UMPQUA HOLDINGS CORP
Form 10-Q
August 07, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended: June 30, 2006**

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from __________ to __________ .**

Commission File Number: 000-25597
Umpqua Holdings Corporation
(Exact Name of Registrant as Specified in Its Charter)

OREGON	**93-1261319**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

One SW Columbia Street, Suite 1200
Portland, Oregon 97258
(Address of Principal Executive Offices)(Zip Code)
(503) 727-4100
(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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.

þ Yes o No

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

þ Large accelerated filer o Accelerated filer o Non-accelerated filer

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

o Yes þ No

Indicate the number of shares outstanding for each of the issuer s classes of common stock, as of the latest practical date:

Common stock, no par value: 57,777,868 shares outstanding as of July 31, 2006

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements (unaudited)

UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except shares)

	June 30, 2006	December 31, 2005
ASSETS		
Cash and due from banks	$ 176,983	$ 151,521
Temporary investments	61,981	10,233
Total cash and cash equivalents	238,964	161,754
Trading account assets	376	601
Investment securities available for sale, at fair value	692,910	671,868
Investment securities held to maturity, at amortized cost	9,676	8,677
Mortgage loans held for sale	31,118	9,061
Loans	5,296,720	3,921,631
Allowance for loan losses	(58,516)	(43,885)
Net loans	5,238,204	3,877,746
Restricted equity securities	20,538	14,263
Premises and equipment, net	100,040	88,865
Goodwill and other intangible assets, net	682,789	408,503
Mortgage servicing rights, net	11,550	10,890
Other assets	153,778	108,411
Total assets	$ 7,179,943	$ 5,360,639
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits		
Noninterest bearing	$ 1,264,249	$ 987,714
Interest bearing	4,200,521	3,298,552
Total deposits	5,464,770	4,286,266
Securities sold under agreements to repurchase and federal funds purchased	261,720	113,865
Term debt	57,081	3,184
Junior subordinated debentures	204,222	165,725
Other liabilities	79,050	53,338
Total liabilities	6,066,843	4,622,378

COMMITMENTS AND CONTINGENCIES (NOTE 8)

SHAREHOLDERS EQUITY		
Preferred stock, no par value, 2,000,000 shares authorized; none issued and outstanding		
Common stock, no par value, 100,000,000 shares authorized; issued and outstanding: 57,651,533 in 2006 and 44,556,269 in 2005	923,309	564,579
Retained earnings	208,335	183,591
Accumulated other comprehensive loss	(18,544)	(9,909)
Total shareholders equity	1,113,100	738,261
Total liabilities and shareholders equity	$ 7,179,943	$ 5,360,639

See notes to condensed consolidated financial statements

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2006	**2005**	**2006**	**2005**
INTEREST INCOME				
Interest and fees on loans	$ 86,004	$ 60,220	$ 159,124	$ 117,156
Interest and dividends on investment securities				
Taxable	6,693	6,252	13,404	12,801
Exempt from federal income tax	836	699	1,558	1,412
Dividends	56	38	100	81
Other interest income	354	454	503	687
Total Interest Income	93,943	67,663	174,689	132,137
INTEREST EXPENSE				
Interest on deposits	25,953	13,485	46,991	24,809
Interest on securities sold under agreements to repurchase and federal funds purchased	1,802	407	4,191	908
Interest on term debt	2,055	139	2,083	544
Interest on junior subordinated debentures	3,376	2,550	6,388	4,944
Total interest expense	33,186	16,581	59,653	31,205
Net interest income	60,757	51,082	115,036	100,932
Provision for loan losses	54	1,400	75	2,400
Net interest income after provision for loan losses	60,703	49,682	114,961	98,532
NON-INTEREST INCOME				
Service charges on deposit accounts	6,450	5,426	11,934	10,248
Brokerage commissions and fees	2,534	2,879	4,902	6,008
Mortgage banking revenue, net	2,503	228	4,347	1,578
Net (loss) gain on sale of investment securities	(1)	1,398	(1)	1,398
Other income	2,320	1,993	4,826	3,294
Total non-interest income	13,806	11,924	26,008	22,526
NON-INTEREST EXPENSE				
Salaries and employee benefits	23,337	20,361	45,138	40,640
Net occupancy and equipment	7,199	6,109	14,367	12,242
Communications	1,480	1,578	2,945	2,823
Marketing	1,491	1,310	2,816	2,067
Services	3,414	2,835	6,817	6,347
Supplies	722	710	1,351	1,237
Intangible amortization	791	660	1,338	1,320

Merger related expenses	1,656	161	1,907	262
Other expenses	3,153	2,697	5,544	4,918
Total non-interest expenses	43,243	36,421	82,223	71,856
Income before income taxes	31,266	25,185	58,746	49,202
Provision for income taxes	11,635	9,179	21,688	18,177
Net income	$ 19,631	$ 16,006	$ 37,058	$ 31,025
Basic earnings per share	$ 0.40	$ 0.36	$ 0.80	$ 0.70
Diluted earnings per share	$ 0.40	$ 0.36	$ 0.79	$ 0.69

See notes to condensed consolidated financial statements

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
(UNAUDITED)

(in thousands, except shares)

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE AT JANUARY 1, 2005	44,211,075	$ 560,611	$ 128,112	$ (1,110)	$ 687,613
Net income			69,735		69,735
Other comprehensive loss, net of tax:					
Unrealized losses on securities arising during the year (1)				(8,799)	(8,799)
Comprehensive income					$ 60,936
Stock-based compensation		693			693
Stock repurchased and retired	(84,185)	(1,904)			(1,904)
Issuances of common stock under stock plans and related tax benefit	429,379	5,179			5,179
Cash dividends ($0.32 per share)			(14,256)		(14,256)
Balance at December 31, 2005	44,556,269	$ 564,579	$ 183,591	$ (9,909)	$ 738,261
BALANCE AT JANUARY 1, 2006	44,556,269	$ 564,579	$ 183,591	$ (9,909)	$ 738,261
Net income			37,058		37,058
Other comprehensive loss, net of tax:					
Unrealized losses on securities arising during the year (2)				(8,635)	(8,635)
Comprehensive income					$ 28,423
Stock-based compensation		1,019			1,019
Stock repurchased and retired	(48)	(1)			(1)
Issuances of common stock under stock plans and related tax benefit	349,983	3,991			3,991
Stock issued in connection with acquisitions	12,745,329	353,721			353,721
Cash dividends ($0.24 per share)			(12,314)		(12,314)
Balance at June 30, 2006	57,651,533	$ 923,309	$ 208,335	$ (18,544)	$ 1,113,100

(1) Net unrealized holding loss on securities of $7.9 million (net of $5.3 million tax benefit), plus reclassification adjustment for net gains included in net income of $863,000 (net of $576,000 tax expense).

(2) Net unrealized holding loss on securities of $8.6 million (net of $5.4 million tax benefit), plus reclassification adjustment for net gains included in net income of $1,000.

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2006	**2005**	**2006**	**2005**
Net income	$ 19,631	$ 16,006	$ 37,058	$ 31,025
Unrealized (losses) gains arising during the period on investment securities available for sale	(10,407)	8,390	(14,010)	(1,150)
Reclassification adjustment for losses (gains) realized in net income, net of tax (expense of $559 for the three and six months ended June 30, 2005)	1	(839)	1	(839)
Income tax benefit (expense) related to unrealized losses/gains on investment securities, available for sale	4,088	(3,356)	5,374	460
Net unrealized (losses) gains on investment securities available for sale	(6,318)	4,195	(8,635)	(1,529)
Comprehensive income	$ 13,313	$ 20,201	$ 28,423	$ 29,496

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)

	Six months ended June 30, 2006	Six months ended June 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 37,058	$ 31,025
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Federal Home Loan Bank stock dividends	(100)	(81)
Deferred income tax benefit	(264)	
Amortization of investment premiums, net	572	518
Origination of loans held for sale	(133,339)	(146,221)
Proceeds from sales of loans held for sale	112,889	147,207
Net decrease in trading account assets	270	174
Provision for loan losses	75	2,400
Gain on sales of loans	(388)	(496)
Loss (gain) on sale of investment securities available-for-sale	1	(1,398)
(Increase) decrease in mortgage servicing rights	(1,301)	917
Depreciation and amortization	5,719	5,607
Tax benefits of stock options exercised	187	1,592
Net decrease (increase) in other assets	37,518	(47,323)
Net decrease in other liabilities	(610)	(177)
Other, net	484	271
Net cash provided by operating activities	58,771	(5,985)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities available-for-sale		(634)
Sales and maturities of investment securities available-for-sale	37,998	103,779
Redemption of Federal Home Loan Bank stock	87	41
Maturities of investment securities held-to-maturity	1,850	75
Net loan and lease originations	(386,523)	(157,006)
Purchase of loans	(15,245)	(3,904)
Disposals of furniture and equipment	37	40
Cash acquired in merger, net of cash consideration paid	36,950	
Proceeds from sales of loans	50,437	15,052
Purchases of premises and equipment	(5,677)	(6,966)
Net cash used by investing activities	(280,086)	(49,523)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposit liabilities	162,704	174,242
Net increase in Fed funds purchased	145,000	47,000

Net increase (decrease) in securities sold under agreements to repurchase	2,855	(7,818)
Dividends paid on common stock	(10,732)	(2,672)
Excess tax benefits from the exercise of stock options	752	
Proceeds from stock options exercised	3,052	3,601
Retirement of common stock	(1)	(1,149)
Repayment of term debt	(5,105)	(75,155)
Net cash provided by financing activities	298,525	138,049
Net increase in cash and cash equivalents	77,210	82,541
Cash and cash equivalents, beginning of period	161,754	118,207
Cash and cash equivalents, end of period	$ 238,964	$ 200,748
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 58,345	$ 28,170
Income taxes	$ 19,458	$ 12,674

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 Summary of Significant Accounting Policies

The accounting and financial reporting policies of Umpqua Holdings Corporation (referred to in this report as we , our or the Company) conform with accounting principles generally accepted in the United States of America. The accompanying interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Umpqua Bank (Bank), and Strand, Atkinson, Williams & York, Inc. (Strand). All material inter-company balances and transactions have been eliminated. The consolidated financial statements have not been audited. A more detailed description of our accounting policies is included in the 2005 Annual Report filed on Form 10-K. There have been no significant changes to these policies. These interim condensed consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the 2005 Annual Report filed on Form 10-K.

In management s opinion, all accounting adjustments necessary to accurately reflect the financial position and results of operations on the accompanying financial statements have been made. These adjustments include normal and recurring accruals considered necessary for a fair and accurate presentation. The results for interim periods are not necessarily indicative of results for the full year or any other interim period. Certain reclassifications of prior year amounts have been made to conform with current classifications.

Note 2 Stock-Based Compensation

The Company adopted the 2003 Stock Incentive Plan (2003 Plan) in April 2003 that provides for grants of up to 2 million shares. The plan further provides that no grants may be issued if existing options and subsequent grants under the 2003 Plan exceed 10% of the Company s outstanding shares on a diluted basis. Generally, options vest ratably over a period of five years. Under the terms of the 2003 Plan, the exercise price of each option equals the market price of the Company s stock on the date of the grant, and the maximum term is ten years.

The Company has options outstanding under two prior plans adopted in 1995 and 2000, respectively. With the adoption of the 2003 Plan, no additional grants can be issued under the previous plans. The Company also assumed various plans in connection with mergers and acquisitions but does not make grants under those plans.

Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 123R, *Share Based Payments*, a revision to the previously issued guidance on accounting for stock options and other forms of equity-based compensation. SFAS No. 123R requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based forms of compensation issued to employees over the employees requisite service period (generally the vesting period). Prior to January 1, 2006, we accounted for share-based compensation to employees under the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. Under the intrinsic value method, compensation expense is recognized only to the extent an option s exercise price is less than the market value of the underlying stock on the date of grant. We also followed the disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure.* We adopted SFAS No. 123R under the *modified prospective* method which means that the unvested portion of previously granted awards and any awards that are granted or modified after the date of adoption will be measured and accounted for under the provisions of SFAS No. 123R. Accordingly, financial statement amounts for prior periods presented have not been restated to reflect the fair value method of recognizing compensation cost relating to stock options. The Company will continue to use straight-line recognition of expenses for awards with graded vesting.

As a result of adopting SFAS No. 123R on January 1, 2006, the Company s results for the three and six months ended June 30, 2006 reflected the following changes:

(in thousands, except per share data)

	Three months ended	**Six months ended**
		June 30, 2006

	June 30, 2006	
	Increase/(Decrease)	
Salaries and employee benefits	$ 344	$ 698
Income before income taxes	$ (344)	$ (698)
Provision for income taxes	$ (138)	$ (279)
Net income	$ (206)	$ (419)
Basic earnings per share	$ 0.00	$ 0.00
Diluted earnings per share	$ 0.00	$ (0.01)

The compensation cost related to stock options that has been charged against income (included in salaries and employee benefits) was $355,000 and $721,000 for the three and six months ended June 30, 2006, respectively, as compared to $14,000 and $30,000 for the

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same periods in 2005, respectively. This cost includes incremental expense resulting under SFAS No. 123R as well as costs related to unvested options assumed in connection with acquisitions as described below. The total income tax benefit recognized in the income statement related to stock options was $142,000 and $288,000 for the three and six months ended June 30, 2006, respectively, as compared to $6,000 and $12,000 for the same periods in 2005, respectively.

The fair value of each option grant is estimated as of the grant date using the Black-Scholes option-pricing model using assumptions noted in the following table. Expected volatility is based on the historical volatility of the price of the Company s stock. The Company uses historical data to estimate option exercise and stock option forfeiture rates within the valuation model. The expected term of options granted is derived from the vesting period and contractual term using an allowed short-cut method and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. There were no stock option grants in the three months ended June 30, 2006.

	Six months ended June 30, 2006
Dividend yield	2.68%
Expected life (years)	6.4

Includes 4,697 shares of Common Stock upon a full conversion of Series B Preferred Stock within 60 days of the Record Date.

(5)

Includes 4,697 shares of Common Stock upon a full conversion of Series B Preferred Stock within 60 days of the Record Date.

(6)

Includes 18,519 shares of Common Stock that may be acquired pursuant to the exercise of options and 9,394 shares of Common Stock upon a full conversion of Series B Preferred Stock within 60 days of the Record Date.

(7)

Includes 9,394 shares of Common Stock upon a full conversion of Series B Preferred Stock within 60 days of the Record Date.

(8)

Includes 2,348 shares of Common Stock upon a full conversion of Series B Preferred Stock within 60 days of the Record Date.

(9)

Includes 939 shares of Common Stock upon a full conversion of Series B Preferred Stock within 60 days of the Record Date.

(10)

Includes 6,106 shares of Common Stock upon a full conversion of Series B Preferred Stock within 60 days of the Record Date.

(11)

Includes 3,757 shares of Common Stock upon a full conversion of Series B Preferred Stock within 60 days of the Record Date.

Biographical Information

Set forth below are biographies of the nominees for director, the continuing directors and the executive officers of the Company. These biographies contain information regarding the person's service as a director, business experience, other directorships at any point during the last five years with any other public companies, information regarding involvement with certain types of proceedings, if applicable, and the experience, qualifications, attributes or skills that caused the Nominating Committee and the Board to nominate the individual for re-election to the Board in 2016 and that qualify the Continuing Directors to continue to serve on the Board.

Nominees for Director:

Fred G. Choate. Mr. Choate is the President and controlling shareholder of Greater Philadelphia Venture Capital Corporation, a position he has held since 1997. From 1987 to 1997, Mr. Choate was a principal in Sandhurst Company, a venture capital fund. Mr. Choate is a director of Escalon Medical Corp. (Nasdaq: ESMC), a medical products company and FIS Group, a fund of funds servicing large institutional investors with over $3 billion under advisory. Mr. Choate has also served on the audit committee of the board of directors of another financial institution. He is a member of the US National Association of Corporate Directors and the Institute of Directors of the United Kingdom. Mr. Choate has an extensive financial background and audit committee experience with other companies.

Dr. Edward Infantolino. Dr. Infantolino is President of Ocean Internal Medicine Associates, P.A. and practices medicine in both Atlantic City and Somers Point, New Jersey. He first opened his office in New Jersey in 1977. He is a member of the National Association of Realtors, the New Jersey Association of Realtors and the Atlantic City and County Board of Realtors and is a member of the Orlando Regional Realtors Association. He is president of the Atlantic Investment Club. He has a license to sell real estate in Florida and in New Jersey. Dr. Infantolino is also the owner and principal broker of Key Land Real Estate in Celebration, Florida. Dr. Infantolino's business and real estate background is an asset to the Board of Directors.

Jeffrey H. Kripitz. Mr. Kripitz is the owner and operator of Jeff Kripitz Agency in Northfield, New Jersey. He specializes in employee benefits such as life, health and long term care insurance for both businesses and individuals. He was the former President of the Federation of Jewish Agencies of Atlantic and Cape May counties. Mr. Kripitz's risk experience and exposure to multiple industries and businesses greatly enhances the depth of the Board of Directors.

Jack C. Sheppard, Jr. From 1983 to 2013, Mr. Sheppard was an Executive Vice President with Bollinger, Inc., a New Jersey-based insurance brokerage providing a full range of insurance products. He is currently an Area Senior Vice President with Arthur J. Gallagher & Company in Mt. Laurel, New Jersey. He currently serves on the Board of Trustees of Newpoint Behavioral Healthcare, Inspira Health Network, and Abilities Solutions. Mr. Sheppard holds the CPIA designation (Certified Professional Insurance Agent), and is a life member of the American Insurance Marketing & Sales Society (AIMS). Mr. Sheppard's insurance and risk management experience along with his extensive community involvement strengthens the Board and its understanding and management of risk.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF THE ABOVE NOMINEES

Continuing Directors:

Celestino R. ("Chuck") Pennoni. Mr. Pennoni is currently Chairman of the Board of Directors of the Company and the Bank. From 1966 to the present, Mr. Pennoni has been Chairman and Chief Executive Officer of Pennoni Associates, a consulting engineering firm headquartered in Philadelphia

with approximately 1,200 employees in 30 offices in the northeastern United States, a firm founded by Mr. Pennoni in 1966. He is also President Emeritus and past Chairman of the Board of Trustees of Drexel University, where he earned a Bachelor's of Science and Master of Sciences degrees in civil engineering and was awarded an honorary doctorate. Mr. Pennoni has also served as Interim President of Drexel University. Mr. Pennoni is also past President of the American Society of Civil Engineers, the accreditation board for engineering and technology, and The United Engineering Trustees. He was inducted into the National Academy of Engineering in 2000 and is a licensed professional engineer. He has also served on three bank boards since 1985. Mr. Pennoni's years of business and academic experience and accomplishments has greatly enhanced the Company through his leadership of the Board.

Ray H. Tresch. Mr. Tresch was the owner, President and Chief Executive Officer of Redy Mixt Konkrete in Woodbury, New Jersey for over forty-five years. He is also the President and Chief Executive Officer of Woodbury Cement Products in Woodbury, New Jersey. Mr. Tresch is also a real estate developer in numerous projects in Gloucester County, New Jersey. He is also currently the Secretary, Treasurer and partner of Gibbsboro Block in Voorhees, New Jersey, and the managing director and general partner of Hollydell Ice Arena. Mr. Tresch is also a general partner in a development of professional office buildings, retail commercial buildings, and age-restricted condominiums and apartments in Gloucester County, New Jersey. Mr. Tresch has extensive knowledge of the regional construction and real estate development markets, greatly enhancing the Board's understanding of these industries and their impact on the Bank's lending activities.

Daniel J. Dalton. Mr. Dalton recently retired as a salesperson for Brown & Brown, of New Jersey, a full service insurance agency with offices throughout the state of New Jersey. He was President of Dalton Insurance Agency, LLC from 1997 to 2007. Mr. Dalton presently serves as an Adjunct Professor in the Department of Political Science and Economics at Rowan University. Mr. Dalton served as the New Jersey Secretary of State from 1992 through 1994 and served in both the New Jersey State Senate and Legislative Assembly. He was a founding Director and past President of the Boys and Girls Club of Gloucester County. He is a member of the Board of Trustees of Kennedy University Hospital. He also has served as a Board member of the New Jersey Casino Reinvestment Development Authority. The political and business experience that Mr. Dalton possesses enhances the depth of the Board.

Arret F. Dobson. From 1989 to the present, Mr. Dobson has been a builder and land developer, developing numerous residential and commercial projects. Mr. Dobson is President and operating partner of the White Oaks Country Club located in Newfield, New Jersey. Mr. Dobson is also the co-owner of Dobson Turf Management, a company specializing in athletic field construction and maintenance serving colleges, universities, municipalities, school districts and golf courses in the tri-state area. The diversified professional background of Mr. Dobson supports the Company's understanding of business trends.

Anthony J. Jannetti. Mr. Jannetti is President of Anthony J. Jannetti, Inc., a national health care marketing, communications, publishing and management firm located in Pitman, New Jersey. Mr. Jannetti currently serves on the Board of Trustees for the Nursing Economics Foundation. He formerly served as the Chairman of the Foundation of the National Student Nurses Association, and the Banner Health Education Foundation. Mr. Jannetti is also a member of The American Society of Association Executives, The Health Care Marketing and Communications Counsel and The Professional Convention and Management Association. He is also an Honorary Member of many national nursing associations. Mr. Jannetti's business and marketing background and expertise has been instrumental in steering the Bank's marketing committee.

Vito S. Pantilione. Mr. Pantilione has served as the Company's President and Chief Executive Officer and a director since its formation in 2005. From the time of the Bank's formation in 1998, Mr. Pantilione has served as the President and Chief Executive Officer and a director of the Bank. Mr. Pantilione previously was the President and owner of Eagle Valley, a diversified mortgage company

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located in Philadelphia, Pennsylvania. From 1991 to 1994, he was employed as President of First Commercial Bank of Philadelphia. In addition, he previously was the President and owner of Interstate Mortgage Management, a mortgage brokerage company located in Southern New Jersey, and was the Executive Vice President of First Federal Savings of Hammonton. Mr. Pantilione was a past member of the Federal Reserve Bank of Philadelphia's Community Depository Institution Advisory Council. Mr. Pantilione received an Honorary Doctorate from Philadelphia University in recognition of his many accomplishments in the areas of Finance and Banking. Mr. Pantilione's financial industries experience and expertise has been invaluable to the Company.

Executive Officers Who Are Not Directors:

Elizabeth A. Milavsky. Ms. Milavsky joined the Bank in 2004 and is Executive Vice President and Chief Operating Officer responsible for administration of all areas of Bank operations, human resources, information technology, and compliance. From 1982 to 2004, Ms. Milavsky was employed by Roxborough Manayunk Bank in Philadelphia, Pennsylvania as Senior Vice President of Operations. Her responsibilities included Electronic Banking, Information Technology, Retirement and Check Processing Departments, as well as the operations of the retail branch network.

John F. Hawkins. Mr. Hawkins is Senior Vice President and Chief Financial Officer. He joined the Bank in 2008 as Controller. Prior to joining the Bank, he was Controller for Susquehanna Bank DV, headquartered in Camden from 2006 to 2008. Mr. Hawkins was Senior Vice President/Investment Officer at Minotola National Bank from 1993 to 2006. Mr. Hawkins has over 27 years' experience in banking with a career focus on asset and liability management, planning, analytics and financial reporting.

David O. Middlebrook. Mr. Middlebrook has served as the Company's Senior Vice President since its formation in 2005. Mr. Middlebrook is also the Bank's Chief Credit Officer. He has over thirty-four years' experience in the commercial banking industry with a focus on commercial, industrial and real estate lending. Mr. Middlebrook was previously employed at National Community Bank, National Westminster Bank and Fleet Bank prior to joining Parke Bank in 1999. Mr. Middlebrook is also the past Treasurer of the Board of Directors for The Arc of Atlantic County, a non-profit entity that supports the developmentally disabled where Mr. Middlebrook served for over eleven years and continues to remain active today.

Ralph "Guy" Gallo. Mr. Gallo is Senior Vice President and Chief Workout Officer responsible for the management of the Bank's foreclosed assets and nonperforming loan portfolio. He has over thirty years of banking experience primarily in banking operations and customer relationship management. As a Vice President at Mellon Bank, he managed Lockbox, Research & Adjustments and International Operations supporting commercial banking customers. As a Vice President at Image Remit, he managed a multi-state lockbox operation and provided customer relationship management supporting private label services to regional banks in the Northeast US.

Paul E. Palmieri. Mr. Palmieri is Senior Vice President of the Philadelphia Region and joined the Bank in 2004. He is also the Bank's Senior Loan Officer. He has more than thirty-five years of banking and accounting experience in the Philadelphia area. Prior to joining the Bank, he was a Vice President and Commercial Loan Officer at Republic First Bank in Philadelphia, Pennsylvania from 1996 to 2004. Mr. Palmieri was an Assistant Vice President and Commercial Banker at Regent Bank in Philadelphia from 1993 to 1996.

Daniel Sulpizio. Mr. Sulpizio serves as Senior Vice President, Director of Retail Banking and Security Officer. He is the President of Gloucester County Habitat for Humanity, President of the South Jersey Bankers Security Associates and board member of the Citizens Crime Commission of Philadelphia. He has over 30 years of retail banking experience that has included consumer and

commercial lending, sales and marketing and government banking. Prior to joining Parke Bank he was the Senior Government Banking Officer for Sovereign Bank where he was responsible for developing and managing all local municipal government activities. At PNC Bank Mr. Sulpizio held numerous leadership positions including Regional Business Banking Manager for South Jersey where he provided direction to over 30 retail branches in the delivery of business banking products and services.

CORPORATE GOVERNANCE

Director Independence

The Board of Directors has determined that all outside Directors are independent in accordance with the requirements of Nasdaq rules. All Board members that serve on the Audit Committee, the Compensation Committee and the Nominating Committee are outside Directors and deemed independent. The Board of Directors has determined that Mr. Choate is an Audit Committee Financial Expert within the meaning of the regulations of the Securities and Exchange Commission.

Director Attendance

The Board of Directors conducts its business through meetings of the Board and through activities of its committees. During the year ended December 31, 2015, the Board of Directors met a total of twelve times, including regularly scheduled meetings and special meetings. No director attended fewer than 75% of the total meetings of the Board of Directors and meetings of the committees on which he served during the year ended December 31, 2015.

Committees of the Board of Directors

Nominating Committee. The nominating committee consists of Directors Choate, Dalton, and Dobson. The Nominating Committee met one time during the fiscal year ended December 31, 2015. The Board of Directors has not adopted a written nominating committee charter for the Nominating Committee. The Company does not pay fees to any third party to identify or evaluate or assist in identifying or evaluating potential nominees. The process for identifying and evaluating potential Board nominees includes soliciting recommendations from directors and officers of the Company. Additionally, the Board will consider persons recommended by shareholders of the Company in selecting the Board's nominees for election. There is no difference in the manner in which persons recommended by directors or officers versus persons recommended by shareholders in selecting Board nominees are evaluated.

To be considered in the selection of Board nominees, recommendations from shareholders must be received by the Company in writing by at least 60 days prior to the anniversary date of the prior year's annual meeting. Recommendations should identify the submitting shareholder, the person recommended for consideration and the reasons the submitting shareholder believes such person should be considered. The Board believes potential directors should be knowledgeable about the business activities and market areas in which the Company engages. The committee and the Board of Directors may consider diversity in market knowledge, experience, employment, and other factors.

Compensation Committee. The Compensation Committee oversees the Company's executive compensation and benefit policies and practices. The Committee is comprised of Directors Choate, Dalton, Jannetti, Pennoni, Sheppard, and Tresch. The Committee met one time during the 2015 fiscal year. The Board of Directors has adopted a written compensation committee charter for the Compensation Committee which is available on the Investor Relations page of the Company's web site, www.parkebank.com.

Audit Committee. The Audit Committee is responsible for overseeing the accounting and financial reporting processes and the audits of the financial statements of the Company. The Committee is comprised of Directors Choate, Dalton, Dobson, and Sheppard. The Committee met four times in fiscal year 2015. The Board of Directors has adopted a written audit committee charter for the Audit Committee which is available on the Investor Relations page of the Company's web site, www.parkebank.com.

Audit Committee Financial Expert. The Board of Directors has determined that Fred G. Choate is an Audit Committee "financial expert" as that term is defined in Item 407(d)(5) of Regulation S-K of the Securities and Exchange Commission. Mr. Choate would be considered an independent director, under the rules of The Nasdaq Stock Market including the specific independence requirements for audit committee members.

Shareholder Communications

The Board of Directors does not have a formal process for shareholders to send communications to the Board. In view of the infrequency of shareholder communications to the Board of Directors, the Board does not believe that a formal process is necessary. Written communications received by the Company from shareholders are shared with the full Board no later than the next regularly scheduled Board meeting. The Board encourages, but does not require, directors to attend the annual meeting of shareholders. All of the ten Board members attended the 2015 annual meeting of shareholders.

Board Leadership Structure and Role in the Risk Management Process

Director Vito S. Pantilione serves as Chief Executive Officer of the Company and Director Celestino R. Pennoni serves as Chairman of the Board. The Board of Directors has determined that the separation of the offices of Chairman of the Board and Chief Executive Officer and President enhances Board independence and oversight. Moreover, the separation of the Chairman of the Board and Chief Executive Officer and President allows the Chief Executive Officer and President to better focus on his growing responsibilities of running the Company, enhancing shareholder value and expanding and strengthening our franchise while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and independent oversight of management.

We face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of the risks the Company faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the Chairman of the Board meets regularly with management to discuss strategy and risks facing the Company. Senior management attends the Board meetings and is available to address any questions or concerns raised by the Board on risk management and any other matters. The Chairman of the Board and independent members of the Board work together to provide strong, independent oversight of the Company's management and affairs through its Audit, Loan and Asset/Liability committees and, when necessary, special meetings of independent directors.

EXECUTIVE COMPENSATION

Summary Compensation Table. The following table sets forth the cash and non-cash compensation awarded to or earned during the last fiscal year by our principal executive officer and the two other highest paid executive officers whose total compensation (excluding compensation attributable to changes in pension value and non-qualified deferred compensation earnings) during the fiscal year ended December 31, 2015 exceeded $100,000 for services rendered in all capacities to the Company and

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the Bank (the “Named Executive Officers”). There were no stock or option grants or non-equity incentive plan compensation earned or awarded during 2014 or 2015.

Name and Principal Position	Year	Salary	Bonus	All Other Compensation(1)	Total
Vito S. Pantilione	2015	$ 494,000	$ 233,100	$ 40,700	$ 768,800
President and Chief Executive Officer	2014	476,000	220,000	47,006	743,006
John F. Hawkins	2015	$ 191,000	$ 70,000	$ 18,700	$ 279,700
Senior Vice President and Chief Financial Officer	2014	182,000	60,000	18,100	260,100
Elizabeth Milavsky	2015	$ 226,500	$ 95,000	$ 15,750	$ 337,250
Executive Vice President and Chief Operating Officer	2014	218,000	80,000	15,600	313,600

(1) All other compensation consists of the following for the year ended December 31, 2015:

	401k Match	Automobile Expense/ Allowance	Insurance Premiums	Total
Vito S. Pantilione	$ 7,950	$ 23,300	$ 9,150	$ 40,400
John F. Hawkins	7,900	10,800	--	18,700
Elizabeth Milavsky	7,950	7,800	--	15,750

Grants of Plan-Based Awards. There were no plan-based awards granted to the Named Executive Officers during 2015.

Outstanding Equity Awards at Fiscal Year End. There were no equity awards outstanding of the Named Executive Officers at fiscal year-end.

Nonqualified Deferred Compensation. The Bank implemented a Supplemental Executive Retirement Plan (“SERP”) effective January 1, 2003. Vito S. Pantilione, President, is a participant in the SERP. Under the SERP, retirement benefits are payable to such participant commencing upon retirement after attainment of age 60 at the rate of 50% of their highest base salary paid while an employee of the Bank for the remainder of their life. If such retirement benefit payments are made for less than ten years, a survivor benefit will continue to be paid for the balance of such ten-year period. Such benefits are in addition to any social security benefits. Upon a change of control of the Bank prior to the date of retirement of a participant, all benefits shall be deemed earned and non-forfeitable as if such participant had attained his or her retirement date at age 60. A participant may elect to retire after age 55 and such benefits payable shall be actuarially reduced to reflect the earlier payment commencement date. If a participant dies prior to age 60 while employed by the Bank, a survivor benefit will be paid equal to 100% of the participant’s highest salary for one year and 50% of such salary for four additional years. Benefits under the plan may be paid in the form of a lump sum on an actuarially equivalent basis. At December 31, 2015, the Bank had a total accrued liability of $3.6 million with respect to benefits payable under the SERP. Benefits under the SERP will be a tax-deductible expense to the Bank at the time that actual benefit payments are made. The Bank has invested in various life insurance agreements (commonly known as BOLI, for bank-owned life insurance) with policy proceeds payable to the Bank in the event of the death of plan participants. Such insurance proceeds and earnings related to such investments are anticipated to exceed any plan costs related to benefit payments.

On January 19, 2016, the Bank approved SERPs for Ms. Elizabeth A. Milavsky, Executive Vice President and Chief Operating Officer, and John F. Hawkins, Senior Vice President and Chief Financial Officer. Such SERP benefits when aggregated with projected Social Security benefits and Bank contributions to the 401(k) plan are projected to provide each participant with a target total retirement benefit of 35% of final three year average salary upon retirement on or after December 31, 2019. Pursuant to the terms of the SERP for Ms. Milavsky, she will earn an annual supplemental retirement benefit equal to 23.23% of her highest base salary in effect prior to retirement payable as a life annuity, with a minimum of an aggregate of ten annual payments certain payable to the officer or the officer's beneficiary. Mr. Hawkins' SERP benefit is calculated as 25.09% of his highest annual base salary. Such benefits will be vested upon completion of additional years of continuous employment with the Bank through December 31, 2019. The projected annual benefit upon retirement on or after December 31, 2019, is $61,850 and $60,675 per year for each of Ms. Milavsky and Mr. Hawkins, respectively. In the event of the Executive's death prior to retirement, the Executive's beneficiary will receive an alternative benefit equal to the annual retirement benefit for a period of ten years following the death of the Executive. Such SERP benefits shall be vested upon a change of control of the Company or the Bank or upon the Executive's termination of employment as a result of disability prior to December 31, 2019.

Potential Payments Upon Termination or Change-in-Control. As described below, certain of the Named Executive Officers are parties to various agreements that provide for payments in connection with any termination of their employment. The following table shows the payments that would be made to the Named Executive Officers at, following or in connection with any termination of their employment in the specified circumstances as of the last business day of the last fiscal year.

Name and Plan	Voluntary Termination(1)	Early Retirement(2)	Normal Retirement(2)	Involuntary Not For Cause Termination(3)	For Cause Termination	Change-in-Control Termination(3)	Disability(4)	Death(5)
Vito S. Pantilione	$ 494,000	$ --	$ 247,000	$ 2,181,000	$ --	$ 2,181,000	$ 494,000	$ 1,525,000
John F. Hawkins	--	--	--	--	--	--	--	773,000
Elizabeth Milavsky	--	--	--	804,000	--	804,000	--	880,000

(1) The payment represents the annual amount payable to the Named Executive for a minimum of 2 years and a maximum of 3 years.

(2) Early retirement payments and normal retirement payments represent eligible annual payments under the SERP Plan for ages 55 and 60, respectively.

(3) These payments represent a maximum lump sum payment to the Named Executive upon termination of their contract.

(4) The disability payment includes insurance disability as well as Company compensation on an annual basis for the remainder of the Named Executive's term of employment contract (minimum of 2 years up to a maximum of 3 years).

(5) Death benefits represent total life insurance payments that would be paid out to the Named Executive's heirs.

Employment Agreements. The Bank has entered into an employment agreement with Mr. Pantilione. Mr. Pantilione's base salary under the employment agreement for the year ended December 31, 2015 was $494,000. Mr. Pantilione's employment agreement has a term of three years that is automatically extended for one year on January 1st of each year, unless notice of termination of the automatic extension is given in accordance with the terms of the employment agreement. The employment agreement may be terminated by the Bank for "cause" as defined in the agreement. If the Bank terminates Mr. Pantilione's employment without just cause, he will be entitled to a continuation of his salary plus his annualized bonus from the date of termination through the remaining term of the agreement. The employment agreement contains a provision stating that if Mr. Pantilione's employment is terminated in connection with any change in control, he will be paid a lump sum amount equal to 3.0 times his annual base salary plus an amount equal to 3.0 times the average of the three highest annual bonuses awarded to him prior to such termination; provided that such severance payments following a change in control will be reduced so that such payments will not be made in excess of the tax deductible amounts under Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”). If payment had been made under the agreement as of December 31, 2015, the payment to Mr. Pantilione would have

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equaled approximately $2,181,000. The employment agreement also grants the right of the employee, within six months following a termination without cause or a voluntary termination by the employee for good reason, to require the Company to repurchase all of the employee's shares of Common Stock, warrants and options of the Company then owned by the employee at the closing price of such stock on the business day immediately preceding the date of notice of the employee's exercise of this right. The employment agreement also grants the right of the employee, within six months following a termination without cause or a voluntary termination by the employee for good reason, to require the Company to repurchase all of the employee's shares of Common Stock, warrants and options of the Company then owned by the employee at the closing price of such stock on the business day immediately preceding the date of notice of the employee's exercise of this right. The employment agreement also contains an agreement not to compete with the Bank which restricts certain post-employment activities of the employee within the Counties of Gloucester, Camden, Salem or Cumberland, New Jersey, for two years following termination of employment with the Bank.

Change in Control Severance Agreements. The Company has implemented a Management Change in Control Agreement with Elizabeth Milavsky, Executive Vice President and Chief Operating Officer. Such Management Change in Control Agreement provides for severance benefits associated with termination of employment following a change in control equal to two and one-half times the most recent salary and bonus payment, not to exceed the tax deductible amounts under Section 280G of the Code.

DIRECTOR COMPENSATION

Set forth below is a table providing information concerning the compensation of the directors of Parke Bancorp, Inc. who are not Named Executive Officers for 2015. The only compensation received by directors was in the form of cash.

Name	Total Compensation(1)
Celestino R. Pennoni	$ 189,180
Fred G. Choate	42,565
Daniel J. Dalton	28,730
Arret F. Dobson	27,760
Edward Infantolino	17,680
Anthony J. Jannetti	35,330
Jeffrey H. Kripitz	44,220
Jack C. Sheppard, Jr.	37,850
Ray H. Tresch	42,300

(1) Total compensation reflects fees paid in cash during 2015

At December 31, 2015, one Director, Celestino R. Pennoni, had 18,519 stock option awards outstanding at an exercise price of $10.26 per share which expire in 2016.

For the year ended December 31, 2015, the chairman and each other non-employee director received board fees of $53,300 and $11,400, respectively. Retainers of $42,580, $20,260, and $6,280 were paid to the chairman, audit committee chairman, and each other non-employee director, respectively, regardless of attendance. Additionally, fees were paid in connection with attendance of committee meetings for all non-employee directors. For the fiscal year ended December 31, 2015, board fees totaled $142,600. Currently, each Company director also serves as a Bank director. Directors' fees are paid by the Bank; there are no additional fees paid by the Company.

RELATED PARTY TRANSACTIONS

In the normal course of its business as a financial institution, the Bank has granted loans to its officers, directors and their affiliates. The terms of these related party loans, including interest rates, collateral and repayment terms, are similar to those prevailing for comparable transactions with other customers and do not involve more than a normal risk of collectability or other unfavorable features. At December 31, 2015, the aggregate outstanding principal balance of all such related party loans was $20.1 million. Loans totaling $2.7 million that are guaranteed by one of its Board members, Ray H. Tresch, are greater than 90 days delinquent and are no longer accruing interest. These loans were granted to a former Board member, Thomas Hedenberg, for the purpose of financing residential and commercial real estate developments. The collateral securing these loans have been reappraised and the values exceed the outstanding loan balances.

The Company purchased in 2015 employee benefits such as medical insurance, life insurance and disability insurance from an insurance agency owned by one of its Board members, Jeffrey H. Kripitz, which amounted to $562,000. Mr. Kripitz has beneficial ownership of 325,425 shares, or 5.23% of the outstanding shares of Common Stock.

PROPOSAL III -- RATIFICATION OF APPOINTMENT OF AUDITORS

The Board of Directors of the Company has appointed RSM US LLP as the Company’s independent auditor for the fiscal year ending December 31, 2016, subject to ratification by the Company’s shareholders. A representative of RSM US LLP is expected to be present at the Annual Meeting and available to respond to appropriate questions, and he will have the opportunity to make a statement if he so desires.

Audit Fees. The aggregate fees billed by RSM US LLP for professional services rendered for the audit of the Company’s annual consolidated financial statements and for the review of the consolidated financial statements included in the Company’s Quarterly Reports on Form 10-Q for the fiscal years ended December 31, 2015 and 2014, were $158,776 and $148,325, respectively.

Audit Related Fees. The aggregate fees billed by RSM US LLP for audit and related services for the years ended December 31, 2015 and 2014, were $0 and $0, respectively.

Tax Fees. The aggregate fees billed by RSM US LLP for professional services rendered for tax compliance, tax advice or tax planning for the years ended December 31, 2015 and 2014 were $0 and $18,500, respectively.

All Other Fees. The aggregate fees billed by RSM US LLP for all other services for the years ended December 31, 2015 and 2014 were $0 and $0, respectively.

The Audit Committee has not established pre-approval procedures and instead specifically approves each service prior to the engagement of the auditor for all audit and non-audit services. It is the Audit Committee’s policy to pre-approve all audit and non-audit services prior to the engagement of the Company’s independent auditor to perform any service. All of the services listed above for 2015 and 2014 were approved by either the Company’s or the Bank’s Audit Committee prior to the service being rendered. There were no services that were not recognized to be non-audit services at the time of engagement that were approved after the fact.

Ratification of the appointment of the independent auditor requires the affirmative vote of a majority of the votes cast, in person or by proxy, by the shareholders of the Company at the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF RSM US LLP AS THE COMPANY’S INDEPENDENT AUDITOR FOR THE 2016 FISCAL YEAR.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee’s main responsibilities include establishing and reviewing the Company’s internal controls and operating procedures to ensure compliance by the Company with all applicable laws, regulations, generally accepted accounting standards and customary operating procedures and practices. The Audit Committee also monitors the results of examinations by the Company’s independent auditor. During the year ended December 31, 2015, this committee met 4 times.

For the fiscal year ended December 31, 2015, the Audit Committee: (i) reviewed and discussed the Company’s audited consolidated financial statements with management, (ii) discussed with the Company’s independent auditor, RSM US LLP, all matters required to be discussed under the standards of the Public Company Accounting Oversight Board and (iii) received from RSM US LLP disclosures regarding RSM US LLP’s independence as required by Public Company Accounting Oversight Board, Rule 3526 “Communication with Audit Committee Concerning Independence” and discussed with RSM US LLP its independence. Based on the foregoing review and discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Audit Committee:
Fred G. Choate (Chairman)
Daniel J. Dalton
Arret Dobson
Jack C. Sheppard, Jr.

SHAREHOLDER PROPOSALS

In order to be considered for inclusion in the Company’s proxy materials for the annual meeting of shareholders to be held in 2017, all shareholder proposals must be received at the executive office of the Company at 601 Delsea Drive, Washington Township, New Jersey 08080 by November 18, 2016. Shareholder proposals must meet other applicable criteria as set forth in the bylaws in order to be considered for inclusion in the proxy materials.

Shareholder proposals that are not included in the Company’s proxy statement for the 2017 annual meeting will only be considered at such meeting if the shareholder submits notice of the proposal to the Company at the above address by February 18, 2017. Shareholder proposals must meet other applicable criteria as set forth in the bylaws in order to be considered at the 2017 annual meeting.

SECTION 16 (a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), requires the Company's directors, and executive officers to file reports of ownership and changes in their equity securities of the Company with the Securities and Exchange Commission and to furnish the Company with copies of such reports. To the Company's knowledge, all of the filings by our directors and executive officers were made on a timely basis during the 2015 fiscal year.

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OTHER MATTERS

The Board of Directors is not aware of any other matters to come before the Annual Meeting. However, if any other matters should properly come before the Annual Meeting or any adjournments, it is intended that proxies will be voted in respect thereof in accordance with the judgment of the persons named in the accompanying proxy.

MISCELLANEOUS

The cost of soliciting proxies will be borne by the Company. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of Common Stock. In addition to solicitations by mail, directors, officers, and regular employees of the Company or the Bank may solicit proxies personally or by telegraph or telephone without additional compensation. In addition, the Company has retained Georgeson, Inc. to aid in the solicitation of proxies. Georgeson, Inc. will receive a base fee of approximately $5,000 plus certain incremental costs for its proxy solicitation services.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON APRIL 19, 2016

The Proxy Statement and Annual Report to Shareholders are available at www.investorvote.com/pkbk. For information on how to obtain directions to the Annual Meeting, please call or email Linda Kaiser at (856) 256-2500 or lkaiser@parkebank.com, respectively.

Stockholders can elect to receive future proxy statements and annual reports over the internet rather than in printed form. Stockholders of record can make this election by calling Investor Relations toll-free at 1 (800) 866-PARKEBK, sending an email to InvestorRelations@parkebank.com, or by following the instructions at www.parkebank.com. If you hold your shares in street name, please refer to the information provided by your broker, bank or other nominee for instructions on how to elect to access future proxy materials over the internet.

ANNUAL REPORT ON FORM 10-K

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the Securities and Exchange Commission, will be furnished without charge to shareholders as of the Record Date upon written request to the Chief Financial Officer, Parke Bancorp, Inc., 601 Delsea Drive, Washington Township, New Jersey 08080.

BY ORDER OF THE BOARD OF DIRECTORS

Linda A. Kaiser

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