

PARKE BANCORP, INC.  
Form 10-K  
March 22, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

ANNUAL REPORT  
PURSUANT TO SECTIONS 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the fiscal year ended: December 31, 2012 or

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

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

Commission File No. 000-51338

PARKE BANCORP, INC.

(Exact name of Registrant as specified in its Charter)

New Jersey  
(State or other Jurisdiction of  
Incorporation or Organization)

65-1241959  
(I.R.S. Employer Identification No.)

601 Delsea Drive, Washington Township, New  
Jersey

08080

(Address of Principal Executive Offices)

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class  
Common Stock, \$0.10 par value

Name of Each Exchange on Which Registered  
The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
YES o NO x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES  NO

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

YES  NO

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price of the Registrant's common stock as quoted on the Nasdaq Capital Market on June 30, 2012, was approximately \$28.1 million.

As of March 22, 2013 there were issued and outstanding 5,383,893 shares of the Registrant's common stock.

#### DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Annual Report to Shareholders for the Fiscal Year Ended December 31, 2012. (Parts II and IV)
2. Portions of the Proxy Statement for the 2013 Annual Meeting of Shareholders. (Parts II and III)

PARKE BANCORP, INC.

FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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## Forward-Looking Statements

Parke Bancorp, Inc. (the “Company”) may from time to time make written or oral “forward-looking statements,” including statements contained in the Company’s filings with the Securities and Exchange Commission (including this Annual Report on Form 10-K and the exhibits hereto), in its reports to shareholders and in other communications by the Company, which are made in good faith by the Company pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements involve risks and uncertainties, such as statements of the Company’s plans, objectives, expectations, estimates and intentions that 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’s wholly-owned subsidiary, Parke Bank (the “Bank”), 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 rates, market and monetary fluctuations; the timely development of and acceptance of new products and services of the Bank 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; changes in consumer spending and saving habits; and the success of the Company at managing the risks resulting from these factors.

The Company cautions that the listed factors are not exclusive. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

## PART I

### Item 1. Business

#### General

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 the Bank. The Company commenced operations on June 1, 2005, upon completion of the reorganization of the Bank into the holding company form of organization following approval of the reorganization by shareholders of the Bank at its 2005 Annual Meeting of Shareholders. The Company’s business and operations primarily consist of its ownership of the Bank.

The Bank is a commercial bank, which commenced operations on January 28, 1999. The Bank is chartered by the New Jersey Department of Banking and insured by the Federal Deposit Insurance Corporation (“FDIC”). The Company and the Bank maintain their principal offices at 601 Delsea Drive, Washington Township, New Jersey. The Bank also conducts business through offices in Northfield, Galloway Township and Washington Township, New Jersey, and in Philadelphia, Pennsylvania. The Bank is a full service bank, with an emphasis on providing personal and business financial services to individuals and small to mid-sized businesses in Gloucester, Atlantic and Cape May Counties in New Jersey and the Philadelphia area in Pennsylvania. At December 31, 2012, the Company had assets of \$770.5 million, net loans of \$610.8 million, deposits of \$637.2 million and equity of \$83.5 million.



The Bank focuses its commercial loan originations on small and mid-sized businesses (generally up to \$25 million in annual sales). Commercial loan products include residential and commercial real estate construction loans; working capital loans and lines of credit; demand, term and time loans; and equipment, inventory and accounts receivable financing. Residential construction loans in tract development are also included in the commercial loan category. The Bank also offers a range of deposit products to its commercial customers. Commercial customers also have the ability to use overnight depository, ACH, wire transfer services and merchant capture electronic check processing services.

The Bank's retail banking activities emphasize consumer deposit and checking accounts. An extensive range of these services is offered by the Bank to meet the varied needs of its customers in all age groups. In addition to traditional products and services, the Bank offers contemporary products and services, such as debit cards, Internet banking and online bill payment. Retail lending activities by the Bank include residential mortgage loans, home equity lines of credit, fixed rate second mortgages, new and used auto loans and overdraft protection.

#### Market Area

Substantially all of the Bank's business is with customers in its market areas of Southern New Jersey and the Philadelphia area of Pennsylvania. Most of the Bank's customers are individuals and small and medium-sized businesses which are dependent upon the regional economy. Adverse changes in economic and business conditions in the Bank's markets could adversely affect the Bank's borrowers, their ability to repay their loans and to borrow additional funds, and consequently the Bank's financial condition and performance.

Additionally, most of the Bank's loans are secured by real estate located in Southern New Jersey and the Philadelphia area. A decline in local economic conditions could adversely affect the values of such real estate. Consequently, a decline in local economic conditions may have a greater effect on the Bank's earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are more geographically diverse.

#### Competition

The Bank faces significant competition, both in making loans and attracting deposits. The Bank's competition in both areas comes principally from other commercial banks, thrift and savings institutions, including savings and loan associations and credit unions, and other types of financial institutions, including brokerage firms and credit card companies. The Bank faces additional competition for deposits from short-term money market mutual funds and other corporate and government securities funds.

Most of the Bank's competitors, whether traditional or nontraditional financial institutions, have a longer history and significantly greater financial and marketing resources than does the Bank. Among the advantages certain of these institutions have over the Bank are their ability to finance wide-ranging and effective advertising campaigns, to access international money markets and to allocate their investment resources to regions of highest yield and demand. Major banks operating in the primary market area offer certain services, such as international banking and trust services, which are not offered directly by the Bank.

In commercial transactions, the Bank's legal lending limit to a single borrower enables the Bank to compete effectively for the business of individuals and smaller enterprises. However, the Bank's legal lending limit is considerably lower than that of various competing institutions, which have substantially greater capitalization. The Bank has a relatively smaller capital base than most other competing institutions which, although above regulatory minimums, may constrain the Bank's effectiveness in competing for loans.



## Lending Activities

Composition of Loan Portfolio. Set forth below is selected data relating to the composition of the Bank's loan portfolio by type of loan at the dates indicated. (1) As of December 31, 2012 there was one industry sector concentration that exceeded 10% of total loans. Loans to lessors of retail buildings totaled \$76.8 million, or 12.2% of total loans at December 31, 2012. Refer to pages 4 through 6 for descriptions of the loan categories presented.

	2012		2011		At December 31, 2010		2009		2008	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(Amounts in thousands, except percentages)									
Commercial and Industrial	\$21,925	3.5 %	\$24,136	3.9 %	\$25,108	4.0 %	\$20,174	3.3 %	\$19,935	3.6 %
Real Estate Construction:										
Residential	7,331	1.2	21,287	3.4	38,810	6.2	61,865	10.3	87,327	15.9
Commercial	41,875	6.6	50,361	8.1	57,651	9.2	44,726	7.4	31,582	5.8
Real Estate Mortgage:										
Commercial - Owner Occupied	157,616	25.0	147,449	23.6	146,665	23.4	159,593	26.5	163,695	29.9
Commercial - Non-Owner Occupied	221,731	35.2	204,216	32.6	171,854	27.5	149,633	24.8	144,762	26.4
Residential - 1 to 4 Family	140,164	22.3	138,768	22.2	141,695	22.6	133,603	22.1	66,117	12.1
Residential - Multifamily	21,181	3.4	20,126	3.2	27,841	4.4	20,782	3.4	24,109	4.4
Consumer	17,889	2.8	18,774	3.0	17,115	2.7	13,025	2.2	10,133	1.9
Total Loans	\$629,712	100.0%	\$625,117	100.00%	\$626,739	100.00%	\$603,401	100.00%	\$547,660	100.00%

(1) Amounts presented include adjustments for related unamortized deferred costs and fees.



Loan Maturity. The following table sets forth the contractual maturity of certain loan categories at December 31, 2012.

	Due within one year	Due after one through five years (Amounts in thousands)	Due after five years	Total
Commercial and Industrial	\$6,578	\$7,653	\$7,694	\$21,925
Real Estate Construction:				
Residential	3,684	2,429	1,218	7,331
Commercial	21,535	17,874	2,466	41,875
Real Estate Mortgage:				
Commercial - Owner Occupied	13,161	34,769	109,686	157,616
Commercial - Non-Owner Occupied	40,439	74,462	106,830	221,731
Residential - 1 to 4 Family	12,963	24,652	102,549	140,164
Residential - Multifamily	3,803	5,477	11,901	21,181
Consumer	233	1,633	16,023	17,889
Total Loans	\$102,396	\$168,949	\$358,367	\$629,712

The following table sets forth the dollar amount of loans in certain loan categories due one year or more after December 31, 2012, which have predetermined interest rates and which have floating or adjustable interest rates.

	Fixed Rates	Floating or Adjustable Rates	Total
	(Amounts in thousands)		
Commercial and Industrial	\$1,822	\$13,525	\$15,347
Real Estate Construction:			
Residential	—	3,647	3,647
Commercial	9,679	10,661	20,340
Real Estate Mortgage:			
Commercial - Owner Occupied	15,094	129,361	144,455
Commercial - Non-Owner Occupied	38,611	142,681	181,292
Residential - 1 to 4 Family	69,523	57,678	127,201
Residential - Multifamily	2,453	14,925	17,378
Consumer	15,997	1,659	17,656
Total Loans	\$153,179	\$374,137	\$527,316

Commercial and Industrial Loans. The Bank 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 real estate, 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 Bank'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 Bank's market area.

Commercial business loans generally involve a greater degree of risk than residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the mobility of collateral, the effects of general economic conditions and the increased difficulty of evaluating and monitoring these types of loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income and which are secured by real property the value of which tends to be more easily ascertainable, commercial business loans typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial business loans may be substantially dependent on the success of the business itself and the general economic environment. If the cash flow from business operations is reduced, the borrower's ability to repay the loan may be impaired.

**Real Estate Development and Construction Loans.** The Bank has emphasized the origination of construction loans to individuals and real estate developers in its market area. The advantages of construction lending are that the market is typically less competitive than more standard mortgage products, the interest rate typically charged is a variable rate, which permits the Bank to protect against sudden changes in its costs of funds, and the fees or "points" charged by the Bank to its customers can be amortized over the shorter term of a construction loan, typically, one to two years, which permits the Bank to recognize income received over a shorter period of time. The Bank from time to time structures construction loans in excess of the legal lending limit of the Bank, with respect to which the Bank sells participation interests in the construction loans to other lenders, while maintaining and servicing the construction loan.

The Bank provides interim real estate acquisition development and construction loans to builders and developers. Real estate development and construction loans to provide interim financing on the property are based on acceptable percentages of the appraised value of the property securing the loan in each case. Real estate development and construction loan funds are disbursed periodically at pre-specified stages of completion. Interest rates on these loans are generally adjustable. The Bank carefully monitors these loans with on-site inspections and control of disbursements. These loans are generally made on properties located in the Bank's market area.

Development and construction loans are secured by the properties under development and personal guarantees are typically obtained. Further, to assure that reliance is not placed solely in the value of the underlying property, the Bank considers the financial condition and reputation of the borrower and any guarantors, the amount of the borrower's equity in the project, independent appraisals, costs estimates and pre-construction sale information.

Loans to residential builders are for the construction of residential homes for which a binding sales contract exists and the prospective buyers have been pre-qualified for permanent mortgage financing. Loans to residential developers are made only to developers with a proven sales record. Generally, these loans are extended only when the borrower provides evidence that the lots under development will be sold to potential buyers satisfactory to the Bank.

The Bank also originates loans to individuals for construction of single family dwellings. These loans are for the construction of the individual's primary residence. They are typically secured by the

property under construction, occasionally include additional collateral (such as a second mortgage on the borrower's present home), and commonly have maturities of six to twelve months.

Construction financing is labor intensive for the Bank, requiring employees of the Bank to expend substantial time and resources in monitoring and servicing each construction loan to completion. Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction and development, the accuracy of projections, such as the sales of homes or the future leasing of commercial space, and the accuracy of the estimated cost (including interest) of construction. Substantial deviations can occur in such projections. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, the Bank may be required to advance funds beyond the amount originally committed to permit completion of the development. If the estimate of value proves to be inaccurate, the Bank may be confronted, at or prior to the maturity of the loan, with a project having a value which is insufficient to assure full repayment. Also, a construction loan that is in default can cause problems for the Bank such as designating replacement builders for a project, considering alternate uses for the project and site and handling any structural and environmental issues that might arise.

**Commercial Real Estate Mortgage Loans.** The Bank originates mortgage loans secured by commercial real estate. Such loans are primarily secured by office buildings, retail buildings, warehouses and general purpose business space. Although terms may vary, the Bank's commercial mortgages generally have maturities of twenty years, but re-price within five years.

Loans secured by commercial real estate are generally larger and involve a greater degree of risk than one- to four-family residential mortgage loans. Of primary concern in commercial and multi-family real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties are often dependent on the successful operation or management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate loans to adverse conditions in the real estate market or the economy.

The Bank seeks to reduce the risks associated with commercial mortgage lending by generally lending in its primary market area and obtaining periodic financial statements and tax returns from borrowers. It is also the Bank's general policy to obtain personal guarantees from the principals of the borrowers and assignments of all leases related to the collateral.

**Residential Real Estate Mortgage Loans.** The Bank 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 Bank 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.** The Bank offers a variety of consumer loans. These loans are typically secured by residential real estate or personal property, including automobiles. Home equity loans (closed-end and lines of credit) are typically made up to 80% of the appraised or assessed value of the property securing the loan in each case, less the amount of any existing prior liens on the property, and generally have maximum terms of ten years, although the Bank does offer a 90% loan to value product if certain conditions related to the borrower and property are satisfied. The interest rates on second mortgages are generally fixed, while interest rates on home equity lines of credit are variable.



Loans to One Borrower. Federal regulations limit loans to one borrower in an amount equal to 15% of unimpaired capital and unimpaired surplus. At December 31, 2012, the Bank's loan to one borrower limit was approximately \$15.9 million and the Bank had no borrowers with loan balances in excess of \$15.9 million. At December 31, 2012, the Bank's largest loan to one borrower was a loan for commercial real estate, with a balance of \$10.8 million that was secured by the real estate. At December 31, 2012, this loan was current and performing in accordance with the terms of the loan agreement.

The size of loans which the Bank can offer to potential borrowers is less than the size of loans which many of the Bank's competitors with larger capitalization are able to offer. The Bank may engage in loan participations with other banks for loans in excess of the Bank's legal lending limits. However, no assurance can be given that such participations will be available at all or on terms which are favorable to the Bank and its customers.

#### Non-Performing and Problem Assets

Non-Performing Assets. Non-accrual loans are those on which the accrual of interest has ceased. Loans are generally placed on non-accrual status if, in the opinion of management, collection is doubtful, or when principal or interest is past due 90 days or more unless the collateral is considered sufficient to cover principal and interest and the loan is in the process of collection. Interest accrued, but not collected at the date a loan is placed on non-accrual status, is reversed and charged against interest income. Subsequent cash receipts are applied either to the outstanding principal or recorded as interest income, depending on management's assessment of ultimate collectibility of principal and interest. Loans are returned to an accrual status when the borrower's ability to make periodic principal and interest payments has returned to normal (i.e., brought current with respect to principal or interest or restructured) and the paying capacity of the borrower and/or the underlying collateral is deemed sufficient to cover principal and interest.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future discounted cash flows, the market price of the loan or the fair value of the underlying collateral if the loan is collateral dependent. The recognition of interest income on impaired loans is the same as for non-accrual loans discussed above. Total impaired loans, which includes non-accrual loans, were \$87.6 million, \$97.2 million, \$112.0 million, \$50.9 million and \$10.2 million at December 31 2012, 2011, 2010, 2009, and 2008, respectively. Included in impaired loans at December 31, 2012, 2011 and 2010 were \$67.1 million, \$66.9 million and \$42.7 million of loans classified as troubled debt restructurings as defined within accounting guidance and regulatory literature. The Company did not have any loans classified as troubled debt restructurings at December 31, 2009 or 2008.

The Company maintains interest reserves for the purpose of making periodic and timely interest payments for borrowers that qualify. Total loans with interest reserves were \$864 thousand and \$14.6 million at December 31, 2012 and December 31, 2011, respectively. Management on a monthly basis reviews loans with interest reserves to assess current and projected performance.

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The following table sets forth information regarding non-accrual loans at the dates indicated.

	2012	2011	At December 31,		2009	2008
			2010			
	(Amounts in thousands, except percentages)					
Loans accounted for on a non-accrual basis:						
Commercial and Industrial	\$248	\$—	\$—	\$350	\$41	
Real Estate Construction:						
Residential	799	5,265	8,546	18,895	5,905	
Commercial	12,958	7,703	6,701	198	—	
Real Estate Mortgage:						
Commercial - Owner Occupied	1,218	4,797	546	2,479	1,179	
Commercial - Non-Owner Occupied	19,228	18,132	826	902	201	
Residential - 1 to 4 Family	10,072	7,691	9,415	2,511	897	
Residential - Multifamily	2,838	597	1,350	—	—	
Consumer	188	274	61	117	—	
Total non-accrual loans	47,549	44,459	27,445	25,452	8,223	
Accruing loans delinquent 90 days or more:						
Commercial and Industrial	—	—	—	—	—	
Real Estate Construction:						
Residential	—	—	—	—	—	
Commercial	—	—	—	—	—	
Real Estate Mortgage:						
Commercial - Owner Occupied	—	—	—	—	—	
Commercial - Non-Owner Occupied	—	—	—	—	—	
Residential - 1 to 4 Family	—	—	—	—	—	
Residential - Multifamily	—	—	—	—	—	
Consumer	—	—	—	—	—	
Total	—	—	—	—	—	
Total non-performing loans	\$47,549	\$44,459	\$27,445	\$25,452	\$8,223	
Total non-performing loans as a percentage of loans	7.6	% 7.1	% 4.4	% 4.2	% 1.5	%

When a loan is more than 30 days delinquent, the borrower is contacted by mail or phone and payment is requested. If the delinquency continues, subsequent efforts are made to contact the delinquent borrower. In certain instances, the Company may modify the loan or grant a limited moratorium on loan payments to enable the borrower to reorganize their financial affairs. If the loan continues in a delinquent status for 90 days or more, the Company generally will initiate foreclosure proceedings.

Loans are generally placed on non-accrual status when either principal or interest is 90 days or more past due. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Such interest, when ultimately collected, is applied either to the outstanding principal or recorded as interest income, depending on management's assessment of ultimate collectibility of principal and interest. At December 31, 2012, the Bank had \$47.5 million of loans that were on a non-accrual basis. Gross interest income of \$2.0 million would have been recorded during the year ended December 31, 2012 if these loans had been performing in accordance with their terms.

Interest income of \$49 thousand was recognized on these loans during the year ended December 31, 2012.



Classified Assets. Federal Regulations provide for a classification system for problem assets of insured institutions. Under this classification system, problem assets of insured institutions are classified as substandard, doubtful or loss. An asset is considered “substandard” if it involves more than an acceptable level of risk due to a deteriorating financial condition, unfavorable history of the borrower, inadequate payment capacity, insufficient security or other negative factors within the industry, market or management. Substandard loans have clearly defined weaknesses that can jeopardize the timely payments of the loan.

Assets classified as “doubtful” exhibit all of the weaknesses defined under the Substandard Category but with enough risk to present a high probability of some principal loss on the loan, although not yet fully ascertainable in amount. Assets classified as “loss” are those considered un-collectable or of little value, even though a collection effort may continue after the classification and potential charge-off.

The Bank also internally classifies certain assets as “special mention;” such assets do not demonstrate a current potential for loss but are monitored in response to negative trends which, if not reversed, could lead to a substandard rating in the future.

When an insured institution classifies problem assets as either “substandard” or “doubtful,” it may establish specific allowances for loan losses in an amount deemed prudent by management. When an insured institution classifies problem assets as “loss,” it is required either to establish an allowance for losses equal to 100% of that portion of the assets so classified or to charge off such amount. All of the Bank’s loans rated “substandard” and worse are also on non-accrual and deemed impaired.

At December 31, 2012, the Bank had assets classified as follows:

	Loan Balance (Amounts in thousands)
Special mention	\$ 18,069
Substandard	80,948
Doubtful	—
Loss	—
	\$ 99,017

Foreclosed Real Estate. Real estate acquired by the Bank as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until such time as it is sold. When real estate owned is acquired, it is recorded at or its fair value less disposal costs. Management also periodically performs valuations of real estate owned and establishes allowances to reduce book values of the properties to their net realizable values when necessary. Any write-down of real estate owned is charged to operations. Real estate owned at December 31, 2012 was \$26.1 million. The real estate owned consisted of 33 properties, the largest being a condominium development located in Absecon, New Jersey at \$12.8 million.

Allowance for Losses on Loans. It is the policy of management to provide for possible losses on all loans in its portfolio, whether classified or not. A provision for loan losses is charged to operations based on management’s evaluation of the inherent losses estimated to have occurred in the Bank’s loan portfolio.

Management’s judgment as to the level of probable losses on existing loans is based on its internal review of the loan portfolio, including an analysis of the borrowers’ current financial position; the level and trends in delinquencies, non-accruals and impaired loans; the consideration of national and local



economic conditions and trends; concentrations of credit; the impact of any changes in credit policy; the experience and depth of management and the lending staff; and any trends in loan volume and terms. In determining the collectibility of certain loans, management also considers the fair value of any underlying collateral. However, management's determination of the appropriate allowance level which is based upon the factors outlined above, which are believed to be reasonable, may or may not prove to be valid. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the allowance for loan losses will not be required.

The following table sets forth information with respect to the Bank's allowance for losses on loans at the dates and for the periods indicated.

	2012	For the Year Ended December 31,				2008
		2011	2010	2009	2008	
	(Dollars in thousands)					
Balance at beginning of the period	\$ 19,323	\$ 14,789	\$ 12,404	\$ 7,777	\$ 5,706	
Charge-offs:						
Commercial and Industrial	(66 )	(22 )	(615 )	(73 )	—	
Real Estate Construction:						
Residential	(1,326 )	(2,390 )	(3,893 )	(600 )	—	
Commercial	(310 )	(494 )	(588 )	—	—	
Real Estate Mortgage:						
Commercial - Owner Occupied	(1,058 )	—	(189 )	—	—	
Commercial - Non-Owner Occupied	(3,848 )	(426 )	—	—	—	
Residential - 1 to 4 Family	(1,531 )	(2,643 )	(1,245 )	—	—	
Residential - Multifamily	—	—	(70 )	—	—	
Consumer	(38 )	—	(16 )	—	(5 )	
Total charge-offs:	(8,177 )	(5,975 )	(6,616 )	(673 )	(5 )	
Recoveries:						
Commercial and Industrial	—	—	—	—	—	
Real Estate Construction:						
Residential	490	24	—	—	—	
Commercial	—	—	—	—	—	
Real Estate Mortgage:						
Commercial - Owner Occupied	—	—	—	—	—	
Commercial - Non-Owner Occupied	—	—	—	—	—	
Residential - 1 to 4 Family	—	34	—	—	—	
Residential - Multifamily	—	—	—	—	—	
Consumer	—	1	—	—	13	
Total recoveries:	490	59	—	—	13	
Net recoveries (charge-offs)	(7,687 )	(5,916 )	(6,616 )	(673 )	8	
Provision for loan losses	7,300	10,450	9,001	5,300	2,063	
Balance at end of period	\$ 18,936	\$ 19,323	\$ 14,789	\$ 12,404	\$ 7,777	
Period-end loans outstanding (net of deferred costs/fees)	\$ 629,712	\$ 625,117	\$ 626,739	\$ 603,401	\$ 547,660	
Average loans outstanding	\$ 612,342	\$ 630,570	\$ 622,716	\$ 621,619	\$ 476,994	
Allowance as a percentage of period end loans	3.01 %	3.09 %	2.36 %	2.06 %	1.42 %	
Net loans charged off as a percentage of average loans outstanding	1.34 %	0.95 %	1.06 %	0.11 %	0.00 %	

Allocation of Allowance for Loan Losses. The following table sets forth the allocation of the Bank's allowance for loan losses by loan category at the dates indicated and the related percentage of the loans in the portfolio. The portion of the loan loss allowance allocated to each loan category does not represent the total available for future losses that may occur within the loan category as the total loan loss allowance is a valuation reserve applicable to the entire loan portfolio.

	At December 31,									
	2012		2011		2010		2009		2008	
	Percentage of Loans to Total	Amount	Percentage of Loans to Total	Amount	Percentage of Loans to Total	Amount	Percentage of Loans to Total	Amount	Percentage of Loans to Total	Amount
(Amounts in thousands, except percentages)										
Commercial and Industrial	\$470	3.5 %	\$451	3.9 %	\$448	4.0 %	\$415	3.3 %	\$283	3.6 %
Real Estate Construction:										
Residential	845	1.2	2,613	3.4	2,980	6.2	1,272	10.3	1,240	15.9
Commercial	1,115	6.6	1,971	8.1	1,576	9.2	919	7.4	448	5.8
Real Estate Mortgage:										
Commercial - Owner Occupied	4,095	25.0	2,714	23.6	2,620	23.2	3,713	29.9	2,325	29.9
Commercial - Non-Owner Occupied	7,379	35.2	6,742	32.6	3,680	27.5	2,643	21.3	2,056	26.4
Residential - 1 to 4 Family	4,384	22.3	4,190	22.2	2,848	22.6	2,943	23.7	1,156	14.9
Residential - Multifamily	312	3.4	278	3.2	372	4.4	231	1.9	125	1.6
Consumer	336	2.8	148	3.0	130	2.7	268	2.2	144	1.9
Unallocated	—	0.0	216	0.0	135	0.0	—	0.0	—	0.0
Total Allowance	\$18,936	100.0 %	\$19,323	100.0 %	\$14,789	100.0 %	\$12,404	100.0 %	\$7,777	100.0 %

## Investment Activities

General. The investment policy of the Bank is established by senior management and approved by the Board of Directors. It is based on asset and liability management goals and is designed to provide a portfolio of high quality investments that foster interest income within acceptable interest rate risk and liquidity guidelines. In accordance with accounting guidance, the Bank classifies the majority of its portfolio of investment securities as “available for sale” with the remainder, which are municipal bonds, as “held to maturity.” At December 31, 2012, the Bank’s investment policy allowed investments in instruments such as: (i) U.S. Treasury obligations, (ii) U.S. government agency or government-sponsored agency obligations, (iii) local municipal obligations, (iv) mortgage-backed securities, (v) certificates of deposit, and (vi) investment grade corporate bonds, trust preferred securities and mutual funds. The Board of Directors may authorize additional investments.

Composition of Investment Securities Portfolio. The following table sets forth the carrying value of the Bank’s investment securities portfolio at the dates indicated. For additional information, see Note 3 of the Notes to the Consolidated Financial Statements. At December 31, 2012, no one issuer of investment securities represented 10% or more of the Company’s stockholders’ equity.

	At December 31,		
	2012	2011	2010
	(Amounts in thousands)		
Securities Held to Maturity:			
State and political subdivisions	\$ 2,066	\$ 2,032	\$ 1,999
Securities Available for Sale:			
U.S. government-sponsored entities	7	1,011	2,925
Corporate debt obligations	1,524	1,486	1,585
Residential mortgage-backed securities	12,899	14,461	16,558
Collateralized mortgage obligations	974	1,594	2,152
Collateralized debt obligations	3,936	3,965	4,509
Total securities available for sale	19,340	22,517	27,730
Total	\$ 21,406	\$ 24,549	\$ 29,729

Investment Portfolio Maturities. The following table sets forth information regarding the scheduled maturities, amortized costs, estimated fair values, and weighted average yields for the Bank's investment securities portfolio at December 31, 2012 by contractual maturity. The following table does not take into consideration the effects of scheduled repayments or the effects of possible prepayments.

	At December 31, 2012										
	One Year or Less		One to Five Years		Five to Ten Years		More Than Ten Years		Total Investment Securities		Fair Value
	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	
(Amounts in thousands, except yields)											
Securities Held to Maturity:											
State and political subdivisions	\$—	0.00%	\$—	0.00%	\$—	0.00%	\$ 2,066	2.62%	\$ 2,066	2.64%	\$ 2,239
Securities Available for Sale:											
U.S. government sponsored entities	—	0.00%	—	0.00%	—	0.00%	7	0.00%	7	1.75%	7
Corporate debt obligations	—	0.00	—	0.00	—	0.00	1,500	7.96	1,500	7.96	1,524
Residential mortgage-backed securities	—	0.00	—	0.00	2,449	3.05	9,910	4.10	12,359	3.92	12,899
Collateralized mortgage obligations	—	0.00	—	0.00	509	3.93	407	4.48	916	4.17	974
Collateralized debt obligations	—	0.00	—	0.00	—	0.00	5,556	2.00	5,556	2.00	3,936
Total securities available for sale	—	0.00	—	0.00	2,958	3.23	17,380	3.81	20,338	3.99	19,340
Total	\$—	0.00%	\$—	0.00%	\$ 2,958	3.23%	\$ 19,446	3.69%	\$ 22,404	3.63%	\$ 21,579

## Sources of Funds

General. Deposits are the major external source of the Bank's funds for lending and other investment purposes. In addition to deposits, the Bank derives funds from the amortization, prepayment or sale of loans, maturities of investment securities and operations. Scheduled loan principal repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and market conditions.

Deposits. The Bank offers individuals and businesses a wide variety of accounts, including checking, savings, money market accounts, individual retirement accounts and certificates of deposit. Deposits are obtained primarily from communities that the Bank serves, however, the Bank held brokered deposits of \$21.8 million and \$22.9 million at December 31, 2012 and 2011, respectively. Brokered deposits are a more volatile source of funding than core deposits and do not increase the deposit franchise of the Bank. In a rising rate environment, the Bank may be unwilling or unable to pay a competitive rate. To the extent that such deposits do not remain with the Bank, they may need to be replaced with borrowings which could increase the Bank's cost of funds and negatively impact its interest rate spread, financial condition and results of operation. To mitigate the potential negative impact associated with brokered deposits, the Bank joined Promontory Interfinancial Network during 2007 to secure an additional alternative funding source. Promontory provides the Bank an additional source of external funds through their weekly CDARSTM settlement process. The rates are comparable to brokered deposits and can be obtained within a shorter period time than brokered deposits. The Bank's CDARSTM deposits included within the brokered deposit total amounted to \$21.8 million, \$22.9 million and \$18.8 million at December 31, 2012, 2011 and 2010, respectively.

The following tables detail the average amount, the average rate paid, and the percentage of each category to total deposits for the most recent three years ended December 31.

	Average	2012		Percent of	
	Balance	Yield/Rate		Total	
	(Amounts in thousands, except percentages)				
NOWs	\$ 19,905	0.68	%	3.09	%
Money markets	92,068	0.80	%	14.29	
Savings	223,560	0.88	%	34.69	
Time deposits	256,326	1.32	%	39.77	
Brokered CDs	23,458	1.13	%	3.64	
Total interest-bearing deposits	615,317	1.05	%		
Non-interest bearing demand deposits	29,157			4.52	
Total deposits	\$ 644,474			100.00	%



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	2011			
	Average	Yield/Rate		Percent of
	Balance			Total
	(Amounts in thousands, except percentages)			
NOWs	\$ 15,972	0.95	%	2.64 %
Money markets	90,860	1.06	%	15.01
Savings	197,069	1.22	%	32.55
Time deposits	234,068	1.52	%	38.66
Brokered CDs	44,101	1.82	%	7.28
Total interest-bearing deposits	582,070	1.35	%	96.14
Non-interest bearing demand deposits	23,357			3.86
Total deposits	\$ 605,427			100.00 %

	2010			
	Average	Yield/Rate		Percent of
	Balance			Total
	(Amounts in thousands, except percentages)			
NOWs	\$ 12,936	1.19	%	2.30 %
Money markets	89,866	1.16	%	15.98
Savings	150,008	1.46	%	26.68
Time deposits	203,238	1.98	%	36.14
Brokered CDs	86,235	2.53	%	15.34
Total interest-bearing deposits	542,283	1.77	%	96.44
Non-interest bearing demand deposits	20,040			3.56
Total deposits	\$ 562,323			100.0 %

The following table indicates the amount of the Bank's certificates of deposit of \$100,000 or more by time remaining until maturity as of December 31, 2012.

Maturity Period	Certificates of Deposit (Amounts in thousands)
Within three months	\$ 20,500
Three through twelve months	57,038
Over twelve months	32,403
Total	\$ 109,941

Borrowings. Borrowings consist of reverse repurchase agreements, subordinated debt and advances from the FHLB and other parties. Reverse repurchase agreements were priced at origination and are payable in four years or less. Borrowings from the FHLB outstanding during 2012, 2011, and 2010 had maturities of ten years or less and cannot be

prepaid without penalty.

The following table sets forth information regarding the Bank's borrowings:

	2012	December 31, 2011	2010
	(Amounts in thousands, except rates)		
Amount outstanding at year end	\$ 43,851	\$ 74,010	\$ 75,616
Weighted average interest rates at year end	2.05%	1.39%	2.28%
Maximum outstanding at any month end	\$ 53,997	\$ 74,010	\$ 81,634
Average outstanding	\$ 46,165	\$ 64,519	\$ 66,044
Weighted average interest rate during the year	2.04%	2.10%	2.65%

### Subsidiary Activities

The largest subsidiary of the Company is the Bank. The Bank has a subsidiary, Parke Capital Markets, a corporation, which was formed in 2001 to generate fee income from capital markets financing activities, which include term financings. 44 Business Capital LLC was formed in 2009 for the purpose of originating and servicing Small Business Administration (SBA) loans. The Bank has a 51% ownership interest.

### Personnel

At December 31, 2012, the Bank had 61 full-time and 13 part-time employees.

### Regulation

Set forth below is a brief description of certain laws that relate to the regulation of the Bank and the Company. The description does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations.

#### Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law. The Dodd-Frank Act is intended to affect a fundamental restructuring of federal banking regulation. Among other things, the Dodd-Frank Act created a new Financial Stability Oversight Council to identify systemic risks in the financial system and gives federal regulators new authority to take control of and liquidate financial firms. The Dodd-Frank Act additionally created a new independent federal regulator to administer federal consumer protection laws. The Dodd-Frank Act is expected to have a significant impact on our business operations as its provisions take effect. Among the provisions that are likely to affect us are the following:

**Holding Company Capital Requirements.** The Dodd-Frank Act required the Federal Reserve to apply consolidated capital requirements to depository institution holding companies that are no less stringent than those currently applied to depository institutions. Under these standards, trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by a bank holding company with less than \$15 billion in assets. Final rules implementing this requirement were published on June 14, 2011.

**Deposit Insurance.** The Dodd-Frank Act permanently increased the maximum deposit insurance amount for banks, savings institutions and credit unions to \$250,000 per depositor, and extended unlimited deposit insurance to non-interest bearing transaction accounts through December 31, 2012. The Dodd-Frank Act also broadened the base for FDIC insurance assessments. Assessments are now based on



the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act required the FDIC to increase the reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of insured deposits by 2020 and eliminated the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. The Dodd-Frank Act also eliminated the federal statutory prohibition against the payment of interest on business checking accounts.

**Corporate Governance.** The Dodd-Frank Act required publicly traded companies to give stockholders a non-binding vote on executive compensation at their first annual meeting taking place six months after the date of enactment and at least every three years thereafter and on so-called “golden parachute” payments in connection with approvals of mergers and acquisitions unless previously voted on by shareholders. Additionally, the Dodd-Frank Act directs the federal banking regulators to promulgate rules prohibiting excessive compensation paid to executives of depository institutions and their holding companies with assets in excess of \$1.0 billion, regardless of whether the company is publicly traded or not. The Dodd-Frank Act gave the SEC authority to prohibit broker discretionary voting on elections of directors and executive compensation matters. All of these provisions have been put into place.

**Prohibition Against Charter Conversions of Troubled Institutions.** The Dodd-Frank Act prohibits a depository institution from converting from a state to federal charter or vice versa while it is the subject of a cease and desist order or other formal enforcement action or a memorandum of understanding with respect to a significant supervisory matter unless the appropriate federal banking agency gives notice of the conversion to the federal or state authority that issued the enforcement action and that agency does not object within 30 days. The notice must include a plan to address the significant supervisory matter. The converting institution must also file a copy of the conversion application with its current federal regulator which must notify the resulting federal regulator of any ongoing supervisory or investigative proceedings that are likely to result in an enforcement action and provide access to all supervisory and investigative information relating hereto.

**Interstate Branching.** The Dodd-Frank Act authorized national and state banks to establish branches in other states to the same extent as a bank chartered by that state would be permitted to branch. Previously, banks could only establish branches in other states if the host state expressly permitted out-of-state banks to establish branches in that state. Accordingly, banks will be able to enter new markets more freely.

**Limits on Derivatives.** Effective 18 months after enactment, the Dodd-Frank Act prohibits state-chartered banks from engaging in derivatives transactions unless the loans to one borrower limits of the state in which the bank is chartered takes into consideration credit exposure to derivatives transactions. For this purpose, derivative transaction includes any contract, agreement, swap, warrant, note or option that is based in whole or in part on the value of, any interest in, or any quantitative measure or the occurrence of any event relating to, one or more commodities securities, currencies, interest or other rates, indices or other assets.

**Transactions with Affiliates and Insiders.** The Dodd-Frank Act expanded the definition of affiliate for purposes of quantitative and qualitative limitations of Section 23A of the Federal Reserve Act to include mutual funds advised by a depository institution or its affiliates. The Dodd-Frank Act applies Section 23A and Section 22(h) of the Federal Reserve Act (governing transactions with insiders) to derivative transactions, repurchase agreements and securities lending and borrowing transaction that create credit exposure to an affiliate or an insider. Any such transactions with affiliates must be fully secured. The current exemption from Section 23A for transactions with financial subsidiaries has been eliminated. The Dodd-Frank Act also additionally prohibits an insured depository institution from

purchasing an asset from or selling an asset to an insider unless the transaction is on market terms and, if representing more than 10% of capital, is approved in advance by the disinterested directors.

**Debit Card Interchange Fees.** Effective July 21, 2011, the Dodd-Frank Act required that the amount of any interchange fee charged by a debit card issuer with respect to a debit card transaction must be reasonable and proportional to the cost incurred by the issuer. While the restrictions on interchange fees do not apply to banks that, together with their affiliates, have assets of less than \$10 billion, the rule could affect the competitiveness of debit cards issued by smaller banks.

**Consumer Financial Protection Bureau.** The Dodd-Frank Act created the Consumer Financial Protection Bureau (“CFPB”), which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and certain other statutes. The CFPB will have examination and primary enforcement authority with respect to depository institutions with \$10 billion or more in assets. Smaller institutions will be subject to rules promulgated by the CFPB but will continue to be examined and supervised by federal banking regulators for consumer compliance purposes. The CFPB will have authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. The Dodd-Frank Act authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower’s ability to repay. In addition, the Dodd-Frank Act will allow borrowers to raise certain defenses to foreclosure if they receive any loan other than a “qualified mortgage” as defined by the CFPB. The Dodd-Frank Act permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

#### Holding Company Regulation

**General.** The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956 (the “BHC Act”), and is regulated by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”). The Federal Reserve Board has enforcement authority over the Company and the Company’s non-bank subsidiaries which also permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary bank. This regulation and oversight is intended primarily for the protection of the depositors of the Bank and not for shareholders of the Company.

As a bank holding company, the Company is required to file with the Federal Reserve Board an annual report and any additional information as the Federal Reserve Board may require under the BHC Act. The Federal Reserve Board will also examine the Company and its subsidiaries.

Subsidiary banks of a bank holding company are subject to certain restrictions imposed by the BHC Act on extensions of credit to the bank holding company or any of its subsidiaries, on investments in the stock or other securities of the bank holding company or its subsidiaries, and on the taking of such stock or securities as collateral for loans to any borrower. Furthermore, under amendments to the BHC Act and regulations of the Federal Reserve Board, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit or provision of credit or providing any property or services. Generally, this provision provides that a bank may not extend credit, lease or sell property, or furnish any service to a customer on the condition that the customer provide additional credit or service to the bank, to the bank holding company, or to any other



subsidiary of the bank holding company or on the condition that the customer not obtain other credit or service from a competitor of the bank, the bank holding company, or any subsidiary of the bank.

Extensions of credit by the Bank to executive officers, directors, and principal shareholders of the Bank or any affiliate thereof, including the Company, are subject to Section 22(h) of the Federal Reserve Act, which among other things, generally prohibits loans to any such individual where the aggregate amount exceeds an amount equal to 15% of a bank's unimpaired capital and surplus, plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral.

Federal Securities Law. The Company's common stock is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and the Company is subject to the periodic reporting and other requirements of Section 12(b) of the 1934 Act, as amended.

Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 (the "SOX Act") was enacted to address corporate and accounting fraud. The SEC has promulgated new regulations pursuant to the SOX Act and may continue to propose additional implementing or clarifying regulations as necessary in furtherance of the SOX Act. The passage of the SOX Act by Congress and the implementation of new regulations by the SEC subject publicly-traded companies to additional and more cumbersome reporting, regulations, and disclosure. Compliance with the SOX Act and corresponding regulations may increase the Company's expenses.

#### Regulation of the Bank

The Bank operates in a highly regulated industry. This regulation and supervision establishes a comprehensive framework of activities in which a bank may engage and is intended primarily for the protection of the deposit insurance fund and depositors and not shareholders of the Bank.

Any change in applicable statutory and regulatory requirements, whether by the New Jersey Department of Banking and Insurance, the Federal Deposit Insurance Corporation (the "FDIC") or the United States Congress, could have a material adverse impact on the Bank, and its operations. The adoption of regulations or the enactment of laws that restrict the operations of the Bank or impose burdensome requirements upon it could reduce its profitability and could impair the value of the Bank's franchise which could hurt the trading price of the Bank's stock.

As a New Jersey-chartered commercial bank, the Bank is subject to the regulation, supervision, and control of the New Jersey Department of Banking and Insurance. As an FDIC-insured institution, the Bank is subject to regulation, supervision and control of the FDIC, an agency of the federal government. The regulations of the FDIC and the New Jersey Department of Banking and Insurance affect virtually all activities of the Bank, including the minimum level of capital the Bank must maintain, the ability of the Bank to pay dividends, the ability of the Bank to expand through new branches or acquisitions and various other matters.

The FDIC and the New Jersey Department of Banking and Insurance Consent Orders. On April 9, 2012, the Board of Directors of the Bank entered into Consent Orders with each of the FDIC and the New Jersey Department of Banking and Insurance. Under the Consent Orders, the terms of which are substantially identical, the Bank was required, among other things, subject to review and approval by the FDIC and the Department of Banking and Insurance: (i) to adopt and implement a plan to reduce the Bank's interest in delinquent or classified assets; (ii) to engage a third party firm to conduct a review of all credits originated, extended or restructured with the use of interest reserves and/or interest-only





conditions and to identify related repayment risks and regulatory accounting standards; (iii) adopt and implement a program providing for a periodic independent review of the Bank's loan portfolio; (iv) conduct a review of the Bank's loan policies and procedures; and (v) to adopt and implement a program to reduce and manage each of the concentrations of credit identified by the FDIC and the Department of Banking and Insurance.

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

Federal Deposit Insurance. The Bank's deposits are insured to applicable limits by the FDIC. Under the Dodd-Frank Act, the maximum deposit insurance amount has been permanently increased from \$100,000 to \$250,000 and unlimited deposit insurance has been extended to non-interest-bearing transaction accounts until December 31, 2012.

The FDIC has adopted a risk-based premium system that provides for quarterly assessments based on an insured institution's ranking in one of four risk categories based on their examination ratings and capital ratios.

Starting in 2009, the FDIC significantly raised the assessment rate in order to restore the reserve ratio of the Deposit Insurance Fund to the statutory minimum of 1.15%. The FDIC imposed a special assessment equal to five basis points of assets less Tier 1 capital as of June 30, 2009 payable on September 30, 2009 and reserved the right to impose additional special assessments. In lieu of further special assessments, on November 12, 2009 the FDIC required all insured depository institutions to prepay their estimated risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012 on December 30, 2009. For purposes of estimating future assessments, an institution would assume 5% annual growth in the assessment base and a three basis point increase in the current assessment rate for 2011 and 2012. The prepaid assessment would be applied against the actual assessment until exhausted. Any funds remaining after June 30, 2013 would be returned to the institution.

The Dodd-Frank Act required the FDIC to take such steps as necessary to increase the reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of insured deposits by 2020. In setting the assessments, the FDIC is required to offset the effect of the higher reserve ratio against insured depository institutions with total consolidated assets of less than \$10 billion. The Dodd-Frank Act also broadens the base for FDIC insurance assessments so that assessments will be based on the average consolidated total assets less average tangible equity capital of a financial institution rather than on its insured deposits. The FDIC has adopted a new restoration plan to increase the reserve ratio to 1.15% by September 30, 2020 with new rules implemented in 2011 regarding the method to be used to achieve a 1.35% reserve ratio by that date and offset the effect on institutions with assets less than \$10 billion in assets.

Pursuant to these requirements, the FDIC has adopted new assessment regulations that redefine the assessment base as average consolidated assets less average tangible equity. Insured banks with more than \$1.0 billion in assets must calculate quarterly average assets based on daily balances while smaller banks and newly chartered banks may use weekly averages. In the case of a merger, the average assets of the surviving bank for the quarter must include the average assets of the merged institution for the period in the quarter prior to the merger. Average assets would be reduced by goodwill and other intangibles. Average tangible equity will equal Tier 1 capital. For institutions with more than \$1.0 billion in assets

average tangible equity will be calculated on a weekly basis while smaller institutions may use the quarter-end balance. Beginning April 1, 2011, the base assessment rate for insured institutions in Risk Category I ranged between 5 to 9 basis points and for institutions in Risk Categories II, III, and IV will be 14, 23 and 35 basis points. An institution's assessment rate is reduced based on the amount of its outstanding unsecured long-term debt and for institutions in Risk Categories II, III and IV may be increased based on their brokered deposits. Risk Categories are eliminated for institutions with more than \$10 billion in assets which will be assessed at a rate between 5 and 35 basis points.

In addition, all FDIC-insured institutions are required to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation ("FICO"), an agency of the Federal government established to recapitalize the Federal Savings and Loan Insurance Corporation. The FICO assessment rates, which are determined quarterly, averaged 0.0165% of insured deposits on an annualized basis in fiscal year 2012. These assessments will continue until the FICO bonds mature in 2017.

**Capital Adequacy Guidelines.** Parke Bancorp (on a consolidated basis) and the Bank are subject to risk-based capital guidelines promulgated by the FDIC that are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Under the guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities, such as standby letters of credit) is 8%. At least 4% of the total capital is required to be "Tier I Capital," consisting of common shareholders' equity and qualifying preferred stock, less certain goodwill items and other intangible assets. The remainder ("Tier II Capital") may consist of (a) the allowance for loan losses of up to 1.25% of risk-weighted assets, (b) excess of qualifying preferred stock, (c) hybrid capital instruments, (d) perpetual debt, (e) mandatory convertible securities, and (f) qualifying subordinated debt and intermediate-term preferred stock up to 50% of Tier I capital. Total capital is the sum of Tier I and Tier II capital less reciprocal holdings of other banking organizations, capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the FDIC (determined on a case-by-case basis or as a matter of policy after formal rule-making).

In addition to the risk-based capital guidelines, the FDIC has adopted a minimum Tier I capital (leverage) ratio, under which a bank must maintain a minimum level of Tier I capital to average total consolidated assets of at least 3% in the case of a bank that has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other banks are expected to maintain a leverage ratio of at least 100 to 200 basis points above the stated minimum.

At December 31, 2012, the Bank had the requisite capital levels to qualify as "well capitalized."

#### Proposed Changes to Regulatory Capital Requirements

The federal banking agencies have issued a series of proposed rulemakings to conform their regulatory capital rules with the international regulatory standards agreed to by the Basel Committee on Banking Supervision in the accord often referred to as "Basel III". The proposed revisions would establish new higher capital ratio requirements, tighten the definitions of capital, impose new operating restrictions on banking organizations with insufficient capital buffers and increase the risk weighting of certain assets including residential mortgages. The proposed new capital requirements would apply to all



banks and savings associations, bank holding companies with more than \$500 million in assets and all savings and loan holding companies regardless of asset size. The following discussion summarizes the proposed changes which are most likely to affect the Company and the Bank.

**New and Higher Capital Requirements.** The proposed regulations would establish a new capital measure called “Common Equity Tier 1 Capital” which would consist of common stock instruments and related surplus (net of treasury stock), retained earnings, accumulated other comprehensive income and, subject to certain adjustments, minority common equity interests in subsidiaries. Unlike the current rules which exclude unrealized gains and losses on available-for-sale debt securities from regulatory capital, the proposed rules would generally require accumulated other comprehensive income to flow through to regulatory capital. Depository institutions and their holding companies would be required to maintain Common Equity Tier 1 Capital equal to 4.5% of risk-weighted assets by 2015.

The proposed regulations would increase the required ratio of Tier 1 Capital to risk-weighted assets from the current 4% to 6% by 2015. Tier 1 Capital would consist of Common Equity Tier 1 Capital plus Additional Tier 1 Capital elements which would include non-cumulative perpetual preferred stock. Neither cumulative preferred stock (other than cumulative preferred stock issued to the U.S. Treasury under the TARP Capital Purchase Program or the Small Business Lending Fund) nor trust preferred would qualify as Additional Tier 1 Capital. These elements, however, could be included in Tier 2 Capital which could also include qualifying subordinated debt. The proposed regulations would also require a minimum Tier 1 leverage ratio of 4% for all institutions eliminating the 3% option for institutions with the highest supervisory ratings. The minimum required ratio of total capital to risk-weighted assets would remain at 8%.

**Capital Buffer Requirement.** In addition to higher capital requirements, depository institutions and their holding companies would be required to maintain a capital buffer of at least 2.5% of risk-weighted assets over and above the minimum risk-based capital requirements. Institutions that do not maintain the required capital buffer will become subject to progressively more stringent limitations on the percentage of earnings that can be paid out in dividends or used for stock repurchases and on the payment of discretionary bonuses to senior executive management. The capital buffer requirement would be phased in over four years beginning in 2016. The capital buffer requirement effectively raises the minimum required risk-based capital ratios to 7% Common Equity Tier 1 Capital, 8.5% Tier 1 Capital and 10.5% Total Capital on a fully phased-in basis.

**Changes to Prompt Corrective Action Capital Categories.** The Prompt Corrective Action rules would be amended to incorporate a Common Equity Tier 1 Capital requirement and to raise the capital requirements for certain capital categories. In order to be adequately capitalized for purposes of the prompt corrective action rules, a banking organization would be required to have at least an 8% Total Risk-Based Capital Ratio, a 6% Tier 1 Risk-Based Capital Ratio, a 4.5% Common Equity Tier 1 Risk Based Capital Ratio and a 4% Tier 1 Leverage Ratio. To be well capitalized, a banking organization would be required to have at least a 10% Total Risk-Based Capital Ratio, an 8% Tier 1 Risk-Based Capital Ratio, a 6.5% Common Equity Tier 1 Risk Based Capital Ratio and a 5% Tier 1 Leverage Ratio.

**Additional Deductions from Capital.** Banking organizations would be required to deduct goodwill and other intangible assets (other than certain mortgage servicing assets), net of associated deferred tax liabilities, from Common Equity Tier 1 Capital. Deferred tax assets arising from temporary timing differences that could not be realized through net operating loss carrybacks would continue to be deducted if they exceed 10% of Common Equity Tier 1 Capital. Deferred tax assets that could be realized through NOL carrybacks would not be deducted but would be subject to 100% risk weighting. Defined benefit pension fund assets, net of any associated deferred tax liability, would be deducted from Common Equity Tier 1 Capital unless the banking organization has unrestricted and

unfettered access to such

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assets. Reciprocal cross-holdings in the capital instruments of any other financial institution would now be deducted from capital, not just holdings in other depository institutions. For this purpose, financial institutions are broadly defined to include securities and commodities firms, hedge and private equity funds and non-depository lenders. Banking organizations would also be required to deduct non-significant investments (less than 10% of outstanding stock) in other financial institutions to the extent these exceed 10% of Common Equity Tier 1 Capital subject to a 15% of Common Equity Tier 1 Capital cap. Greater than 10% investments must be deducted if they exceed 10% of Common Equity Tier 1 Capital. If the aggregate amount of certain items excluded from capital deduction due to a 10% threshold exceeds 17.65% of Common Equity Tier 1 Capital, the excess must be deducted. Savings associations would continue to be required to deduct investments in subsidiaries engaged in activities not permitted for national banks.

Changes in Risk-Weightings. The proposed regulations would apply a 250% risk-weighting to mortgage servicing rights, deferred tax assets that cannot be realized through NOL carrybacks and significant (greater than 10%) investments in other financial institutions. The proposed rules would also significantly change the risk-weighting for residential mortgages. Current capital rules assign a 50% risk-weighting to “qualifying mortgage loans” which generally consist of residential first mortgages with an 80% loan-to-value ratio (or which carry mortgage insurance that reduces the bank’s exposure to 80%) that are not more than 90 days past due. All other mortgage loans have a 100% risk weight. Under the proposed regulations, one-to-four family residential mortgage loans would be divided into two broad risk categories with their risk-weighting determined by their loan-to-value ratio without regard to mortgage insurance. Prudently underwritten 30-year residential mortgages providing for regular periodic payments that do not result in negative amortization or balloon payments or allow payment deferrals and caps on annual and lifetime interest rate adjustments and which are not more than 90 days past due would be assigned a risk weighting from 35% for loans with a 60% or lower loan-to-value ratio to 100% for loans over 90%. Residential mortgage loans in this category with a loan-to-value ratio greater than 60% but not more than 80% would continue to carry a 50% risk weighting. All other residential mortgage loans would be risk-weighted between 100% to 200%. The proposal also creates a new 150% risk-weighting category for “high volatility commercial real estate loans” which are credit facilities for the acquisition, construction or development of real property other than one- to four-family residential properties or commercial real projects where: (i) the loan-to-value ratio is not in excess of interagency real estate lending standards; and (ii) the borrower has contributed capital equal to not less than 15% of the real estate’s “as completed” value before the loan was made.

Item 1A. Risk Factors

This item is not applicable as the Company is a “smaller reporting company.”

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

(a) Properties.

The Company's and the Bank's main office is located in Washington Township, Gloucester County, New Jersey, in an office building of approximately 13,000 square feet. The main office facilities include teller windows, a lobby area, drive-through windows, automated teller machine, a night depository, and executive and administrative offices. In December 2002, the Bank executed its lease option to purchase the building for \$1.5 million.

The Bank also conducts business from a full-service office in Northfield, New Jersey, a full-service office in Washington Township, Gloucester County, New Jersey, a full-service office in Philadelphia, Pennsylvania, and a full-service office in Galloway Township, NJ. These offices were opened by the Bank in September 2002, February 2003, August 2006 and May 2010, respectively. The Northfield office and the Philadelphia office are leased. The Washington Township office was purchased in February 2003. Management considers the physical condition of all offices to be good and adequate for the conduct of the Bank's business. At December 31, 2012, net property and equipment totaled approximately \$4.0 million.

Item 3. Legal Proceedings

At December 31, 2012, the Company was not a party to any material legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable



PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) The information contained under the section captioned “Market Prices and Dividends” in the Company’s 2012 Annual Report is incorporated herein by reference.

(b) Not applicable.

(c) There were no treasury stock repurchases during the fourth quarter of 2012.

Item 6. Selected Financial Data

The information contained under the section captioned “Selected Financial Data” in the 2012 Annual Report is incorporated herein by reference.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The information contained in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Annual Report is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information contained in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Interest Rate Sensitivity and Liquidity — Rate Sensitivity Analysis” in the Annual Report is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The Company’s financial statements listed under Item 15 are incorporated herein by reference.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) 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 Annual Report on Form 10-K such disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting

1. Management's Annual Report on Internal Control Over Financial Reporting.

Management's report on the Company's internal control over financial reporting appears in the Company's financial statements that are contained in the 2012 Annual Report filed as Exhibit 13 to this Annual Report on Form 10-K. Such report is incorporated herein by reference.

2. Changes in internal control over financial reporting.

During the last quarter of the year under report, 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.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information contained under the headings "Section 16(a) Beneficial Ownership Reporting Compliance", "Proposal I - Election of Directors" and "Corporate Governance" in the Company's Proxy Statement for its 2013 Annual Meeting of Stockholders (the "Proxy Statement") is incorporated herein by reference.

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. A copy of the Code of Ethics will be furnished without charge upon written request to the Chief Financial Officer, Parke Bancorp, Inc., 601 Delsea Drive, Washington Township, New Jersey, 08080.

There have been no material changes to the procedures by which security holders may recommend nominees to the Registrant's Board of Directors since the date of the Registrant's last proxy statement mailed to its stockholders.

Item 11. Executive Compensation

The information contained in the sections captioned "Executive Compensation" and "Director Compensation" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) Security Ownership of Certain Beneficial Owners

The information contained in the section captioned "Principal Holders of our Common Stock" in the Proxy Statement is incorporated herein by reference.



(b) Security Ownership of Management

The information contained in the sections captioned “Principal Holders of our Common Stock” and “Proposal I – Election of Directors” in the Proxy Statement is incorporated herein by reference.

(c) Management of the Registrant knows of no arrangements, including any pledge by any person of securities of the Registrant, the operation of which may at a subsequent date result in a change in control of the Registrant.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

Set forth below is information as of December 31, 2012 with respect to compensation plans under which equity securities of the Registrant are authorized for issuance.

	( a )	( b )	( c )
	Number of Securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	356,842	\$ 9.36	148,181
Total	356,842	\$ 9.36	148,181

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information contained in the sections captioned “Related Party Transactions” and “Corporate Governance” in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information contained in the section captioned “Proposal II - Ratification of Appointment of Auditors” in the Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Listed below are all financial statements and exhibits filed as part of this report.

1. The following financial statements and the independent auditors’ report included in the Annual Report are incorporated herein by reference:

- Management's Report on Internal Controls
- Report of Independent Registered Public Accounting Firm

- Consolidated Balance Sheets as of December 31, 2012 and 2011
- Consolidated Statements of Income For the Years Ended December 31, 2012 and 2011
- Consolidated Statements of Equity for the Years Ended December 31, 2012 and 2011
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2012 and 2011
  - Notes to Consolidated Financial Statements
- 2. Schedules omitted as they are not applicable.
- 3. The following exhibits are included in this Report or incorporated herein by reference:
  - 3.1 Certificate of Incorporation of Parke Bancorp, Inc. (1)
  - 3.2 Certificate of Amendment setting forth the terms of the Registrant's Fixed Rate, Cumulative Perpetual Preferred Stock, Series A (2)
  - 3.3 Bylaws of Parke Bancorp, Inc. (1)\*
  - 4.1 Specimen stock certificate of Parke Bancorp, Inc. (1)
  - 4.2 Specimen common stock purchase warrant of Parke Bancorp, Inc. (1)
  - 4.3 Warrant to Purchase shares of the Registrant's common stock, dated January 30, 2009. (2)
  - 4.4 Letter Agreement (including Securities Purchase Agreement Standard Terms attached as Exhibit A) dated January 30, 2009 between the Registrant and the United States Department of the Treasury. (2)
  - 10.1 Amended Employment Agreement Between Bancorp, Bank and Vito S. Pantilione (3)
  - 10.2 Change in Control Agreement Between Bancorp, Bank and Elizabeth Milavsky, Paul Palmieri and David Middlebrook (3)
  - 10.3 Supplemental Executive Retirement Plan (1)
  - 10.4 1999 Stock Option Plan(1)
  - 10.5 2002 Stock Option Plan(1)
  - 10.6 2003 Stock Option Plan (1)
  - 10.7 2005 Stock Option Plan (4)
  - 10.8 Consent Order by and between Parke Bank and the Federal Deposit Insurance Corporation (5)
  - 10.9 Consent Order by and between the State of New Jersey Department of Banking and Insurance (5)
  - 13 Annual Report to Shareholders for the fiscal year ended December 31, 2012
  - 21 Subsidiaries of the Registrant
  - 23 Consent of McGladrey LLP
  - 31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - 31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - 32 Certification of CEO & CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99 Certification of CEO and CFO pursuant to Section 111(b)(4) of  
EESA  
101.INS XBRL Instance Document \*  
101.SCH XBRL Schema Document \*  
101.CAL XBRL Calculation Linkbase Document \*  
101.LAB XBRL Labels Linkbase Document \*  
101.PRE XBRL Presentation Linkbase Document \*  
101.DEF XBRL Definition Linkbase Document \*

\*Submitted as Exhibits 101 to this Form 10-K are documents formatted in XBRL (Extensible Business Reporting Language). Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

- (1) Incorporated by reference to the Company's Registration Statement on Form S-4 filed with the SEC on January 31, 2005.
- (2) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on January 30, 2009.
- (3) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 29, 2007.
- (4) Incorporated by reference to the Company's Definitive Proxy Statement filed with the SEC on December 20, 2005.
- (5) Incorporated by reference to the Company's Current Report on filed with the SEC on April 10, 2012.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: March 22, 2013

By: /s/ Vito S. Pantilione  
Vito S. Pantilione  
President, Chief Executive Officer and Director

Pursuant to the requirement of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 22, 2013.

/s/ Celestino R. Pennoni  
Celestino R. Pennoni  
Chairman of the Board and Director

/s/ Vito S. Pantilione  
Vito S. Pantilione  
President, Chief Executive Officer  
and Director  
(Principal Executive Officer)

/s/ Fred G. Choate  
Fred G. Choate  
Director

/s/ Daniel J. Dalton  
Daniel J. Dalton  
Director

Arret F. Dobson  
Director

/s/ Anthony Jannetti  
Anthony Jannetti  
Director

Edward Infantolino  
Director

/s/ Jeffrey H. Kripitz  
Jeffrey H. Kripitz  
Director

/s/ Jack C. Sheppard, Jr.  
Jack C. Sheppard, Jr.  
Director

Ray H. Tresch  
Director

/s/ John F. Hawkins  
John F. Hawkins  
Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)