)	23,999	23,822
Deferred tax asset	10,678	10,928
Other assets	4,380	4,171
Total Assets	\$926,729	\$ 885,124
Liabilities and Equity		
Liabilities		
Deposits		
Noninterest-bearing deposits	\$50,562	\$ 52,773
Interest-bearing deposits	652,401	612,437
Total deposits	702,963	665,210
FHLB NY borrowings	89,650	84,650
Subordinated debentures	13,403	13,403
Accrued interest payable	473	494
Other liabilities	5,466	9,160
Total liabilities	811,955	772,917
Equity		
Preferred stock, 1,000,000 shares authorized, \$1,000 liquidation value Series B - non-cumulative convertible; Issued: 20,000 shares at March 31, 2016 and December 31, 2015	20,000	20,000
Common stock, \$.10 par value; authorized 15,000,000 shares; Issued: 6,501,610 shares at March 31, 2016 and December 31, 2015	650	650
Additional paid-in capital	53,995	53,984
Retained earnings	42,387	40,582

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Accumulated other comprehensive income (loss)	210	(165)	
Treasury stock, 280,648 shares at March 31, 2016 and 280,354 shares at December 31, 2015, at cost	(3,015)	(3,011)
Total shareholders' equity	114,227	112,040		
Noncontrolling interest in consolidated subsidiaries	547	167		
Total equity	114,774	112,207		
Total liabilities and equity	\$926,729	\$ 885,124		
See accompanying notes to consolidated financial statements				

1

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

	For the three months ended March 31, 2016 2015 (in thousands except share data)	
Interest income:		
Interest and fees on loans	\$9,963	\$ 9,139
Interest and dividends on investments	356	246
Interest on federal funds sold and cash equivalents	23	15
Total interest income	10,342	9,400
Interest expense:		
Interest on deposits	1,255	1,131
Interest on borrowings	334	213
Total interest expense	1,589	1,344
Net interest income	8,753	8,056
Provision for loan losses	700	840
Net interest income after provision for loan losses	8,053	7,216
Noninterest income:		
Gain on sale of SBA loans	1,432	557
Loan fees	347	316
Net income from BOLI	177	87
Service fees on deposit accounts	74	70
Loss on sale and write-down of real estate owned	(967)	(169)
Other	112	400
Total noninterest income	1,175	1,261
Noninterest expense:		
Compensation and benefits	2,085	1,990
Professional services	457	509
Occupancy and equipment	332	325
Data processing	133	139
FDIC insurance	176	165
OREO expense	329	486
Other operating expense	1,182	736
Total noninterest expense	4,694	4,350
Income before income tax expense	4,534	4,127
Income tax expense	1,546	1,521
Net income attributable to Company and noncontrolling interest	2,988	2,606
Net income attributable to noncontrolling interest	(380)	(106)
Net income attributable to Company	2,608	2,500
Preferred stock dividend and discount accretion	300	300
Net income available to common shareholders	\$2,308	\$ 2,200
Earnings per common share:		
Basic	\$0.37	\$ 0.37
Diluted	\$0.32	\$ 0.31

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Weighted average shares outstanding:

Basic	6,220,978,010,792
Diluted	8,126,907,939,684

See accompanying notes to consolidated financial statements

2

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

	For the three months ended March 31, 2016 2015 (in thousands)	
Net income attributable to Company	\$2,608	\$2,500
Unrealized gains on securities:		
Non-credit related unrealized gains on securities with OTTI	—	26
Unrealized gains on securities without OTTI	623	9
Tax impact	(248)	(15)
Total unrealized gains on securities	375	20
Total comprehensive income	\$2,983	\$2,520
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) Income	Treasury Stock	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
(in thousands except share data)										
Balance, December 31, 2015	\$20,000	6,501,610	\$ 650	\$53,984	\$40,582	\$ (165)	\$(3,011)	\$ 112,040	\$ 167	\$ 112,207
Net income					2,608			2,608	380	2,988
Other comprehensive (loss) income						375		375		375
Purchase of treasury stock							(4)	(4)		(4)
Stock compensation				11				11		11
Dividend on preferred stock					(300)			(300)		(300)
Dividend on common stock					(503)			(503)		(503)
Balance, March 31, 2016	\$20,000	6,501,610	\$ 650	\$53,995	\$42,387	\$ 210	\$(3,015)	\$ 114,227	\$ 547	\$ 114,774
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, 2016 2015 (amounts in thousands)	
Cash Flows from Operating Activities:		
Net income	\$2,988	\$2,606
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	78	79
Provision for loan losses	700	840
Bank owned life insurance	(177)	(87)
Gain on sale of SBA loans	(1,432)	(557)
SBA loans originated for sale	(11,405)	(3,018)
Proceeds from sale of SBA loans originated for sale	13,409	5,602
Gain on sale & write down of OREO	967	169
Net accretion of purchase premiums and discounts on securities	(29)	(680)
Deferred income tax benefit	—	(8)
Stock Compensation	11	—
Changes in operating assets and liabilities:		
Increase in accrued interest receivable and other assets	(392)	(2,143)
Decrease in accrued interest payable and other accrued liabilities	(3,715)	(980)
Net cash provided by operating activities	1,003	1,823
Cash Flows from Investing Activities:		
Purchases of investment securities available for sale	—	(19,976)
Purchases of restricted stock	(225)	(920)
Proceeds from maturities and principal payments on mortgage backed securities	1,380	1,050
Proceeds from sale of OREO	76	751
Capital improvements on OREO	(26)	(242)
Net increase in loans	(44,579)	(9,862)
Purchases of bank premises and equipment	(126)	(19)
Net cash used in investing activities	(43,500)	(29,218)
Cash Flows from Financing Activities:		
Payment of dividend on common & preferred stock	(738)	(300)
Purchase of treasury stock	(4)	(351)
Minority interest capital withdrawal, net	—	(122)
Proceeds from exercise of stock options and warrants	—	387
Net increase in FHLB NY and short term borrowings	5,000	20,455
Net (decrease) increase in noninterest-bearing deposits	(2,211)	3,072
Net increase in interest-bearing deposits	39,964	7,799
Net cash provided by financing activities	42,011	30,940
Net (decrease) increase in cash and cash equivalents	(486)	3,545
Cash and Cash Equivalents, January 1,	27,429	36,238
Cash and Cash Equivalents, March 31,	\$26,943	\$39,783

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest on deposits and borrowed funds	\$1,610	\$1,347
Income taxes	\$1,100	\$2,500

Supplemental Schedule of Noncash Activities:

Real estate acquired in settlement of loans	\$511	\$2,263
Dividends accrued during the period	\$803	\$735

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, 2015 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, 2016 and 2015 are unaudited. The balance sheet as of December 31, 2015, 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, 2016 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:

On January 5, 2016, the FASB issued Accounting Standards Update 2016-01, Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities (the ASU). Changes to the current GAAP model primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. ASU 2016-01 is effective for public business entities for fiscal years beginning after December 17, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of these amendments.

On February 25, 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842). ASU No. 2016-02 includes a lessee accounting model that recognizes two types of leases - finance leases and operating leases. The standard requires that a lessee recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. Leases with terms of less than 12 months are exempt from the new standard. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as finance or operating lease. New disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases are also required. These disclosures include qualitative and quantitative requirements, providing information about the amounts recorded in the financial statements. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; that is, for a calendar year-end public entity, the changes take effect beginning January 1, 2019. The Company is currently evaluating the impact of these amendments.

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, 2016 and December 31, 2015:

As of March 31, 2016	Amortized cost	Gross unrealized gains	Gross unrealized losses	Other-than- temporary impairments in AOCI	Fair value
(amounts in thousands)					
Available for sale:					
Corporate debt obligations	\$ 1,000	\$ 23	\$ —	\$ —	\$ 1,023
Residential mortgage-backed securities	39,411	720	56	—	40,075
Collateralized mortgage obligations	221	7	—	—	228
Collateralized debt obligations	806	—	—	344	462
Total available for sale	\$ 41,438	\$ 750	\$ 56	\$ 344	\$ 41,788
Held to maturity:					
States and political subdivisions	\$ 2,192	\$ 285	\$ —	\$ —	\$ 2,477
As of December 31, 2015					
(amounts in thousands)					
Available for sale:					
Corporate debt obligations	\$ 1,000	\$ 31	\$ —	\$ —	\$ 1,031
Residential mortgage-backed securities	40,788	451	418	—	40,821
Collateralized mortgage obligations	246	7	—	—	253
Collateralized debt obligations	806	—	—	344	462
Total available for sale	\$ 42,840	\$ 489	\$ 418	\$ 344	\$ 42,567
Held to maturity:					
States and political subdivisions	\$ 2,181	\$ 290	\$ —	\$ —	\$ 2,471

Total available for sale \$19,191 \$ 343 \$3,221 \$ 75 \$22,412 \$ 418

The unrealized losses on the Company's investment in mortgage-backed securities relates to eight securities at March 31, 2016 versus three securities at December 31, 2015. The losses were caused by movement in interest rates. The securities were issued by FNMA, a government sponsored entity. Because the Company does not intend to sell the investment and it is not more likely than not that the Company will be required to sell the investment before recovery of its amortized cost basis, which may be maturity, it does not consider the investment in these securities to be OTTI at March 31, 2016.

Other Than Temporarily Impaired Debt Securities

We assess whether we intend to sell or it is more likely than not that we will be required to sell a security before recovery of its amortized cost basis less any current-period credit losses. For debt securities that are considered OTTI and that we do not intend to sell and will not be required to sell prior to recovery of our amortized cost basis, we separate the amount of the impairment into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between the security's amortized cost basis and the present value of its expected future cash flows. The remaining difference between the security's fair value and the present value of future expected cash flows is due to factors that are not credit related and is recognized in other comprehensive income.

The present value of expected future cash flows is determined using the best estimate of cash flows discounted at the effective interest rate implicit to the security at the date of purchase or the current yield to accrete an asset-backed or floating rate security. The methodology and assumptions for establishing the best estimate cash flows vary depending on the type of security. The asset-backed securities cash flow estimates are based on bond specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity and prepayment speeds and structural support, including subordination and guarantees. The corporate bond cash flow estimates are derived from scenario-based outcomes of expected corporate restructurings or the disposition of assets using bond specific facts and circumstances including timing, security interests and loss severity.

We have a process in place to identify debt securities that could potentially have a credit impairment that is other than temporary. This process involves monitoring late payments, pricing levels, downgrades by rating agencies, key financial ratios, financial statements, revenue forecasts and cash flow projections as indicators of credit issues. On a quarterly basis, we review all securities to determine whether an OTTI exists and whether losses should be recognized. We consider relevant facts and circumstances in evaluating whether a credit or interest rate-related impairment of a security is other than temporary. Relevant facts and circumstances considered include: (1) the extent and length of time the fair value has been below cost; (2) the reasons for the decline in value; (3) the financial position and access to capital of the issuer, including the current and future impact of any specific events; and (4) for fixed maturity securities, our intent to sell a security or whether it is more likely than not we will be required to sell the security before the recovery of its amortized cost which, in some cases, may extend to maturity.

The credit loss component of credit-impaired debt securities was \$171,000. This impairment was taken in a prior year and no OTTI was realized in the current year.

The Company did not sell any securities during the quarter ended March 31, 2016.

NOTE 4. LOANS

The portfolio of loans outstanding consists of the following:

	March 31, 2016		December 31, 2015	
	Amount	Percentage of Total Loans	Amount	Percentage of Total Loans
	(amounts in thousands)			
Commercial and Industrial	\$23,050	2.9 %	\$27,140	3.6 %
Real Estate Construction:				
Residential	5,555	0.7	7,750	1.0
Commercial	56,025	7.0	45,245	6.0

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Real Estate Mortgage:

Commercial – Owner Occupied	158,839	19.8		172,040	22.7
Commercial – Non-owner Occupied	263,278	32.8		256,471	33.8
Residential – 1 to 4 Family	239,346	29.8		213,266	28.1
Residential – Multifamily	38,002	4.7		18,113	2.4
Consumer	18,457	2.3		18,476	2.4
Total Loans	\$802,552	100.0 %		\$758,501	100.0 %

9

Loan Origination/Risk Management: In the normal course of business the Company is exposed to a variety of operational, reputational, legal, regulatory, and credit risks that could adversely affect our financial performance. Most of our asset risk is primarily tied to credit (lending) risk. The Company has lending policies, guidelines and procedures in place that are designed to maximize loan income within an acceptable level of risk. The Board of Directors reviews and approves these policies, guidelines and procedures. When we originate a loan we make certain subjective judgments about the borrower's ability to meet the loan's terms and conditions. We also make objective and subjective value assessments on the assets we finance. The borrower's ability to repay can be adversely affected by economic changes. Likewise, changes in market conditions and other external factors can affect asset valuations. The Company actively monitors the quality of its loan portfolio. A reporting system supplements the credit review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit risk, loan delinquencies, troubled debt restructures, nonperforming and potential problem loans. Diversification in the loan portfolio is another means of managing risk associated with fluctuations in economic conditions.

Commercial and Industrial Loans: The Company originates secured loans for business purposes. Loans are made to provide working capital to businesses in the form of lines of credit, which may be secured by accounts receivable, inventory, equipment or other assets. The financial condition and cash flow of commercial borrowers are closely monitored by means of corporate financial statements, personal financial statements and income tax returns. The frequency of submissions of required financial information depends on the size and complexity of the credit and the collateral that secures the loan. The Company's general policy is to obtain personal guarantees from the principals of the commercial loan borrowers. Such loans are made to businesses located in the Company's market area.

Construction Loans: With respect to construction loans to developers and builders that are secured by non-owner occupied properties, loans are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analyses of the developers and property owners. Construction loans are also generally underwritten based upon estimates of costs and value associated with the completed project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Commercial Real Estate: Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans, in addition to those of real estate loans. Commercial real estate loans may be riskier than loans for one-to-four family residences and are typically larger in dollar size. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. The repayment of these loans is generally largely dependent on the successful operation and management of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's commercial real estate portfolio are diverse in terms of type and geographic location within our market area. This diversity helps reduce the Company's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. The Company also monitors economic conditions and trends affecting the market areas it serves. In addition, management tracks the level of owner-occupied commercial real estate loans versus non-owner occupied loans.

Residential Mortgage: The Company originates adjustable and fixed-rate residential mortgage loans. Such mortgage loans are generally originated under terms, conditions and documentation acceptable to the secondary mortgage market. Although the Company has placed all of these loans into its portfolio, a substantial majority of such loans can be sold in the secondary market or pledged for potential borrowings.

Consumer Loans: Consumer loans may carry a higher degree of repayment risk than residential mortgage loans. Repayment is typically dependent upon the borrower's financial stability which is more likely to be adversely affected by job loss, illness, or personal bankruptcy. To monitor and manage consumer loan risk, policies and procedures have been developed and modified as needed. This activity, coupled with the relatively small loan amounts that are spread across many individual borrowers, minimizes risk. Additionally, trend and outlook reports are reviewed by management on a regular basis. Underwriting standards for home equity loans are heavily influenced by statutory requirements, which include, but are not limited to, a maximum loan-to-value percentage of 80%, collection remedies, the number of such loans a borrower can have at one time and documentation requirements. Historically the Company's losses on consumer loans have been negligible.

The Company maintains an outsourced independent loan review program that reviews and validates the credit risk assessment program on a periodic basis. Results of these external independent reviews are presented to management. The external independent

loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit risk management personnel.

Non-accrual and Past Due Loans: Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when a loan is 90 days past due, unless the loan is well secured and in the process of collection, as required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

An age analysis of past due loans by class at March 31, 2016 and December 31, 2015 follows:

March 31, 2016	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days and Not Accruing	Total Past Due	Current	Total Loans
	(amounts in thousands)					
Commercial and Industrial	\$—	\$—	\$ 553	\$ 553	\$ 22,497	\$ 23,050
Real Estate Construction:						
Residential	—	—	—	—	5,555	5,555
Commercial	—	—	5,203	5,203	50,822	56,025
Real Estate Mortgage:						
Commercial – Owner Occupied	622	—	1,265	1,887	156,952	158,839
Commercial – Non-owner Occupied	—	—	4,032	4,032	259,246	263,278
Residential – 1 to 4 Family	227	—	2,928	3,155	236,191	239,346
Residential – Multifamily	—	355	—	355	37,647	38,002
Consumer	—	32	—	32	18,425	18,457
Total Loans	\$ 849	\$ 387	\$ 13,981	\$ 15,217	\$ 787,335	\$ 802,552
December 31, 2015	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days and Not Accruing	Total Past Due	Current	Total Loans
	(amounts in thousands)					
Commercial and Industrial	\$—	\$ —	\$ 740	\$ 740	\$ 26,400	\$ 27,140
Real Estate Construction:						
Residential	—	—	—	—	7,750	7,750
Commercial	—	—	5,204	5,204	40,041	45,245
Real Estate Mortgage:						
Commercial – Owner Occupied	812	—	358	1,170	170,870	172,040
Commercial – Non-owner Occupied	—	—	4,002	4,002	252,469	256,471
Residential – 1 to 4 Family	—	—	3,255	3,255	210,011	213,266
Residential – Multifamily	357	—	—	357	17,756	18,113
Consumer	31	32	—	63	18,413	18,476
Total Loans	\$ 1,200	\$ 32	\$ 13,559	\$ 14,791	\$ 743,710	\$ 758,501

Impaired Loans: Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments.

All impaired loans have are assessed for recoverability based on an independent third-party full appraisal to determine the net realizable value (“NRV”) based on the fair value of the underlying collateral, less cost to sell and other costs, such as unpaid real estate taxes, that have been identified, or the present value of discounted cash flows in the case of certain impaired loans that are

not collateral dependent. The appraisal will be based on an "as-is" valuation and will follow a reasonable valuation method that addresses the direct sales comparison, income, and cost approaches to market value, reconciles those approaches, and explains the elimination of each approach not used. Appraisals are generally updated every 12 months or sooner if we have identified possible further deterioration in value. Prior to receiving the updated appraisal, we will establish a specific reserve for any estimated deterioration, based upon our assessment of market conditions, adjusted for estimated costs to sell and other identified costs. If the NRV is greater than the loan amount, then no impairment loss exists. If the NRV is less than the loan amount, the shortfall is recognized by a specific reserve. If the borrower fails to pledge additional collateral in the ninety day period, a charge-off equal to the difference between the loan's carrying value and NRV will occur. In certain circumstances, however, a direct charge-off may be taken at the time that the NRV calculation reveals a shortfall. All impaired loans are evaluated based on the criteria stated above on a quarterly basis and any change in the reserve requirements are recorded in the period identified. All partially charged-off loans remain on nonaccrual status until they are brought current as to both principal and interest and have at least nine months of payment history and future collectability of principal and interest is assured.

Impaired loans at March 31, 2016 and December 31, 2015 are set forth in the following tables:

March 31, 2016	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(amounts in thousands)		
With no related allowance recorded:			
Commercial and Industrial	\$530	\$1,783	\$ —
Real Estate Construction:			
Residential	—	—	—
Commercial	1,420	1,517	—
Real Estate Mortgage:			
Commercial – Owner Occupied	1,031	1,031	—
Commercial – Non-owner Occupied	3,413	3,658	—
Residential – 1 to 4 Family	1,536	1,592	—
Residential – Multifamily	—	—	—
Consumer	—	—	—
	7,930	9,581	—
With an allowance recorded:			
Commercial and Industrial	458	460	38
Real Estate Construction:			
Residential	—	—	—
Commercial	5,684	8,407	1,149
Real Estate Mortgage:			
Commercial – Owner Occupied	3,942	3,971	290
Commercial – Non-owner Occupied	21,551	22,991	464
Residential – 1 to 4 Family	2,406	3,180	686
Residential – Multifamily	355	355	5
Consumer	—	—	—
	34,396	39,364	2,632
Total:			
Commercial and Industrial	988	2,243	38
Real Estate Construction:			
Residential	—	—	—
Commercial	7,104	9,924	1,149
Real Estate Mortgage:			
Commercial – Owner Occupied	4,973	5,002	290
Commercial – Non-owner Occupied	24,964	26,649	464
Residential – 1 to 4 Family	3,942	4,772	686
Residential – Multifamily	355	355	5
Consumer	—	—	—
	\$42,326	\$48,945	\$ 2,632

December 31, 2015	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(amounts in thousands)		
With no related allowance recorded:			
Commercial and Industrial	\$680	\$1,934	\$ —
Real Estate Construction:			
Residential	—	—	—
Commercial	1,420	1,517	—
Real Estate Mortgage:			
Commercial – Owner Occupied	358	358	—
Commercial – Non-owner Occupied	1,281	1,281	—
Residential – 1 to 4 Family	1,858	1,910	—
Residential – Multifamily	—	—	—
Consumer	—	—	—
	5,597	7,000	—
With an allowance recorded:			
Commercial and Industrial	503	504	67
Real Estate Construction:			
Residential	—	—	—
Commercial	5,696	8,420	1,149
Real Estate Mortgage:			
Commercial – Owner Occupied	4,341	4,370	73
Commercial – Non-owner Occupied	23,303	24,988	486
Residential – 1 to 4 Family	2,426	3,200	709
Residential – Multifamily	356	356	5
Consumer	—	—	—
	36,625	41,838	2,489
Total:			
Commercial and Industrial	1,183	2,438	67
Real Estate Construction:			
Residential	—	—	—
Commercial	7,116	9,937	1,149
Real Estate Mortgage:			
Commercial – Owner Occupied	4,699	4,728	73
Commercial – Non-owner Occupied	24,584	26,269	486
Residential – 1 to 4 Family	4,284	5,110	709
Residential – Multifamily	356	356	5
Consumer	—	—	—
	\$42,222	\$48,838	\$ 2,489

The following table presents by loan portfolio class, the average recorded investment and interest income recognized on impaired loans for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,			
	2016		2015	
	Average Interest Recorded Investment	Average Interest Recorded Investment	Average Interest Recorded Investment	Average Interest Recorded Investment
	Recognized		Recognized	
	(amounts in thousands)			
Commercial and Industrial	\$1,086	\$ 12	\$4,187	\$ 26
Real Estate Construction:				
Residential	—	—	—	—
Commercial	7,111	22	13,175	72
Real Estate Mortgage:				
Commercial – Owner Occupied	4,836	57	6,268	55
Commercial – Non-owner Occupied	24,774	243	28,162	229
Residential – 1 to 4 Family	4,113	28	8,918	54
Residential – Multifamily	356	4	363	6
Consumer	—	—	93	—
Total	\$42,276	\$ 366	\$61,166	\$ 442

Troubled debt restructurings: Periodically management evaluates our loans in order to determine the appropriate risk rating, interest accrual status and potential classification as a troubled debt restructuring (TDR), some of which are performing and accruing interest. A TDR is a loan on which we have granted a concession due to a borrower's financial difficulty. These are concessions that would not otherwise be considered. The terms of these modified loans may include extension of maturity, renewals, changes in interest rate, additional collateral requirements or infusion of additional capital into the project by the borrower to reduce debt or to support future debt service. On construction and land development loans we may modify the loan as a result of delays or other project issues such as slower than anticipated sell-outs, insufficient leasing activity and/or a decline in the value of the underlying collateral securing the loan. Management believes that working with a borrower to restructure a loan provides us with a better likelihood of collecting our loan. It is our policy not to renegotiate the terms of a commercial loan simply because of a delinquency status. However, we will use our Troubled Debt Restructuring Program to work with delinquent borrowers when the delinquency is temporary. The Bank considers all TDRs to be impaired.

At the time a loan is modified in a TDR, we consider the following factors to determine whether the loan should accrue interest:

- Whether there is a period of current payment history under the current terms, typically 6 months;
- Whether the loan is current at the time of restructuring; and
- Whether we expect the loan to continue to perform under the restructured terms with a debt coverage ratio that complies with the Bank's credit underwriting policy of 1.25 times debt service.

We also review the financial performance of the borrower over the past year to be reasonably assured of repayment and performance according to the modified terms. This review consists of an analysis of the borrower's historical results; the borrower's projected results over the next four quarters; current financial information of the borrower and any guarantors. The projected repayment source needs to be reliable, verifiable, quantifiable and sustainable. In addition, all TDRs are reviewed quarterly to determine the amount of any impairment. At the time of restructuring, the amount of the loan principal for which we are not reasonably assured of repayment is charged-off, but not forgiven.

A borrower with a restructured loan must make a minimum of six consecutive monthly payments at the restructured level and be current as to both interest and principal to be returned to accrual status.

Performing TDRs (not reported as non-accrual loans) totaled \$28.3 million and \$28.7 million with related allowances of \$474,000 and \$530,000 as of March 31, 2016 and December 31, 2015, respectively. Nonperforming TDRs remained the same at \$3.5 million with related allowances of \$603,000 as of March 31, 2016 and December 31, 2015, respectively. All TDRs are classified as impaired loans and are included in the impaired loan disclosures above. There were no new loans modified as a TDR during the three month periods ended March 31, 2016 and 2015. Also, there were no loans that were modified and deemed a TDR that subsequently defaulted during the three month period ended March 31, 2016 and 2015.

Some loans classified as TDRs may not ultimately result in the full collection of principal and interest, as modified, and result in potential incremental losses. These potential incremental losses have been factored into our overall allowance for loan losses estimate. The level of any re-defaults will likely be affected by future economic conditions. Once a loan becomes a TDR, it will continue to be reported as a TDR until it is repaid in full, foreclosed, sold or it meets the criteria to be removed from TDR status.

Credit Quality Indicators: As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to the risk grades of loans, the level of classified loans, net charge-offs, nonperforming loans (see details above) and the general economic conditions in the region.

The Company utilizes a risk grading matrix to assign a risk grade to each of its loans. Loans are graded on a scale of 1 to 7. Grades 1 through 4 are considered "Pass". A description of the general characteristics of the seven risk grades is as follows:

1. **Good:** Borrower exhibits the strongest overall financial condition and represents the most creditworthy profile.
2. **Satisfactory (A):** Borrower reflects a well-balanced financial condition, demonstrates a high level of creditworthiness and typically will have a strong banking relationship with the Bank.
3. **Satisfactory (B):** Borrower exhibits a balanced financial condition and does not expose the Bank to more than a normal or average overall amount of risk. Loans are considered fully collectable.
4. **Watch List:** Borrower reflects a fair financial condition, but there exists an overall greater than average risk. Risk is deemed acceptable by virtue of increased monitoring and control over borrowings. Probability of timely repayment is present.
5. **Other Assets Especially Mentioned (OAEM):** Financial condition is such that assets in this category have a potential weakness or pose unwarranted financial risk to the Bank even though the asset value is not currently impaired. The asset does not currently warrant adverse classification but if not corrected could weaken and could create future increased risk exposure. Includes loans which require an increased degree of monitoring or servicing as a result of internal or external changes.
6. **Substandard:** This classification represents more severe cases of #5 (OAEM) characteristics that require increased monitoring. Assets are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Assets are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral. Asset has a well-defined weakness or weaknesses that impairs the ability to repay debt and jeopardizes the timely liquidation or realization of the collateral at the asset's net book value.
7. **Doubtful:** Assets which have all the weaknesses inherent in those assets classified #6 (Substandard) but the risks are more severe relative to financial deterioration in capital and/or asset value; accounting/evaluation techniques may be questionable and the overall possibility for collection in full is highly improbable. Borrowers in this category require constant monitoring, are considered work-out loans and present the potential for future loss to the Bank.

An analysis of the credit risk profile by internally assigned grades as of March 31, 2016 and December 31, 2015 is as follows:

At March 31, 2016	Pass	OAEM	Substandard	Doubtful	Total
	(amounts in thousands)				
Commercial and Industrial	\$21,622	\$822	\$ 606	\$	—\$23,050
Real Estate Construction:					
Residential	5,555	—	—	—	5,555
Commercial	34,176	16,645	5,204	—	56,025
Real Estate Mortgage:					
Commercial – Owner Occupied	152,739	4,147	1,953	—	158,839

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Commercial – Non-owner Occupied	250,029	6,412	6,837	—	263,278
Residential – 1 to 4 Family	234,341	504	4,501	—	239,346
Residential – Multifamily	37,647	—	355	—	38,002
Consumer	18,456	—	1	—	18,457
Total	\$754,565	\$28,530	\$ 19,457	\$	—\$802,552

At December 31, 2015	Pass	OAEM	Substandard	Doubtful	Total
	(amounts in thousands)				
Commercial and Industrial	\$25,658	\$688	\$794	\$	—\$27,140
Real Estate Construction:					
Residential	7,750	—	—	—	7,750
Commercial	24,210	15,831	5,204	—	45,245
Real Estate Mortgage:					
Commercial – Owner Occupied	163,765	7,225	1,050	—	172,040
Commercial – Non-owner Occupied	242,607	7,044	6,820	—	256,471
Residential – 1 to 4 Family	207,911	515	4,840	—	213,266
Residential – Multifamily	17,757	—	356	—	18,113
Consumer	18,475	—	1	—	18,476
Total	\$708,133	\$31,303	\$19,065	\$	—\$758,501

NOTE 5. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company's allowance for loan loss methodology includes allowance allocations calculated in accordance with ASC Topic 310, "Receivables" and allowance allocations calculated in accordance with ASC Topic 450, "Contingencies." Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions. The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. The provision for loan losses reflects loan quality trends, including the levels of, and trends related to, nonaccrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. The provision for loan losses also reflects the totality of actions taken on all loans for a particular period. In other words, the amount of the provision reflects not only the necessary increases in the allowance for loan losses related to newly identified criticized loans, but it also reflects actions taken related to other loans including, among other things, any necessary increases or decreases in required allowances for specific loans or loan pools.

The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including, among other things, the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The allowances established for probable losses on specific loans are based on a regular analysis and evaluation of problem loans. Loans are classified based on an internal credit risk grading process that evaluates, among other things: (i) the obligor's ability to repay; (ii) the underlying collateral, if any; and (iii) the economic environment and industry in which the borrower operates. This analysis is performed at the relationship manager level for all commercial loans. When a loan has a grade of 6 or higher, the loan is analyzed to determine whether the loan is impaired and, if impaired, whether there is a need to specifically allocate a portion of the allowance for loan losses to the loan. Specific valuation allowances are determined by analyzing the borrower's ability to repay amounts owed, any collateral deficiencies, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among

other things.

Historical valuation allowances are calculated based on the historical loss experience of specific types of loans. The Company calculates historical loss ratios for pools of similar loans with similar characteristics based on the proportion of actual charge-offs experienced to the total population of loans in the pool. The historical loss ratios are periodically updated based on actual charge-off experience. A historical valuation allowance is established for each pool of similar loans based upon the product of the historical loss ratio and the total dollar amount of the loans in the pool. The Company's pools of similar loans include similarly risk-graded groups of commercial loans, commercial real estate loans, consumer real estate loans and consumer and other loans.

General valuation allowances are based on general economic conditions and other qualitative risk factors both internal and external to the Company. In general, such valuation allowances are determined by evaluating, among other things: (i) the experience, ability

17

and effectiveness of the Bank's lending management and staff; (ii) the effectiveness of the Bank's loan policies, procedures and internal controls; (iii) changes in asset quality; (iv) changes in loan portfolio volume; (v) the composition and concentrations of credit; (vi) the impact of competition on loan structuring and pricing; (vii) the effectiveness of the internal loan review function; (viii) the impact of environmental risks on portfolio risks; and (ix) the impact of rising interest rates on portfolio risk. Management evaluates the degree of risk that each one of these components has on the quality of the loan portfolio on a quarterly basis. Each component is determined to have either a high, high-moderate, moderate, low-moderate or low degree of risk. The results are then input into a "general allocation matrix" to determine an appropriate general valuation allowance.

An analysis of the allowance for loan losses for the three month periods ended March 31, 2016 and 2015 is as follows:

Allowance for Loan Losses:	For the three months ended March 31, 2016				
	Beginning Balance	Charge-offs	Recoveries	Provisions (Credits)	Ending Balance
	(amounts in thousands)				
Commercial and Industrial	\$952	\$ (36)	\$ —	\$ (16)	\$900
Real Estate Construction:					
Residential	247	—	—	(67)	180
Commercial	2,501	—	—	330	2,831
Real Estate Mortgage:					
Commercial – Owner Occupied	3,267	—	—	(42)	3,225
Commercial – Non-owner Occupied	3,838	—	—	106	3,944
Residential – 1 to 4 Family	4,802	—	19	275	5,096
Residential – Multifamily	254	—	—	127	381
Consumer	275	—	—	(13)	262
Total	\$16,136	\$ (36)	\$ 19	\$ 700	\$16,819

Allowance for Loan Losses:	For the three months ended March 31, 2015				
	Beginning Balance	Charge-offs	Recoveries	Provisions (Credits)	Ending Balance
	(amounts in thousands)				
Commercial and Industrial	\$1,679	\$ —	\$ 19	\$ 171	\$1,869
Real Estate Construction:					
Residential	316	(238)	—	108	186
Commercial	3,015	(2,380)	—	983	1,618
Real Estate Mortgage:					
Commercial – Owner Occupied	3,296	—	10	38	3,344
Commercial – Non-owner Occupied	4,962	(381)	398	(398)	4,581
Residential – 1 to 4 Family	4,156	(128)	—	17	4,045
Residential – Multifamily	357	—	—	(78)	279
Consumer	262	—	—	(1)	261
Unallocated	—	—	—	—	—
Total	\$18,043	\$ (3,127)	\$ 427	\$ 840	\$16,183

Allowance for Loan Losses, at March 31, 2016	Individually evaluated for impairment	Collectively evaluated for impairment	Total
	(amounts in thousands)		
Commercial and Industrial	\$38	\$ 862	\$900
Real Estate Construction:			
Residential	—	180	180
Commercial	1,149	1,682	2,831
Real Estate Mortgage:			
Commercial – Owner Occupied	290	2,935	3,225
Commercial – Non-owner Occupied	464	3,480	3,944
Residential – 1 to 4 Family	686	4,410	5,096
Residential – Multifamily	5	376	381
Consumer	—	262	262
Total	\$2,632	\$ 14,187	\$16,819

Allowance for Loan Losses, at December 31, 2015	Individually evaluated for impairment	Collectively evaluated for impairment	Total
	(amounts in thousands)		
Commercial and Industrial	\$67	\$ 885	\$952
Real Estate Construction:			
Residential	—	247	247
Commercial	1,149	1,352	2,501
Real Estate Mortgage:			
Commercial – Owner Occupied	73	3,194	3,267
Commercial – Non-owner Occupied	486	3,352	3,838
Residential – 1 to 4 Family	709	4,093	4,802
Residential – Multifamily	5	249	254
Consumer	—	275	275
Total	\$2,489	\$ 13,647	\$16,136

Loans, at March 31, 2016:	Individually evaluated for impairment	Collectively evaluated for impairment	Total
	(amounts in thousands)		
Commercial and Industrial	\$988	\$ 22,062	\$23,050
Real Estate Construction:			
Residential	—	5,555	5,555
Commercial	7,104	48,921	56,025
Real Estate Mortgage:			
Commercial – Owner Occupied	4,973	153,866	158,839
Commercial – Non-owner Occupied	24,964	238,314	263,278
Residential – 1 to 4 Family	3,942	235,404	239,346
Residential – Multifamily	355	37,647	38,002
Consumer	—	18,457	18,457
Total	\$42,326	\$ 760,226	\$802,552

Loans, at December 31, 2015:	Individual	Collectively	Total
	evaluated for impairment (amounts in thousands)	devaluated for impairment (amounts in thousands)	
Commercial and Industrial	\$ 1,183	\$ 25,957	\$ 27,140
Real Estate Construction:			
Residential	—	7,750	7,750
Commercial	7,116	38,129	45,245
Real Estate Mortgage:			
Commercial – Owner Occupied	4,699	167,341	172,040
Commercial – Non-owner Occupied	24,584	231,887	256,471
Residential – 1 to 4 Family	4,284	208,982	213,266
Residential – Multifamily	356	17,757	18,113
Consumer	—	18,476	18,476
Total	\$ 42,222	\$ 716,279	\$ 758,501

NOTE 6. REGULATORY RESTRICTIONS

The Company and the Bank are 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 Company and 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 Company and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined).

Parke Bancorp, Inc.	Actual		For Capital Adequacy Purposes		To be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2016 (amounts in thousands except ratios)						
Total Risk Based Capital (to Risk Weighted Assets)	\$ 137,888	16.83%	\$ 65,548	8 %	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	\$ 127,565	15.57%	\$ 49,161	6 %	N/A	N/A
Tier 1 Capital Common Equity (to Risk Weighted Assets)	\$ 94,565	11.54%	\$ 36,871	4.5 %	N/A	N/A

Tier 1 Capital
(to Average Assets)

\$127,565 14.15% \$36,074 4 % N/A N/A

20

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Parke Bancorp, Inc.	Actual		For Capital Adequacy Purposes		To be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015 (amounts in thousands except ratios)						
Total Risk Based Capital (to Risk Weighted Assets)	\$135,258	17.24%	\$62,777	8 %	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	\$125,371	15.98%	\$47,083	6 %	N/A	N/A
Tier 1 Capital Common Equity (to Risk Weighted Assets)	\$92,371	11.77%	\$35,312	4.5%	N/A	N/A
Tier 1 Capital (to Average Assets)	\$125,371	14.69%	\$34,133	4 %	N/A	N/A
Parke Bank	Actual		For Capital Adequacy Purposes		To be Well-Capitalized Under Prompt Corrective Action Provisions	
As of March 31, 2016 (amounts in thousands except ratios)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Risk Based Capital (to Risk Weighted Assets)	\$137,090	16.73%	\$65,548	8 %	\$81,934	10 %
Tier 1 Capital (to Risk Weighted Assets)	\$126,767	15.47%	\$49,161	6 %	\$65,548	8 %
Tier 1 Capital Common Equity (to Risk Weighted Assets)	\$126,767	15.47%	\$36,870	4.5%	\$53,257	6.5%
Tier 1 Capital (to Average Assets)	\$126,767	14.06%	\$36,074	4 %	\$45,092	5 %
Parke Bank	Actual		For Capital Adequacy Purposes		To be Well-Capitalized Under Prompt Corrective Action Provisions	
As of December 31, 2015	Amount	Ratio	Amount	Ratio	Amount	Ratio

(amounts in thousands except ratios)

Total Risk Based Capital (to Risk Weighted Assets)	\$134,415	17.13%	\$62,777	8%	\$78,471	10%
Tier 1 Capital (to Risk Weighted Assets)	\$124,528	15.87%	\$47,082	6%	\$62,777	8%
Tier 1 Capital Common Equity (to Risk Weighted Assets)	\$124,528	15.87%	\$35,312	4.5%	51,006	6.5%
Tier 1 Capital (to Average Assets)	\$124,528	14.59%	\$34,133	4%	\$42,666	5%

NOTE 7. OTHER COMPREHENSIVE INCOME (LOSS)

The Company's accumulated other comprehensive income consisted of the following at March 31, 2016 and December 31, 2015:

	March 31,	December 31,
	2016	2015
	(amounts in thousands)	
Securities:		
Non-credit unrealized losses on securities with OTTI	\$(344)	\$(344)
Unrealized gains on securities without OTTI	694	71
Tax impact	(140)	108
Other comprehensive income (loss)	\$210	\$(165)

NOTE 8. FAIR VALUE

Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures Topic 820 of FASB ASC, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. In accordance with this guidance, the Company groups its assets and liabilities carried at fair value in three levels as follows:

Level 1 Input:

- 1) Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs:

- 1) Quoted prices for similar assets or liabilities in active markets.
- 2) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- 3) Inputs other than quoted prices that are observable, either directly or indirectly, for the term of the asset or liability (e.g., interest rates, yield curves, credit risks, prepayment speeds or volatilities) or "market corroborated inputs."

Level 3 Inputs:

- 1) Prices or valuation techniques that require inputs that are both unobservable (i.e. supported by little or no market activity) and that are significant to the fair value of the assets or liabilities.
These assets and liabilities include financial instruments whose value is determined using pricing models,
- 2) discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Fair Value on a Recurring Basis:

The following is a description of the Company's valuation methodologies for assets carried at fair value. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes that its valuation methods are appropriate and consistent with

other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting measurement date.

Investment Securities Available for Sale:

Where quoted prices are available in an active market, securities are classified in Level 1 of the valuation hierarchy. If quoted market prices are not available for the specific security, then fair values are provided by independent third-party valuation services. These valuations services estimate fair values using pricing models and other accepted valuation methodologies, such as quotes for similar securities and observable yield curves and spreads. As part of the Company's overall valuation process, management evaluates these third-party methodologies to ensure that they are representative of exit prices in the Company's principal markets. Securities in Level 2 include mortgage-backed securities, corporate debt obligations, collateralized mortgage-backed securities, and Collateralized Debt Obligations, ("TruPS").

Securities in Level 3 include thinly-traded collateralized debt obligations. With the assistance of competent third-party valuation specialists, the Company utilized the following methodology to determine the fair value:

Cash flows were developed based on the estimated speeds at which the TruPS are expected to prepay (a range of 1% to 2%), the estimated rates at which the TruPS are expected to defer payments, the estimated rates at which the TruPS are expected to default (a range of 0.57% to 0.66%), and the severity of the losses on securities which default of 95%. TruPS generally allow for prepayment by the issuer without a prepayment penalty any time after five years. Due to the lack of new TruPS and the relatively poor conditions of the financial institution industry, a relatively modest rate of prepayment was assumed going forward. Estimates for the Constant Default Rate ("CDR") are based on the payment characteristics of the TruPS themselves (e.g. current, deferred, or defaulted) as well as the financial condition of the TruPS issuers in the pool. Estimates for the near-term rates of deferral and CDR are based on key financial ratios relating to the financial institutions' capitalization, asset quality, profitability and liquidity. Finally, we consider whether or not the financial institution has received Troubled Asset Relief Program, ("TARP") funding, and if it has, the amount. Longer-term rates of deferral and defaults are based on historical averages. The fair value of each bond was assessed by discounting its projected cash flows by a discount rate. The discount rates were based on the yields of publicly traded TruPS and preferred stock issued by comparably rated banks (3 month LIBOR plus a spread of 4.0% to 9.59%).

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis.

Financial Assets	Level 1	Level 2	Level 3	Total
	(amounts in thousands)			
Securities Available for Sale				
As of March 31, 2016				
Corporate debt obligations	\$-\$1,023	\$—	\$—	\$1,023
Residential mortgage-backed securities	—40,075	—	—	40,075
Collateralized mortgage-backed securities	—228	—	—	228
Collateralized debt obligations	—	—	462	462
Total	\$-\$41,326	\$—	\$462	\$41,788
As of December 31, 2015				
Corporate debt obligations	\$-\$1,031	\$—	\$—	\$1,031
Residential mortgage-backed securities	—40,821	—	—	40,821
Collateralized mortgage-backed securities	—253	—	—	253
Collateralized debt obligations	—	—	462	462
Total	\$-\$42,105	\$—	\$462	\$42,567

For the three months ended March 31, 2016, there were no transfers between the levels within the fair value hierarchy.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows for the three months ended March 31,:

Securities
Available
for Sale
March
31, 2016
March
31, 2015

	(amounts in thousands)	
Beginning balance at January 1,	\$462	\$349
Total net gains included in:		
Net gain	—	—
Other comprehensive income	—	26
Settlements	—	—
Net transfers into Level 3	—	—
Ending balance	\$462	\$375

Fair Value on a Non-recurring Basis:

Certain assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

Financial Assets	Level		
	Level 1	Level 2	Level 3 Total
(amounts in thousands)			
As of March 31, 2016			
Collateral dependent impaired loans	\$—	—	—\$20,427 \$20,427
OREO	—	—	16,123 16,123
As of December 31, 2015			
Collateral dependent impaired loans	\$—	—	—\$20,066 \$20,066
OREO	—	—	16,629 16,629

Collateral dependent impaired loans, which are measured in accordance with FASB ASC Topic 310 “Receivables”, for impairment, had a carrying amount of \$20.4 million and \$20.1 million at March 31, 2016 and December 31, 2015 respectively, with a valuation allowance of \$2.3 million and \$2.1 million at March 31, 2016 and December 31, 2015, respectively. The valuation allowance for collateral dependent impaired loans is included in the allowance for loan losses on the balance sheet. All collateral dependent impaired loans have an independent third-party full appraisal to determine the NRV based on the fair value of the underlying collateral, less cost to sell (a range of 5% to 10%) and other costs, such as unpaid real estate taxes, that have been identified, or the present value of discounted cash flows in the case of certain impaired loans that are not collateral dependent. The appraisal will be based on an “as-is” valuation and will follow a reasonable valuation method that addresses the direct sales comparison, income, and cost approaches to market value, reconciles those approaches, and explains the elimination of each approach not used. Appraisals are updated every 12 months or sooner if we have identified possible further deterioration in value.

OREO consists of commercial real estate properties which are recorded at fair value based upon current appraised value, or agreements of sale less estimated disposition costs on level 3 inputs. Properties are reappraised annually.

Fair Value of Financial Instruments

The Company discloses estimated fair values for its significant financial instruments in accordance with FASB ASC Topic 825, “Disclosures about Fair Value of Financial Instruments”. The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The methodologies for estimating the fair value of other financial assets and liabilities are discussed below.

For certain financial assets and liabilities, carrying value approximates fair value due to the nature of the financial instrument. These instruments include cash and cash equivalents, restricted stock, accrued interest receivable, demand and other non-maturity deposits and accrued interest payable.

The Company used the following methods and assumptions in estimating the fair value of the following financial instruments:

Investment Securities: Fair value of securities available for sale is described above. Fair value of held to maturity securities is based upon quoted market prices.

Loans (other than impaired): Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial, residential mortgage and other consumer. Each loan category is

further segmented into groups by fixed and adjustable rate interest terms and by performing and nonperforming categories. The fair value of performing loans is calculated by discounting scheduled cash flows through their estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in each group of loans. The estimate of maturity is based on contractual maturities for loans within each group, or on the Company's historical experience with repayments for each loan classification, modified as required by an estimate of the effect of current economic conditions.

Deposits: The fair value of time deposits is based on the discounted value of contractual cash flows, where the discount rate is estimated using the market rates currently offered for deposits of similar remaining maturities.

Borrowings: The fair values of FHLB borrowings, other borrowed funds and subordinated debt are based on the discounted value of estimated cash flows. The discounted rate is estimated using market rates currently offered for similar advances or borrowings.

Bank premises and equipment, customer relationships, deposit base and other information required to compute the Company's aggregate fair value are not included in the above information. Accordingly, the above fair values are not intended to represent the aggregate fair value of the Company.

The following table summarizes the carrying amounts and fair values for financial instruments at March 31, 2016 and December 31, 2015:

	Level in	March 31, 2016		December 31, 2015	
	Fair Value	Carrying	Fair	Carrying	Fair
	Hierarchy	Value	Value	Value	Value
		(amounts in thousands)			
Financial Assets:					
Cash and cash equivalents	Level 1	\$26,943	\$26,943	\$27,429	\$27,429
Investment securities AFS	(1)	41,788	41,788	42,567	42,467
Investment securities HTM	Level 2	2,192	2,477	2,181	2,471
Restricted stock	Level 2	5,014	5,014	4,789	4,789
Loans held for sale	Level 2	2,068	2,068	2,640	2,640
Loans, net	(2)	785,733	796,915	742,365	743,604
Accrued interest receivable	Level 2	3,172	3,172	3,012	3,012
Financial Liabilities:					
Demand and savings deposits	Level 2	\$371,094	\$371,094	\$384,726	\$384,726
Time deposits	Level 2	331,869	333,412	280,484	282,080
Borrowings	Level 2	103,053	102,246	98,053	95,492
Accrued interest payable	Level 2	473	473	494	494

(1) See the recurring fair value table above.

(2) For non-impaired loans, Level 2; for impaired loans, Level 3.

NOTE 9. EARNINGS PER SHARE (“EPS”)

The following tables set forth the calculation of basic and diluted EPS for the three month periods ended March 31, 2016 and 2015.

	For the three months ended March 31, 2016 2015 (amounts in thousands except share data)	
Basic earnings per common share		
Net income available to common shareholders	\$ 2,308	\$ 2,200
Average common shares outstanding	6,220,978	6,010,792
Basic earnings per common share	\$0.37	\$ 0.37
Diluted earnings per common share		
Net income available to common shareholders	\$ 2,308	\$ 2,200
Dividend on Preferred Series B	300	300
Average common shares outstanding	6,220,978	6,010,792
Dilutive potential common shares	1,905,931	1,928,892
Total diluted average common shares outstanding	8,126,909	7,939,684
Diluted earnings per common share	\$0.32	\$ 0.31

On March 22, 2016 the Company declared a quarterly cash dividend of \$0.08 per share to common shareholders of record as of April 15, 2016 and payable on April 29, 2016.

NOTE 10. SUBSEQUENT EVENTS

On April, 19, 2016, the Company declared a 10% common stock dividend. The stock dividend is payable on May 18, 2016, to stockholders of record as of May 4, 2016.

On April 29, 2016, Parke Bank and its majority-owned subsidiary, 44 Business Capital, LLC ("44BC") completed the sale transaction of the assets of 44BC and certain related assets held by the Bank to Berkshire Bank ("Berkshire"). Under the transaction, Berkshire has purchased the assets of 44BC. In addition, Berkshire has purchased the SBA loan portfolio, totaling \$42.6 million, and related servicing rights held by Parke Bank. The pre-tax gain to Parke Bank will total approximately \$9.3 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, 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.

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 non-interest income such as service charges, gains from the sale of loans, earnings from BOLI, loan exit fees and other fees. The Company's non-interest 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.

Comparison of Financial Condition at March 31, 2016 and December 31, 2015

At March 31, 2016, the Company's total assets increased to \$926.7 million from \$885.1 million at December 31, 2015, an increase of \$41.6 million or 4.7%.

Cash and cash equivalents decreased \$486,000 to \$26.9 million at March 31, 2016 from \$27.4 million at December 31, 2015, a decrease of 1.8%.

Total investment securities decreased to \$44.0 million at March 31, 2016, from \$44.7 million at December 31, 2015, a decrease of \$768,000 or 1.7%.

Management evaluates the investment portfolio for OTTI on a quarterly basis. Factors considered in the analysis include, but are not limited to, whether an adverse change in cash flows has occurred, the length of time and the extent to which the fair value has been less than cost, whether the Company intends to sell, or will more likely than not be required to sell, the investment before recovery of its amortized cost basis, which may be maturity, credit rating downgrades, the percentage of performing collateral that would need to default or defer to cause a break in yield or a temporary interest shortfall, and management's assessment of the financial condition of the underlying issuers. For the three months ended March 31, 2016, the Company did not recognize any credit-related OTTI charges.

Total gross loans increased to \$802.6 million at March 31, 2016 from \$758.5 million at December 31, 2015, an increase of \$44.1 million or 5.8%. The increase during the quarter is attributable to strong growth in Commercial Real Estate loans.

Delinquent loans totaled \$15.2 million or 1.9% of total loans at March 31, 2016, an increase of \$426,000 from December 31, 2015. Delinquent loan balances by number of days delinquent at March 31, 2016 were: 30 to 89 days --- \$1.2 million; 90 days and greater not accruing interest --- \$14.0 million.

At March 31, 2016, the Company had \$14.0 million in nonaccrual loans or 1.7% of total loans, an increase from \$13.6 million or 1.8% of total loans at December 31, 2015. The three largest nonperforming loan relationships are a \$3.8 million land development loan, a \$1.9 million commercial real estate loan and a \$1.3 million land development loan.

The composition of nonaccrual loans as of March 31, 2016 and December 31, 2015 was as follows:

	March 31, December 31,	
	2016	2015
	(amounts in thousands except ratios)	
Commercial and Industrial	\$553	\$ 740
Real Estate Construction:		
Residential	—	—
Commercial	5,203	5,204
Real Estate Mortgage:		
Commercial – Owner Occupied	1,265	358
Commercial – Non-owner Occupied	4,032	4,002
Residential – 1 to 4 Family	2,928	3,255
Residential – Multifamily	—	—
Consumer	—	—
Total	\$13,981	\$ 13,559
Nonperforming loans to total loans	1.7	% 1.8

At March 31, 2016, the allowance for loan losses was \$16.8 million, as compared to \$16.1 million at December 31, 2015. The ratio of allowance for loan losses to total loans was 2.1% at both March 31, 2016 and December 31, 2015. Continued improvements in the credit quality of the loan portfolio has kept this ratio flat for the past two quarters. The ratio of allowance for loan losses to non-performing loans increased to 120.3% at March 31, 2016, compared to 119.0% at December 31, 2015. During the three month period ended March 31, 2016, the Company charged off \$36,000 in loans, and recovered \$19,000, compared to \$3.1 million in loans charged off in the three months ended March 31, 2015, and \$428,000 in recoveries. Specific allowances for loan losses have been established in the amount of \$2.6 million on impaired loans totaling \$42.3 million at March 31, 2016, as compared to \$2.5 million on impaired loans totaling \$42.2 million at December 31, 2015. We have provided for all losses that are both probable and reasonably estimable at March 31, 2016 and December 31, 2015. There can be no assurance, however, that further additions to the allowance will not be required in future periods.

OREO at March 31, 2016 was \$16.1 million, compared to \$16.6 million at December 31, 2015 with the largest property being a condominium development valued at \$5.5 million.

An analysis of OREO activity is as follows:

	For the three months ended March 31, 2016 2015 (amounts in thousands)	
Balance at beginning of period	\$ 16,629	\$ 20,931
Real estate acquired in settlement of loans	511	2,263
Sales of real estate	(76)	(751)
Gain on sale of real estate	13	31
Write-down of real estate carrying values	(1,026)	(200)
Capitalized improvements to real estate	72	242
Balance at end of period	\$ 16,123	\$ 22,516

At March 31, 2016, the Bank's total deposits increased to \$703.0 million from \$665.2 million at December 31, 2015, an increase of \$37.8 million or 5.7%. During the quarter the Company closed on a Brokered CD transaction totaling \$24.0 million. In addition the Company ran a 13 month CD special.

Total borrowings increased to \$89.7 million at March 31, 2016 from \$84.7 million at December 31, 2015 an increase of \$5.0 million or 5.9%. The funds were used to partially fund growth in the loan portfolio.

Total shareholders' equity increased to \$114.2 million at March 31, 2016 from \$112.0 million at December 31, 2015, an increase of \$2.2 million or 2.0%, due to the retention of earnings from the period.

Comparison of Operating Results for the Three Months Ended March 31, 2016 and 2015

General: Net income available to common shareholders for the three months ended March 31, 2016 was \$2.3 million and for the three months ended March 31, 2015 was \$2.2 million.

Interest Income: Interest income increased by \$900,000, or 1.7%, to \$10.3 million for the three months ended March 31, 2016, from \$9.4 million for the three months ended March 31, 2015. The increase was attributable to an increase in the average outstanding loan balances, offset by lower yield on loans. Average loans for the three month period ended March 31, 2016 were \$783.9 million compared to \$716.5 million for the same period last year. The average yield on loans was 5.11% for the three months ended March 31, 2016 compared to 5.17% for the same period in 2015.

Interest Expense: Interest expense increased \$300,000 to \$1.6 million for the three months ended March 31, 2016, from \$1.3 million for the three months ended March 31, 2015. The increase was primarily attributable to an increase in average borrowings. Average borrowings for the three month period ended March 31, 2016 were \$101.5 million, compared to \$65.8 million for the same period last year. The average rate paid on borrowings for the three month period ended March 31, 2016 was 1.32%, compared to 1.31% for the same period last year. Average interest bearing deposits for the three month period ended March 31, 2016 were \$631.4 million compared to \$603.8 million for the same period last year. The average rate paid on deposits for the three month period ended March 31, 2016 was 0.80% compared to 0.76% for the same period last year.

Net Interest Income: Net interest income increased \$700,000 to \$8.8 million for the three months ended March 31, 2016, as compared to \$8.1 million for the same period last year. We experienced a larger increase in the average loans outstanding than we did in our average deposits outstandings. This situation allowed us to increase out net interest

income. Our net interest rate spread was 4.03% for the three months ended March 31, 2016, as compared to 4.08% for the same period last year. Our net interest margin decreased 4 basis points to 4.15% for the three months ended March 31, 2016, from 4.19% for the same period last year.

Provision for Loan Losses: We recorded a provision for loan losses of \$700,000 for the three months ended March 31, 2016, compared to \$840,000 for the same period last year. The decrease was primarily due to the improved quality in the loan portfolio and the establishment of specific reserves on impaired loans.

Non-interest Income: Non-interest income was \$1.2 million for the three months ended March 31, 2016, compared to \$1.3 million for the same period last year. The decrease was primarily attributable to a \$967,000 write down and loss on sale of OREO and off-set by a combined \$867,000 increase in gain on sale of SBA loans and BOLI income.

Non-interest Expense: Non-interest expense increased \$300,000 to \$4.7 million for the three months ended March 31, 2016, from \$4.4 million for the three months ended March 31, 2015. The increase was primarily due to a \$230,000 increase in business development expenses and \$32,000 in other insurance expense.

Income Taxes: The Company recorded income tax expense of \$1.5 million on income before taxes of \$4.5 million for the three months ended March 31, 2016, resulting in an effective tax rate of 34.1%, compared to income tax expense of \$1.5 million on income before taxes of \$4.1 million for the same period of 2015, resulting in an effective tax rate of 36.9%. The decrease in the effective rate is due to the increase in our Non-controlling interest net income of \$380,000 for the quarter ending March 31, 2016 versus income of \$106,000 for the same period in 2015. Non-controlling interest net income reduces the Bank's taxable income which would reduce the effective tax rate.

	For the Three Months Ended March 31,			2015		
	Average Balance	Interest Income/Expense	Yield/ Cost	Average Balance	Interest Income/Expense	Yield/ Cost
(amounts in thousands, except percentages)						
Assets						
Loans	\$783,941	\$9,963	5.11 %	\$716,505	\$ 9,139	5.17 %
Investment securities	44,524	356	3.22 %	34,256	246	2.91 %
Federal funds sold and cash equivalents	19,979	23	0.46 %	28,411	15	0.21 %
Total interest-earning assets	848,444	\$10,342	4.90 %	779,172	\$ 9,400	4.89 %
Other assets	70,425			59,987		
Allowance for loan losses	(16,489)			(18,158)		
Total assets	\$902,380			\$821,001		
Liabilities and Shareholders' Equity						
Interest bearing deposits:						
NOWs	\$31,343	\$38	0.49 %	\$30,385	\$ 37	0.49 %
Money markets	117,324	145	0.50 %	104,855	130	0.50 %
Savings	173,366	230	0.53 %	196,730	259	0.53 %
Time deposits	269,488	770	1.15 %	249,041	676	1.10 %
Brokered certificates of deposit	39,900	72	0.73 %	22,758	29	0.52 %
Total interest-bearing deposits	631,421	1,255	0.80 %	603,769	1,131	0.76 %
Borrowings	101,515	334	1.32 %	65,780	213	1.31 %
Total interest-bearing liabilities	732,936	1,589	0.87 %	669,549	1,344	0.81 %
Non-interest bearing deposits	49,896			41,298		
Other liabilities	4,911			5,777		
Total non-interest bearing liabilities	54,807			47,075		
Shareholders' equity	114,637			104,377		
Total liabilities and shareholders' equity	\$902,380			\$821,001		
Net interest income		\$8,753			\$ 8,056	
Interest rate spread			4.03 %			4.08 %
Net interest margin			4.15 %			4.19 %

Critical Accounting Policies

In the preparation of our consolidated financial statements, management has adopted various accounting policies that govern the application of accounting principles generally accepted in the United States. The significant accounting policies are described below.

Certain accounting policies involve significant judgments and assumptions by management that have a material impact on the carrying value of certain assets and liabilities. Management considers these accounting policies to be critical accounting policies. The judgments and assumptions used are based on historical experience and other factors, which management believes to be reasonable under the circumstances. Actual results could differ from these judgments and estimates under different conditions, resulting in a change that could have a material impact on the carrying values of assets and liabilities and results of operations.

Allowance for Loan Losses: The allowance for loan losses is considered a critical accounting policy. The allowance for loan losses is the amount estimated by management as necessary to cover losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses, which is charged to income. Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment.

In evaluating the allowance for loan losses, management considers historical loss factors, the mix of the loan portfolio (types of loans and amounts), geographic and industry concentrations, current national and local economic conditions and other factors related to the collectability of the loan portfolio, including underlying collateral values and estimated future cash flows. All of these estimates are susceptible to significant change. Large groups of smaller balance homogeneous loans, such as residential real estate, home equity loans, and consumer loans, are evaluated in the aggregate under FASB ASC Topic 450, "Accounting for Contingencies", using historical loss factors adjusted for economic conditions and other qualitative factors which include trends in delinquencies, classified and nonperforming loans, loan concentrations by loan category and by property type, seasonality of the portfolio, internal and external analysis of credit quality, peer group data, loan charge offs, local and national economic conditions and single and total credit exposure. Large balance and/or more complex loans, such as multi-family and commercial real estate loans, commercial business loans, and construction loans are evaluated individually for impairment in accordance with FASB ASC Topic 310 "Receivables". If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's effective interest rate or at the fair value of collateral if repayment is expected solely from the collateral. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available or as projected events change.

Management reviews the level of the allowance monthly. Although management uses the best information available to establish the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluation. In addition, the FDIC and the Department, as an integral part of their examination process, periodically review the allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on judgments about information available to them at the time of their examination. A large loss could deplete the allowance and require increased provisions to replenish the allowance, which would adversely affect earnings.

Other Than Temporary Impairment on Investment Securities: Management periodically performs analyses to determine whether there has been an OTTI in the value of one or more securities. The available for sale securities portfolio is carried at estimated fair value, with any unrealized gains or losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholder's equity. The held to maturity securities portfolio, consisting of debt securities for which there is a positive intent and ability to hold to maturity, is carried at amortized cost. Management conducts a quarterly review and evaluation of the securities portfolio to determine if the value of any security has declined below its cost or amortized cost, and whether such decline is other-than-temporary. If such decline is deemed other-than-temporary, the cost basis of the security is adjusted by writing down the security to estimated fair market value through a charge to current period earnings to the extent that such decline is credit related. All other changes in unrealized gains or losses for investment securities available for sale are recorded, net of tax effect, through other comprehensive income.

Income Taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the difference between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Realization of deferred tax assets is dependent on generating sufficient taxable income in the future.

When tax returns are filed, it is highly likely that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that ultimately would be sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. The evaluation of a tax position taken is considered by itself and not offset or aggregated with other positions. Tax positions that meet the more likely than not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Liquidity: Liquidity describes the ability of the Company 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. Liquidity is derived from increased repayment and

income from interest-earning assets. The loan to deposit ratio was 114.2%% and 114.0% at March 31, 2016 and December 31, 2015, respectively. Funds received from new and existing depositors provided a large source of liquidity for the three month period ended March 31, 2016. The Company seeks to rely primarily on core deposits from customers to provide stable and cost-effective sources of funding to support loan 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 advances from the FHLB. As of March 31, 2016, the Company maintained lines of credit with the FHLB of \$130.0 million, of which \$89.7 million was outstanding at March 31, 2016.

As of March 31, 2016, the Company's investment securities portfolio included \$40.1 million of residential mortgage-backed securities that provide cash flow each month. The majority of the investment portfolio is classified as available for sale, is 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: On January 1, 2015, new capital rules, approved by the Federal Reserve Board and other federal banking agencies, became effective for the Company's subsidiary Parke Bank. Under the new capital rules, Parke Bank, as a non-advanced approaches banking organization, had the option to exclude the effects of certain AOCI items from the equity calculation. Parke Bank did exercise the one-time irrevocable option to exclude these certain components of AOCI from the equity calculation.

We actively review our capital strategies in light of current and anticipated business risks, future growth opportunities, industry standards, and compliance with regulatory requirements. The assessment of overall capital adequacy depends on a variety of factors, including asset quality, liquidity, earnings stability, competitive forces, economic conditions, and strength of management. At March 31, 2016, the capital ratios of Parke Bank exceed the "well capitalized" thresholds under the current capital requirements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable as the Company is a smaller reporting company.

ITEM 4. 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-Q, 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 specified in the SEC's rules and forms.

Internal Controls

Changes in internal control over financial reporting. During the last quarter, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the

Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 19, 2015, Devon Drive Lionville, LP, North Charlotte Road Pottstown, LP, Main Street Peckville, LP, Rhoads Avenue Newtown Square, LP, VG West Chester Pike, LP, 1301 Phoenix, LP, John M. Shea and George Spaeder (collectively, the "Plaintiffs"), filed suit in the U.S. District Court for the Eastern District of Pennsylvania, against Parke Bancorp, Inc., Parke Bank and ParkeBank's President and Chief Executive Officer and Senior Vice President (collectively the "Parke Parties") alleging civil violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO"), among other claims, seeking compensatory and punitive damages. The allegations stem from a series of loans made by Parke Bank to the various Plaintiffs which subsequently went into default. The Plaintiffs are alleging that funds of one or more of the Plaintiffs were used to repay loans of another. The Parke Parties believe the material allegations of wrongdoing are without merit and intend to vigorously defend against the claims

32

asserted in this litigation. The Parke Parties have filed a motion to dismiss all of the claims asserted against the Parke Parties on the grounds that, among other things, the claims asserted were addressed in prior litigation between the parties, including foreclosure actions, resolved in favor of the Parke Parties.

ITEM 1A. RISK FACTORS

Not applicable as the Company is a smaller reporting company.

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

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs
Jan 1 through Jan 31, 2016	294	\$ 12.61	60,284	439,716
Feb 1 through Feb 29, 2016	—	\$ —	—	439,716
Mar 1 through Mar 31, 2016	—	\$ —	—	439,716
Total	294	\$ 12.61	60,284	439,716

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1 Certification of CEO required by Rule 13a-14(a).

31.2 Certification of CFO required by Rule 13a-14(a).

32 Certification required by 18 U.S.C. §1350.

101.INS XBRL Instance Document *

101.SCH XBRL Schema Document *

101.CALXBRL Calculation Linkbase Document *

101.LABXBRL Labels Linkbase Document *

101.PRE XBRL Presentation Linkbase Document *

101.DEF XBRL Definition Linkbase Document *

* Submitted as Exhibits 101 to this Form 10-Q are documents formatted in XBRL (Extensible Business Reporting Language).

33

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKE BANCORP, INC.

Date: May 16, 2016 /s/ Vito S. Pantilione
Vito S. Pantilione
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 16, 2016 /s/ John F. Hawkins
John F. Hawkins
Senior Vice President and
Chief Financial Officer
(Principal Accounting Officer)