

REFINITIV

DELTA REPORT

10-Q

PKBK - PARKE BANCORP, INC.

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 497

█ CHANGES 199

█ DELETIONS 131

█ ADDITIONS 167

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

FORM 10-Q

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

For the quarterly period ended: **March 31, 2024** **June 30, 2024**

or

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

For the transition period from _____ to _____

Commission File No. **000-51338**

PARKE BANCORP, INC.

(Exact name of registrant as specified in its charter)

New Jersey

65-1241959

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

601 Delsea Drive, Washington Township, New Jersey

08080

(Address of principal executive offices)

(Zip Code)

856-256-2500

(Registrant's telephone number, including area code)

N/A

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

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

Title of each class

Trading Symbols

Name of Each Exchange on Which Registered

Common Stock, par value \$0.10 per share

PKBK

The Nasdaq Stock Market, LLC

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes

No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of **May 3, 2024** August 2, 2024, there were **11,962,821** **11,977,398** shares of the registrant's common stock (\$0.10 par value) outstanding.

INDEX

		<u>Page</u>
<u>Part I</u>	FINANCIAL INFORMATION	
Item 1.	Financial Statements	<u>1</u>
	<u>Consolidated Balance Sheets as of March 31, 2024 June 30, 2024 and December 31, 2023 (unaudited)</u>	<u>1</u>
	<u>Consolidated Statements of Income for the three and six months ended March 31, 2024 June 30, 2024 and 20232023 (unaudited)</u>	<u>2</u>
	<u>Consolidated Statements of Comprehensive Income for the three and six months ended March 31, 2024 June 30, 2024 and 2023 (unaudited)</u>	<u>3</u>
	<u>Consolidated Statements of Equity for the three and six months ended March 31, 2024 June 30, 2024 and 2023 (unaudited)</u>	<u>4</u>
	<u>Consolidated Statements of Cash Flow for the three six months ended March 31, 2024 June 30, 2024 and 2023 (unaudited)</u>	<u>5</u>
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>6</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>30</u>
Item 4.	<u>Controls and Procedures</u>	<u>30</u>
<u>Part II</u>	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	<u>30</u>
Item 1A.	<u>Risk Factors</u>	<u>31</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>31</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>31</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>31</u>
Item 5.	<u>Other Information</u>	<u>31</u>
Item 6.	<u>Exhibits</u>	<u>32</u>
SIGNATURES		<u>33</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Parke Bancorp, Inc. and Subsidiaries
Consolidated Balance Sheets
 (unaudited)
 (Dollars in thousands except per share data)

	Assets	March 31, 2024	December 31, 2023	Assets	June 30, 2024	December 31, 2023
Assets				Assets		
Cash and due from banks						
Interest bearing deposits with banks						
Cash and cash equivalents						
Investment securities available for sale, at fair value						
Investment securities held to maturity, net of allowance for credit losses of \$0 at March 31, 2024 and December 31, 2023 (fair value of \$7,685 at March 31, 2024 and \$7,892 at December 31, 2023)						
Investment securities held to maturity, net of allowance for credit losses of \$0 at June 30, 2024 and December 31, 2023 (fair value of \$7,564 at June 30, 2024 and \$7,892 at December 31, 2023)						
Total investment securities						
Loans, net of unearned income						
Loans, net of unearned income						
Loans, net of unearned income						
Less: Allowance for credit losses						
Net loans						
Accrued interest receivable						
Premises and equipment, net						
Restricted stock						
Bank owned life insurance (BOLI)						
Deferred tax asset						
Other real estate owned (OREO)						
Other						
Total assets						
Liabilities and Shareholders' Equity		Liabilities and Shareholders' Equity		Liabilities and Shareholders' Equity		
Liabilities		Liabilities		Liabilities		
Deposits		Deposits		Deposits		
Noninterest-bearing deposits						
Interest-bearing deposits						
Total deposits						
FHLBNY borrowings						
Subordinated debentures						
Subordinated debentures						
Subordinated debentures						
Accrued interest payable						
Other						
Total liabilities						
Shareholders' Equity		Shareholders' Equity		Shareholders' Equity		
Preferred stock, 1,000,000 shares authorized, \$1,000 liquidation value Series B non-cumulative convertible; 375 shares outstanding at March 31, 2024 and December 31, 2023						
Common stock, \$0.10 par value; authorized 15,000,000 shares; Issued: 12,247,343 shares and 12,240,821 shares at March 31, 2024 and December 31, 2023, respectively						
Preferred stock, 1,000,000 shares authorized, \$1,000 liquidation value Series B non-cumulative convertible; 325 shares and 375 shares outstanding at June 30, 2024 and December 31, 2023, respectively						
Common stock, \$0.10 par value; authorized 15,000,000 shares; Issued: 12,254,220 shares and 12,240,821 shares at June 30, 2024 and December 31, 2023, respectively						
Additional paid-in capital						
Retained earnings						
Accumulated other comprehensive loss						

Treasury stock, 284,522 shares at March 31, 2024 and December 31, 2023, at cost
Treasury stock, 284,522 shares at June 30, 2024 and December 31, 2023, at cost
Total shareholders' equity
Total liabilities and shareholders' equity
Total liabilities and shareholders' equity
Total liabilities and shareholders' equity

See accompanying notes to the unaudited consolidated financial statements

Parke Bancorp Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
 (unaudited)
 (Dollars in thousands except per share data)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	2023	June 30, 2024	2023
Interest income:				
Interest and fees on loans				
Interest and fees on loans				
Interest and fees on loans				
Interest and dividends on investments				
Interest and dividends on investments				
Interest and dividends on investments				
Interest on deposits with banks				
Interest on deposits with banks				
Interest on deposits with banks				
Total interest income				
Total interest income				
Total interest income				
Interest expense:				
Interest expense:				



Data processing
Data processing
FDIC insurance and other assessments
FDIC insurance and other assessments
FDIC insurance and other assessments
OREO expense
OREO expense
OREO expense
Other operating expense
Other operating expense
Other operating expense
Total non-interest expense
Total non-interest expense
Total non-interest expense
Income before income tax expense
Income before income tax expense
Income before income tax expense
Income tax expense
Income tax expense
Income tax expense
Net income attributable to Company
Net income attributable to Company
Net income attributable to Company
Less: Preferred stock dividend
Less: Preferred stock dividend
Less: Preferred stock dividend
Net income available to common shareholders
Net income available to common shareholders
Net income available to common shareholders
Earnings per common share
Earnings per common share
Earnings per common share
Basic
Basic
Basic
Diluted
Diluted
Diluted
Weighted average common shares outstanding
Weighted average common shares outstanding
Weighted average common shares outstanding
Basic
Basic
Basic
Diluted
Diluted
Diluted

See accompanying notes to the unaudited consolidated financial statements

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

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Balance, March 31, 2024
Net income
Net income
Net income
Common stock options exercised
Preferred stock shares conversion
Common stock options exercised
Preferred stock shares conversion
Common stock options exercised
Preferred stock shares conversion
Other comprehensive income
Other comprehensive income
Other comprehensive income
Stock compensation expense
Stock compensation expense
Stock compensation expense
Dividend on preferred stock (\$15.00 per share)

Dividend on preferred stock (\$15.00 per share)	
Dividend on preferred stock (\$15.00 per share)	
Dividend on common stock (\$0.18 per share)	
Dividend on common stock (\$0.18 per share)	
Dividend on common stock (\$0.18 per share)	
Balance, March 31, 2023	
Balance, March 31, 2023	
Balance, March 31, 2023	
Three Months Ended	
Three Months Ended	
Three Months Ended	
Balance, June 30, 2024	
Balance, June 30, 2024	
Balance, June 30, 2024	
Six Months Ended	
Six Months Ended	
Six Months Ended	
Balance, December 31, 2023	
Balance, December 31, 2023	
Balance, December 31, 2023	
Net income	
Net income	
Net income	
Common stock options exercised	
Common stock options exercised	
Common stock options exercised	
Preferred stock shares conversion	
Preferred stock shares conversion	
Preferred stock shares conversion	
Other comprehensive loss	
Other comprehensive loss	
Other comprehensive loss	
Stock compensation expense	
Stock compensation expense	
Stock compensation expense	
Dividend on preferred stock (\$15.00 per share)	
Dividend on preferred stock (\$15.00 per share)	
Dividend on preferred stock (\$15.00 per share)	
Dividend on common stock (\$0.18 per share)	
Dividend on common stock (\$0.18 per share)	
Dividend on common stock (\$0.18 per share)	
Balance, March 31, 2024	
Balance, March 31, 2024	
Balance, March 31, 2024	
Dividend on preferred stock (\$30.00 per share)	
Dividend on preferred stock (\$30.00 per share)	
Dividend on preferred stock (\$30.00 per share)	
Dividend on common stock (\$0.36 per share)	
Dividend on common stock (\$0.36 per share)	
Dividend on common stock (\$0.36 per share)	
Balance, June 30, 2024	
Balance, June 30, 2024	
Balance, June 30, 2024	

See accompanying notes to the unaudited consolidated financial statements

Parke Bancorp, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF EQUITY
 (audited)
 (Dollars in thousands except share data)

Periods ended June 30, 2023

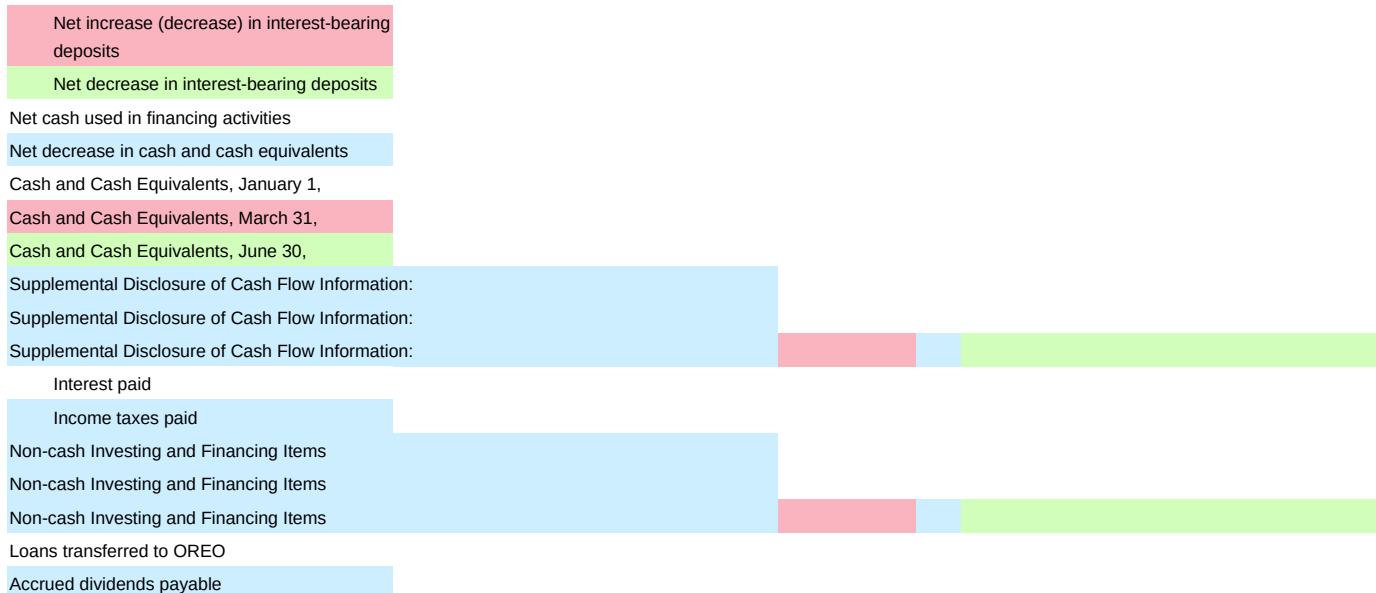
	Shares of Preferred Stock Outstanding	Preferred Stock	Shares of Common Stock Issued	Common Stock	Additional Paid-In Capital	Retained Earnings	Other (Loss) Income	Treasury Stock	Accumulated Comprehensive Income	Total Shareholders' Equity
Three Months Ended										
Balance, March 31, 2023	445	\$ 445	12,231,193	\$ 1,223	\$ 136,341	\$ 138,577	\$ (465)	\$ (3,015)	\$ 273,106	
Net income	—	—	—	—	—	8,130	—	—	—	8,130
Other comprehensive loss	—	—	—	—	—	—	(45)	—	—	(45)
Stock compensation expense	—	—	—	—	106	—	—	—	—	106
Dividend on preferred stock (\$15.00 per share)	—	—	—	—	—	(7)	—	—	—	(7)
Dividend on common stock (\$0.18 per share)	—	—	—	—	—	(2,150)	—	—	—	(2,150)
Balance, June 30, 2023	445	\$ 445	12,231,193	\$ 1,223	\$ 136,447	\$ 144,550	\$ (510)	\$ (3,015)	\$ 279,140	
Six Months Ended										
Balance, December 31, 2022	445	\$ 445	12,225,097	\$ 1,223	\$ 136,201	\$ 131,706	\$ (526)	\$ (3,015)	\$ 266,034	
Cumulative effect of adoption of ASU 2016-3	—	—	—	—	—	(2,102)	—	—	—	(2,102)
Net income	—	—	—	—	—	19,260	—	—	—	19,260
Common stock options exercised	—	—	6,096	—	33	—	—	—	—	33
Other comprehensive income	—	—	—	—	—	—	16	—	—	16
Stock compensation expense	—	—	—	—	213	—	—	—	—	213
Dividend on preferred stock (\$30.00 per share)	—	—	—	—	—	(14)	—	—	—	(14)
Dividend on common stock (\$0.36 per share)	—	—	—	—	—	(4,300)	—	—	—	(4,300)
Balance, June 30, 2023	445	\$ 445	12,231,193	\$ 1,223	\$ 136,447	\$ 144,550	\$ (510)	\$ (3,015)	\$ 279,140	

See accompanying notes to the unaudited consolidated financial statements

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

	For the Three Months Ended March 31, 2024		For the Six Months Ended June 30, 2024	
	2024	2023	2024	2023
Cash Flows from Operating Activities:				
Cash Flows from Operating Activities:				
Cash Flows from Operating Activities:				
Cash Flows from Operating Activities:				
Cash Flows from Operating Activities:				
Cash Flows from Operating Activities:				
Cash Flows from Operating Activities:				
Cash Flows from Operating Activities:				
Cash Flows from Operating Activities:				
Net income				
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization				
Provision for (recovery of) credit losses				
Increase in value of bank owned life insurance				
Gain on sale of SBA loans				
SBA loans originated for sale				





See accompanying notes to the unaudited consolidated financial statements

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1. ORGANIZATION

Parke Bancorp, Inc. (the "Company, we, us, our") is a bank holding company headquartered in Sewell, New Jersey. Through subsidiaries, the Company provides individuals, corporations and other businesses and institutions with commercial and retail banking services, principally loans and deposits. The Company was incorporated in January 2005 under the laws of the State of New Jersey for the sole purpose of becoming the holding company of Parke Bank (the "Bank").

The Bank is a commercial bank, which was incorporated on August 25, 1998, and commenced operations on January 28, 1999. The Bank is chartered by the New Jersey Department of Banking and Insurance and its deposits are insured by the Federal Deposit Insurance Corporation. The Bank maintains its principal office at 601 Delsea Drive, Sewell, New Jersey, and has six additional branch office locations; 501 Tilton Road, Northfield, New Jersey, 567 Egg Harbor Road, Washington Township, New Jersey, 67 East Jimmie Leeds Road, Galloway Township, New Jersey, 1150 Haddon Avenue, Collingswood, New Jersey, 1610 Spruce Street, Philadelphia, Pennsylvania, and 1032 Arch Street, Philadelphia, Pennsylvania. The Bank also has a loan office located at 1817 East Venango Street, Philadelphia, Pennsylvania.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation: We prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Parke Bank (including certain partnership interests). Parke Capital Trust I, Parke Capital Trust II and Parke Capital Trust III are wholly-owned subsidiaries but are not consolidated as they do not meet the requirements for consolidation under applicable accounting guidance. We have eliminated inter-company balances and transactions. We have also reclassified certain prior year amounts to conform to the current year presentation, which did not have a material impact on our consolidated financial condition or results of operations.

The accompanying interim financial statements should be read in conjunction with the annual financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. The accompanying interim financial statements for the three and six months ended March 31, 2024 June 30, 2024 and 2023 are unaudited. The balance sheet as of December 31, 2023, was derived from the audited financial statements. In the opinion of management, these financial statements include all normal and recurring adjustments necessary for a fair statement of the results for such interim periods. Results of operations for the three and six months ended March 31, 2024 June 30, 2024 are not necessarily indicative of the results for the full year or any other period.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term include the allowance for credit losses, the valuation of deferred income taxes, and the carrying value of other real estate owned ("OREO").

Recently Issued Accounting Pronouncements:

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments provide optional guidance to entities for a limited period of time to ease the transition in accounting for and recognizing the effects of reference rate reform on financial reporting. Under the guidance, modifications of contracts due to reference rate reform will not require contract remeasurement or reassessment of a previous accounting determination. For hedge accounting, modification of critical terms of the hedge due to changes in

reference rate reform will not affect hedge accounting or de-designate the hedging relationship. The guidance also provides specific expedients for fair value hedges, cash flow hedges, and excluded components. Further, the guidance provides a one-time election to sell or transfer held to maturity debt securities that are affected by the reference rate change. The guidance is effective upon issuance through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, which extends the sunset (or expiration) date of Accounting Standards Codification (ASC) Topic 848 to December 31, 2024. This gives reporting entities two additional years to apply the accounting relief provided under ASC Topic 848 for matters related to reference rate reform. ASU 2022-06 is effective for all reporting entities immediately upon issuance and must be applied on a prospective basis. The Company does not expect the application of this guidance to have a material impact on the Consolidated Financial Statements.

NOTE 3. INVESTMENT SECURITIES

The following is a summary of the Company's investments in available for sale and held to maturity securities as of **March 31, 2024**, **June 30, 2024** and **December 31, 2023**:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
		Gross unrealized gains	Gross unrealized losses	
As of March 31, 2024				
(Dollars in thousands)				
As of June 30, 2024				
Available for sale:	Available for sale:		Available for sale:	
Residential mortgage-backed securities				
Residential mortgage-backed securities				
Residential mortgage-backed securities				
Total available for sale				
Total available for sale				
Total available for sale				
Held to maturity:	Held to maturity:		Held to maturity:	
Residential mortgage-backed securities				
States and political subdivisions				
Total held to maturity				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
As of December 31, 2023				
(Dollars in thousands)				
Available for sale:				
Residential mortgage-backed securities	\$ 7,639	\$ 3	\$ 547	\$ 7,095
Total available for sale	\$ 7,639	\$ 3	\$ 547	\$ 7,095
Held to maturity:				
Residential mortgage-backed securities	\$ 5,406	\$ —	\$ 1,054	\$ 4,352
States and political subdivisions		38	384	3,540
Total held to maturity	\$ 9,292	\$ 38	\$ 1,438	\$ 7,892

The amortized cost and fair value of debt securities classified as available for sale and held to maturity, by contractual maturity as of **March 31, 2024**, **June 30, 2024** are as follows:

	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)		(Dollars in thousands)	
Available for sale:	Available for sale:		Available for sale:	
(Dollars in thousands)				
Due within one year				
Due after one year through five years				
Due after five years through ten years				
Due after ten years				
Total available for sale				
Held to maturity:				

Held to maturity:

Held to maturity:

Due within one year

Due within one year

Due within one year

Due after one year through five years

Due after five years through ten years

Due after ten years

Total held to maturity

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

The Company did not sell any securities during the three and six months ended March 31, 2024, June 30, 2024 or 2023. The following tables show the gross unrealized losses and fair value of the Company's available for sale investments for which an allowance for credit losses has not been recorded, which are aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2024 June 30, 2024 and December 31, 2023:

As of March 31, 2024		Less Than 12 Months			12 Months or Greater			Total					
		Months	Fair Value	Unrealized Losses	Months	Fair Value	Unrealized Losses	Total	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
Description of Securities		As of June 30, 2024						As of December 31, 2023					
		Description of Securities	Fair Value	Unrealized Losses	Months	Fair Value	Unrealized Losses	Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
		(Dollars in thousand)						(Dollars in thousand)					
		Available for sale:	Available for sale:	Available for sale:									
		Residential mortgage-backed securities											
		Total available for sale											
Description of Securities		Less Than 12 Months						12 Months or Greater			Total		
		As of December 31, 2023		Fair Value	Unrealized Losses	Fair Value		Unrealized Losses	Fair Value		Unrealized Losses		
		(Dollars in thousands)											
		Available for sale:											
		Residential mortgage-backed securities	\$ 25	\$ —		\$ 6,870	\$ 547	\$ 6,895	\$ 547				
		Total available for sale	\$ 25	\$ —		\$ 6,870	\$ 547	\$ 6,895	\$ 547				

On at least a quarterly basis, we review all debt securities that are in an unrealized loss position for a credit loss. An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments (if any) made to the cost basis of an investment for accretion, amortization, and previous other-than-temporary impairments. For individual debt securities classified as available for sale, we determine whether a decline in fair value below the amortized cost has resulted from a credit loss or other factors. If the decline in fair value is due to credit, we will record the portion of the impairment loss relating to credit through an allowance for credit losses. Impairment that has not been recorded through an allowance for credit losses is recorded through other comprehensive income, net of applicable taxes.

The Company's unrealized loss for the debt securities classified as available for sale is comprised of 811 securities in the less than 12 months loss position and 2016 securities in the 12 months or greater loss position at March 31, 2024 June 30, 2024. These securities are mortgage-backed securities that had unrealized losses were issued or guaranteed by the US government or US government sponsored entities. The unrealized losses associated with those mortgage-backed securities are generally driven by changes in interest rates and are not due to credit losses given the explicit or implicit guarantees provided by the U.S. government. The states and political subdivisions securities that had unrealized losses were issued by a school district, and the loss is attributed to changes in interest rates and not due to credit losses. Because the Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell these investments before recovery of their amortized cost basis, the Company does not consider the unrealized loss in these securities to be credit losses at March 31, 2024 June 30, 2024.

The Company classifies the held-to-maturity debt securities into the following major security types: residential mortgage backed, and state and political subdivisions. These securities are highly rated with a history of no credit losses, and are assigned ratings based on the most recent data from ratings agencies depending on the availability of data for the security. Credit ratings of held-to-maturity debt securities, which are a significant input in calculating the expected credit loss, are reviewed on a quarterly basis. Based on the credit ratings of our held-to-maturity securities and our historical experience including no losses, we have determined that an allowance for credit loss on the held-to-maturity portfolio is not required. Because the Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell these investments before recovery of their amortized cost basis, the Company does not consider the unrealized loss in these securities to be credit losses at June 30, 2024.

NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

At **March 31, 2024** **June 30, 2024** and December 31, 2023, the Company had **\$1.79 billion** **\$1.81 billion** and \$1.79 billion, respectively, in loans receivable outstanding. Outstanding balances include **\$2.4 million** **\$2.1 million** and \$2.7 million at **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, for net deferred loan costs, and unamortized discounts.

The portfolio segments of loans receivable at **March 31, 2024** **June 30, 2024** and December 31, 2023, consist of the following:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023				
	(Dollars in thousands)		(Dollars in thousands)					
Commercial and Industrial								
Construction								
Real Estate Mortgage:	Real	Estate	Real	Estate				
Commercial – Owner Occupied	Mortgage:		Mortgage:					
Commercial – Non-owner Occupied								
Residential – 1 to 4 Family								
Residential – 1 to 4 Family Investment								
Residential – Multifamily								
Consumer								
Total Loan receivable								
Allowance for credit losses on loans								
Total loan receivable, net of allowance for credit losses on loans								

An age analysis of past due loans by class at **March 31, 2024** **June 30, 2024** and December 31, 2023 is as follows:

<u>March 31, 2024</u>	<u>March 31, 2024</u>	<u>March 31, 2024</u>	<u>June 30, 2024</u>	<u>June 30, 2024</u>	<u>June 30, 2024</u>	(Dollars in Thousands)	(Dollars in Thousands)
Commercial and Industrial							
Construction							
Construction							
Construction							
Real Estate Mortgage:							
Real Estate Mortgage:							
Real Estate Mortgage:							
Commercial – Owner Occupied							
Commercial – Owner Occupied							
Commercial – Owner Occupied							
Commercial – Non-owner Occupied							
Commercial – Non-owner Occupied							
Commercial – Non-owner Occupied							
Residential – 1 to 4 Family							
Residential – 1 to 4 Family							
Residential – 1 to 4 Family							
Residential – 1 to 4 Family Investment							
Residential – 1 to 4 Family Investment							

Residential – 1 to 4 Family Investment

Residential – Multifamily

Residential – Multifamily

Residential – Multifamily

Consumer

Consumer

Consumer

Total Loans

Total Loans

Total Loans

December 31, 2023	30-59	60-89	Greater	Total Past	Current	Total
	Days Past Due	Days Past Due	than 90 Days			
(Dollars in thousands)						
Commercial and Industrial	\$ —	\$ —	\$ 712	\$ 712	\$ 34,739	\$ 35,451
Construction	—	—	1,091	1,091	156,465	157,556
Real Estate Mortgage:						
Commercial – Owner Occupied	—	—	1,117	1,117	140,625	141,742
Commercial – Non-owner Occupied	—	1,549	3,107	4,656	365,253	369,909
Residential – 1 to 4 Family	58	1,793	1,211	3,062	446,620	449,682
Residential – 1 to 4 Family Investment	—	440	—	440	523,727	524,167
Residential – Multifamily	—	—	—	—	103,324	103,324
Consumer	66	—	—	66	5,443	5,509
Total Loans	\$ 124	\$ 3,782	\$ 7,238	\$ 11,144	\$ 1,776,196	\$ 1,787,340

The following table provides the amortized cost of loans on nonaccrual status:

	March 31, 2024					June 30, 2024								
	(amounts in thousands)	(amounts in thousands)	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming	(amounts in thousands)	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonaccrual	Total Nonperforming
Commercial and Industrial														
Construction														
Commercial - Owner Occupied														
Commercial - Non-owner Occupied														
Residential - 1 to 4 Family														
Residential - 1 to 4 Family Investment														
Residential - Multifamily														
Consumer														
Total														

	December 31, 2023				
	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming
(amounts in thousands)					

Commercial and Industrial	\$ 277	\$ 435	\$ 712	\$ —	\$ 712
Construction	1,091	—	1,091	—	1,091
Commercial - Owner Occupied	717	400	1,117	—	1,117
Commercial - Non-owner Occupied	3,107	—	3,107	—	3,107
Residential - 1 to 4 Family	1,211	—	1,211	—	1,211
Residential - 1 to 4 Family Investment	—	—	—	—	—
Residential - Multifamily	—	—	—	—	—
Consumer	—	—	—	—	—
Total	\$ 6,403	\$ 835	\$ 7,238	\$ —	\$ 7,238

Allowance For Credit Losses (ACL)

We maintain the ACL at a level that we believe to be appropriate to absorb estimated credit losses in the loan portfolios as of the balance sheet date. We established our allowance in accordance with guidance provided in Accounting Standard Codification ("ASC") - Financial Instruments - Credit Losses ("ASC 326").

The allowance for credit losses represents management's estimate of expected losses inherent in the Company's lending activities excluding loans accounted for under fair value. The allowance for credit losses is maintained through charges to the provision for credit losses in the Consolidated Statements of Income as expected losses are estimated. Loans or portions thereof that are determined to be uncollectible are charged against the allowance, and subsequent recoveries, if any, are credited to the allowance.

The Company performs periodic reviews of its loan and lease portfolios to identify credit risks and to assess the overall collectability of those portfolios. The Company's allowance for credit losses includes a general component and an asset-specific component for collateral-dependent loans. To determine the asset-specific component of the allowance, the loans are evaluated individually based on the fair value of the underlying collateral. The Company generally measures the asset-specific allowance as the difference between the net realizable value of loan collateral and the recorded investment of a loan.

The general component of the allowance evaluates the impairments of pools of the loan portfolio collectively. It incorporates a historical valuation allowance and qualitative allowance. The historical valuation utilizes a vintage loss rate approach utilizing a third party software model. The vintage loss rate approach creates pools of loans based on the segments defined by management, and consists of commercial and industrial, construction, commercial - owner occupied, commercial - non-owner occupied, residential - 1 to 4 family, residential - 1 to 4 family investment, residential - multifamily, and consumer. The loan pools are aggregated by origination year. Charge-offs, net of recoveries, are allocated by the year of charge-off to each loan pool. An average life is prescribed to a pool of loans that were originated in a particular year. The actual charge-offs as a percent of total loans are calculated for each historical year, and projected for future years for each year within the average life time horizon. The sum of the actual charge-offs and projected charge-offs are divided by the average amortized origination amount for each respective year. Those charge-off percentages are added together to obtain an aggregated vintage loss percentage which is then multiplied by the outstanding loan balances to obtain a reserve requirement.

The qualitative allowance component is based on general economic conditions and other qualitative risk factors both internal and external to the Company. It is generally determined by evaluating, among other things: (i) the experience, ability and effectiveness of the Bank's lending management and staff; (ii) the effectiveness of the Bank's lending policies, procedures and internal controls; (iii) volume and severity of loan credit quality; (iv) nature and volume of portfolio and term of loans (v) the composition and concentrations of credit; (vi) the effectiveness of the internal loan review system; and (vii) national and local economic trends and conditions, and industry conditions. Management evaluates the degree of risk that each one of these components has on the quality of the loan portfolio on a quarterly basis. Each component is determined to have either a high, high-moderate, moderate, low-moderate or low degree of risk. The results are then input into a "general allocation matrix" to determine an appropriate general valuation allowance.

The Company has elected to exclude accrued interest receivable from the measurement of the ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is generally reversed against interest income.

The process of determining the level of the allowance for credit losses requires a high degree of estimate and judgment. It is reasonably possible that actual outcomes may differ from our estimates.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through the provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. At **March 31, 2024** **June 30, 2024** and December 31, 2023, the allowance for credit losses on off-balance sheet credit exposures was **\$938.0** **\$896.0** thousand and **\$499.0** thousand, respectively, on exposures totaling **\$177.7** million and **\$133.7** million, respectively.

The following tables present the information regarding the allowance for credit losses for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023:

		Real Estate Mortgage
		Commercial and Industrial
		Commercial and Industrial
		Commercial and Industrial
		(Dollars in thousands)

	(Dollars in thousands)
	(Dollars in thousands)
Three months ended March 31, 2024	
Three months ended March 31, 2024	
Three months ended March 31, 2024	
Three months ended June 30, 2024	
Three months ended June 30, 2024	
Three months ended June 30, 2024	
March 31, 2024	
March 31, 2024	
March 31, 2024	
Charge-offs	
Charge-offs	
Charge-offs	
Recoveries	
Recoveries	
Recoveries	
Provisions (benefits)	
Provisions (benefits)	
Provisions (benefits)	
Ending Balance at June 30, 2024	
Ending Balance at June 30, 2024	
Ending Balance at June 30, 2024	
Allowance for credit losses	
Allowance for credit losses	
Allowance for credit losses	
Six months ended June 30, 2024	
Six months ended June 30, 2024	
Six months ended June 30, 2024	
December 31, 2023	
December 31, 2023	
December 31, 2023	
Charge-offs	
Charge-offs	
Charge-offs	
Recoveries	
Recoveries	
Recoveries	
Provisions (benefits)	
Provisions (benefits)	
Provisions (benefits)	
Ending Balance at March 31, 2024	
Ending Balance at March 31, 2024	
Ending Balance at March 31, 2024	
Ending Balance at June 30, 2024	
Ending Balance at June 30, 2024	
Ending Balance at June 30, 2024	

During the quarter, the increase to the **Residential Multifamily Construction** portfolio was due to an increase in the portfolio balance that increased the loan exposure and also caused changes to the qualitative factors related to concentration levels within the portfolio segments. The **increase** to the **Commercial Owner Occupied**, **Residential 1 to 4 Family**, **Investment portfolio** and the **Residential Multifamily portfolios** is driven by changes to the qualitative factors related to concentration levels within the portfolio segments.

For the year to date, the increase in the **Construction** and **Residential Multifamily** portfolios was due to increases in the portfolio balances that increased the loan exposure and also caused changes to the qualitative factors related to concentration levels within the portfolio segments. The **provision** benefit during increase in the **Residential 1 to 4 Family** **Investment portfolio** was due to increase to the qualitative factors related to concentration and problem loan levels within the portfolio segments. The decrease to the **Commercial Owner Occupied** and **Commercial Non-owner Occupied** portfolios was due to decreases in the portfolio balances that decreased the loan exposure and also caused changes to the qualitative factors related to concentration levels within the portfolio segments.

	Real Estate Mortgage									
	Commercial and Industrial		Commercial Construction		Commercial Owner Occupied		Commercial Non-owner Occupied		Residential 1 to 4	
	Commercial	Residential 1 to 4	Family Investment	Residential Multifamily	Consumer	Total				
(Dollars in thousands)										
Three months ended June 30, 2023										
March 31, 2023	\$ 738	\$ 3,599	\$ 1,876	\$ 8,076	\$ 7,806	\$ 8,070	\$ 1,238	\$ 104	\$ 31,507	
Charge-offs	—	—	—	—	—	—	—	—	—	—
Recoveries	8	—	—	—	—	—	—	—	—	8
Provisions (benefits)	(156)	379	(7)	722	(96)	(330)	(6)	(6)	500	
Ending Balance at June 30, 2023	\$ 590	\$ 3,978	\$ 1,869	\$ 8,798	\$ 7,710	\$ 7,740	\$ 1,232	\$ 98	\$ 32,015	
Six months ended June 30, 2023										
December 31, 2022	\$ 390	\$ 2,581	\$ 2,298	\$ 9,709	\$ 6,076	\$ 9,381	\$ 1,347	\$ 63	\$ 31,845	
Impact of adoption ASC 326	168	1,899	(171)	(951)	1,782	(794)	(128)	53	1,858	
Charge-offs	—	—	—	—	—	—	—	—	—	—
Recoveries	10	—	2	—	—	—	—	—	—	12
Provisions (benefits)	22	(502)	(260)	40	(148)	(847)	13	(18)	(1,700)	
Ending Balance at September 30, 2022	\$ 590	\$ 3,978	\$ 1,869	\$ 8,798	\$ 7,710	\$ 7,740	\$ 1,232	\$ 98	\$ 32,015	

During the quarter, the increase to provision for the Construction segment was due to an increase in the portfolio balance, while the increase in provision to the Commercial Non-owner Occupied segment was mainly due to an increase to a decrease in the problem loan balance as well as a decrease in the portfolio balance specific reserve. The

	Real Estate Mortgage									
	Commercial and Industrial		Commercial Construction		Commercial Owner Occupied		Commercial Non-owner Occupied		Residential 1 to 4	
	Commercial	Residential 1 to 4	Family Investment	Residential Multifamily	Consumer	Total				
(Dollars in thousands)										
Three months ended March 31, 2023										
December 31, 2022	\$ 390	\$ 2,581	\$ 2,298	\$ 9,709	\$ 6,076	\$ 9,381	\$ 1,347	\$ 63	\$ 31,845	
Impact of adoption of ASC 326	168	1,899	(171)	(951)	1,782	(795)	(128)	53	1,857	
Charge-offs	—	—	—	—	—	—	—	—	—	—
Recoveries	3	—	2	—	—	—	—	—	—	5
Provisions (benefits)	177	(881)	(253)	(682)	(52)	(516)	19	(12)	(2,200)	
Ending Balance at March 31, 2023	\$ 738	\$ 3,599	\$ 1,876	\$ 8,076	\$ 7,806	\$ 8,070	\$ 1,238	\$ 104	\$ 31,507	

During credit provision during the quarter the credit provisions to the Construction, Commercial Non-owner Occupied, and Industrial and Residential 1-4 Family Investment segments were largely driven by declines or slowdowns to growth within the portfolio that lowered the loan exposure and also caused changes to the qualitative factors related to loan volume within the portfolio segments. The

For the six months ended June 30, 2023, the credit provision to the Construction, Commercial Owner Occupied, segment Residential 1 to 4 Family, and Residential 1 to 4 Family Investment segments was largely driven by a reduction in other assets especially mentioned ("OAEM") loans during declines or slowdowns to growth within the quarter, portfolio that lowered loan exposure and also caused changes to the qualitative factors related to loan volume within the portfolio segments, partially offset by an increase in loan volume balances in the Construction and Residential 1 - 4 Family Investment segments.

Collateral-Dependent Loans

The following table presents the collateral-dependent loans by portfolio segment and collateral type at March 31, 2024 June 30, 2024:

(amounts in thousands)	Real Estate	Business Assets	Other
Commercial and Industrial	\$ 698,694	\$ —	\$ —
Construction	1,091	—	—
Commercial - Owner Occupied	1,117	—	—
Commercial - Non-owner Occupied	2,106	—	—
Residential - 1 to 4 Family	1,954	1,955	—
Residential - 1 to 4 Family Investment	—	—	—
Residential - Multifamily	—	—	—
Consumer	—	—	—
Total	\$ 6,966	\$ 6,963	\$ —

The following table presents the collateral-dependent loans by portfolio segment and collateral type at December 31, 2023:

(amounts in thousands)	Real Estate	Business Assets	Other
Commercial and Industrial	\$ 712	\$ —	\$ —
Construction	1,091	—	—
Commercial - Owner Occupied	1,117	—	—
Commercial - Non-owner Occupied	3,107	—	—
Residential - 1 to 4 Family	1,211	—	—
Residential - 1 to 4 Family Investment	—	—	—
Residential - Multifamily	—	—	—
Consumer	—	—	—
Total	\$ 7,238	\$ —	\$ —

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

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

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

The following tables provide an analysis of loans by portfolio segment based on the credit quality indicators used to determine the allowance for credit losses, as of March 31, 2024.

(Dollars in thousands)		Term Loans Amortized Cost Basis by Origination Year						Revolving Loans at Amortized Cost Basis	
		2024	2023	2022	2021	2020	Prior	Cost Basis	Total
As of March 31, 2024									
Commercial and Industrial									
Pass \$	574 \$	4,584 \$	1,115 \$	56 \$	734 \$	7,459 \$	21,782 \$	36,304	
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	421	—	—	—	277	698	
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 574 \$	4,584 \$	1,536 \$	56 \$	734 \$	7,459 \$	22,059 \$	37,002	
Current period gross charge-offs	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Construction									
Pass \$	— \$	321 \$	3,337 \$	10 \$	207 \$	— \$	137,212 \$	141,087	
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	1,091	—	1,091	
Doubtful	—	—	—	—	—	—	—	—	—
	\$ — \$	321 \$	3,337 \$	10 \$	207 \$	1,091 \$	137,212 \$	142,178	
Current period gross charge-offs	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Commercial – Owner Occupied									
Pass \$	— \$	19,729 \$	35,746 \$	21,380 \$	6,976 \$	52,379 \$	2,694 \$	138,904	
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	1,117	—	1,117	
Doubtful	—	—	—	—	—	—	—	—	—
	\$ — \$	19,729 \$	35,746 \$	21,380 \$	6,976 \$	53,496 \$	2,694 \$	140,021	
Current period gross charge-offs	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Commercial – Non-owner Occupied									
Pass \$	19,977 \$	15,908 \$	75,683 \$	33,292 \$	32,735 \$	164,639 \$	1,235 \$	343,469	
OAEM	—	—	—	—	—	15,386	—	15,386	
Substandard	—	—	—	—	249	1,857	—	2,106	
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 19,977 \$	15,908 \$	75,683 \$	33,292 \$	32,984 \$	181,882 \$	1,235 \$	360,961	
Current period gross charge-offs	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Residential – 1 to 4 Family									
Performing \$	22,696 \$	57,115 \$	115,529 \$	60,054 \$	32,883 \$	153,230 \$	4,758 \$	446,265	
Nonperforming	—	—	—	—	758	1,196	—	1,954	
	\$ 22,696 \$	57,115 \$	115,529 \$	60,054 \$	33,641 \$	154,426 \$	4,758 \$	448,219	
Current period gross charge-offs	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Residential – 1 to 4 Family Investment									
Performing \$	13,128 \$	85,537 \$	135,889 \$	113,834 \$	48,909 \$	125,732 \$	— \$	523,029	
Nonperforming	—	—	—	—	—	—	—	—	—
	\$ 13,128 \$	85,537 \$	135,889 \$	113,834 \$	48,909 \$	125,732 \$	— \$	523,029	
Current period gross charge-offs	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Residential – Multifamily									
Pass \$	999 \$	5,400 \$	45,934 \$	26,258 \$	12,088 \$	38,176 \$	— \$	128,855	
OAEM	—	—	—	—	—	—	— \$	—	—
Substandard	—	—	—	—	—	—	— \$	—	—
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 999 \$	5,400 \$	45,934 \$	26,258 \$	12,088 \$	38,176 \$	— \$	128,855	

Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer										
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,277	\$ —	\$ —	\$ 5,277
Nonperforming	—	—	—	—	—	—	—	—	—	—
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,277	\$ —	\$ —	\$ 5,277
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

As of March 31, 2024, the Company was in the process of foreclosing on \$6.4 million in loans, consisting of 12 residential 1 to 4 family loans with a principal balance of \$2.0 million, two commercial - owner occupied loans with a principal balance of \$1.1 million, and three commercial - non-owner occupied loans with a principal balance of \$3.3 million.

The following tables provide an analysis of loans by portfolio segment based on the credit quality indicators used to determine the allowance for credit losses, as of **June 30, 2024**.

(Dollars in thousands)	As of June 30, 2024	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans at Amortized Cost Basis		Total
		2024	2023	2022	2021	2020	Prior			
Commercial and Industrial										
		Pass \$	1,053 \$	4,567 \$	1,378 \$	31 \$	709 \$	7,402 \$	20,120 \$	35,260
		OAEM	—	—	—	—	—	—	—	—
		Substandard	—	—	417	—	—	—	277	694
		Doubtful	—	—	—	—	—	—	—	—
		\$	1,053 \$	4,567 \$	1,795 \$	31 \$	709 \$	7,402 \$	20,397 \$	35,954
Current period gross charge-offs		\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Construction										
		Pass \$	— \$	319 \$	2,637 \$	— \$	195 \$	— \$	175,420 \$	178,571
		OAEM	—	—	—	—	—	—	—	—
		Substandard	—	—	—	—	—	1,091	—	1,091
		Doubtful	—	—	—	—	—	—	—	—
		\$	— \$	319 \$	2,637 \$	— \$	195 \$	1,091 \$	175,420 \$	179,662
Current period gross charge-offs		\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Commercial – Owner Occupied										
		Pass \$	863 \$	19,579 \$	35,294 \$	20,937 \$	6,873 \$	51,036 \$	2,303 \$	136,885
		OAEM	—	—	—	—	—	—	—	—
		Substandard	—	—	—	—	—	1,117	—	1,117
		Doubtful	—	—	—	—	—	—	—	—
		\$	863 \$	19,579 \$	35,294 \$	20,937 \$	6,873 \$	52,153 \$	2,303 \$	138,002
Current period gross charge-offs		\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Commercial – Non-owner Occupied										
		Pass \$	25,758 \$	15,818 \$	75,158 \$	32,396 \$	24,388 \$	158,602 \$	1,739 \$	333,859
		OAEM	—	—	—	—	—	15,360	—	15,360
		Substandard	—	—	—	—	249	1,857	—	2,106
		Doubtful	—	—	—	—	—	—	—	—
		\$	25,758 \$	15,818 \$	75,158 \$	32,396 \$	24,637 \$	175,819 \$	1,739 \$	351,325
Current period gross charge-offs		\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Residential – 1 to 4 Family										
		Performing \$	20,992 \$	55,594 \$	113,448 \$	58,170 \$	31,790 \$	158,536 \$	3,483 \$	442,013
		Nonperforming	—	—	—	—	758	1,197	—	1,955
		\$	20,992 \$	55,594 \$	113,448 \$	58,170 \$	32,548 \$	159,733 \$	3,483 \$	443,968
Current period gross charge-offs		\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—

Residential – 1 to 4 Family Investment										
Performing	\$ 30,224	\$ 83,329	\$ 133,412	\$ 110,577	\$ 46,762	\$ 119,505	\$ —	\$ 523,809		
Nonperforming	—	—	—	—	—	—	—	—	—	—
	\$ 30,224	\$ 83,329	\$ 133,412	\$ 110,577	\$ 46,762	\$ 119,505	\$ —	\$ 523,809		
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Residential – Multifamily										
Pass	\$ 997	\$ 5,298	\$ 45,801	\$ 25,747	\$ 12,020	\$ 37,435	\$ —	\$ 127,298		
OAEM	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—
	\$ 997	\$ 5,298	\$ 45,801	\$ 25,747	\$ 12,020	\$ 37,435	\$ —	\$ 127,298		
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer										
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,123	\$ —	\$ 5,123		
Nonperforming	—	—	—	—	—	—	—	—	—	—
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,123	\$ —	\$ 5,123		
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 21	\$ —	\$ 21		

As of June 30, 2024, the Company was in the process of foreclosing on \$6.4 million in loans, consisting of 12 residential 1 to 4 family loans with a principal balance of \$1.9 million, two commercial - owner occupied loans with a principal balance of \$1.1 million, and eight commercial - non-owner occupied loans with a principal balance of \$3.3 million.

The following tables provide an analysis of loans by portfolio segment based on the credit quality indicators used to determine the allowance for credit losses, as of December 31, 2023.

(Dollars in thousands)

(Dollars in thousands)

(Dollars in thousands)

As of December 31, 2023

As of December 31, 2023

As of December 31, 2023

	2023	2022	2021	2020	2019	Prior	Total	2023	2022	2021	2020	2019	Prior	Total
--	------	------	------	------	------	-------	-------	------	------	------	------	------	-------	-------

Commercial and Industrial

Pass

Pass

Pass

OAEM

Substandard

Doubtful

\$

Current period gross charge-offs

Construction

Construction

Construction

Pass

Pass

Pass

OAEM

Substandard

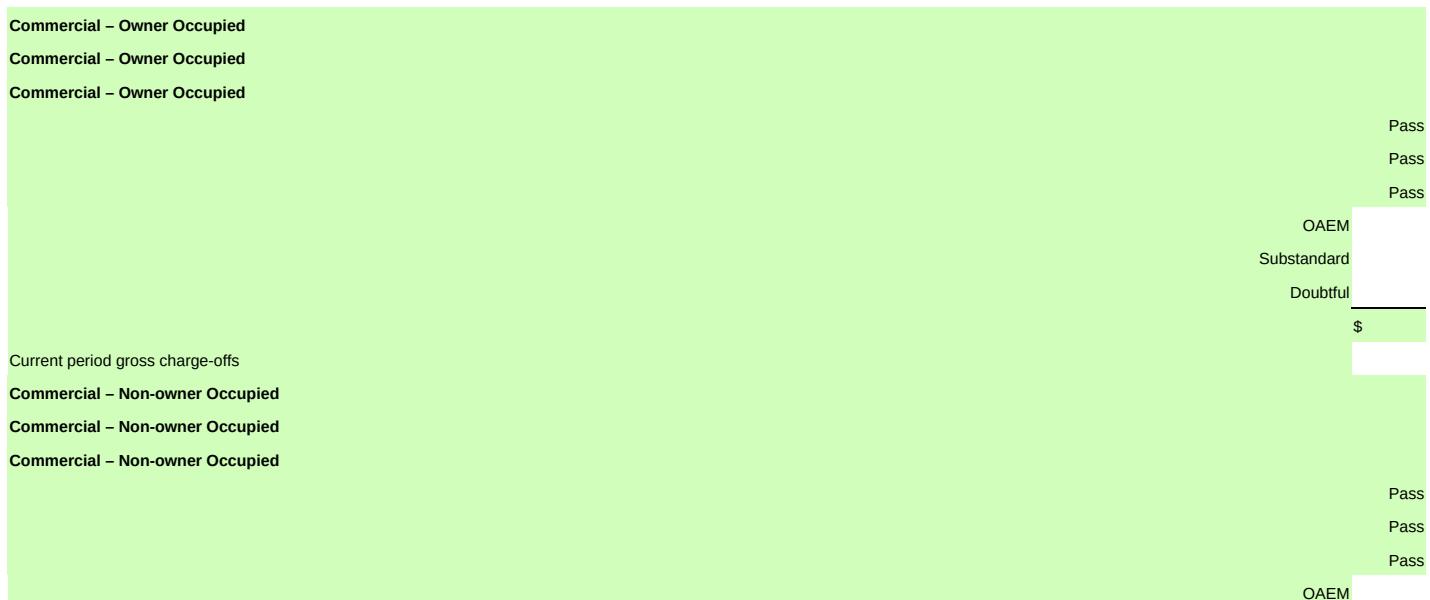
Doubtful

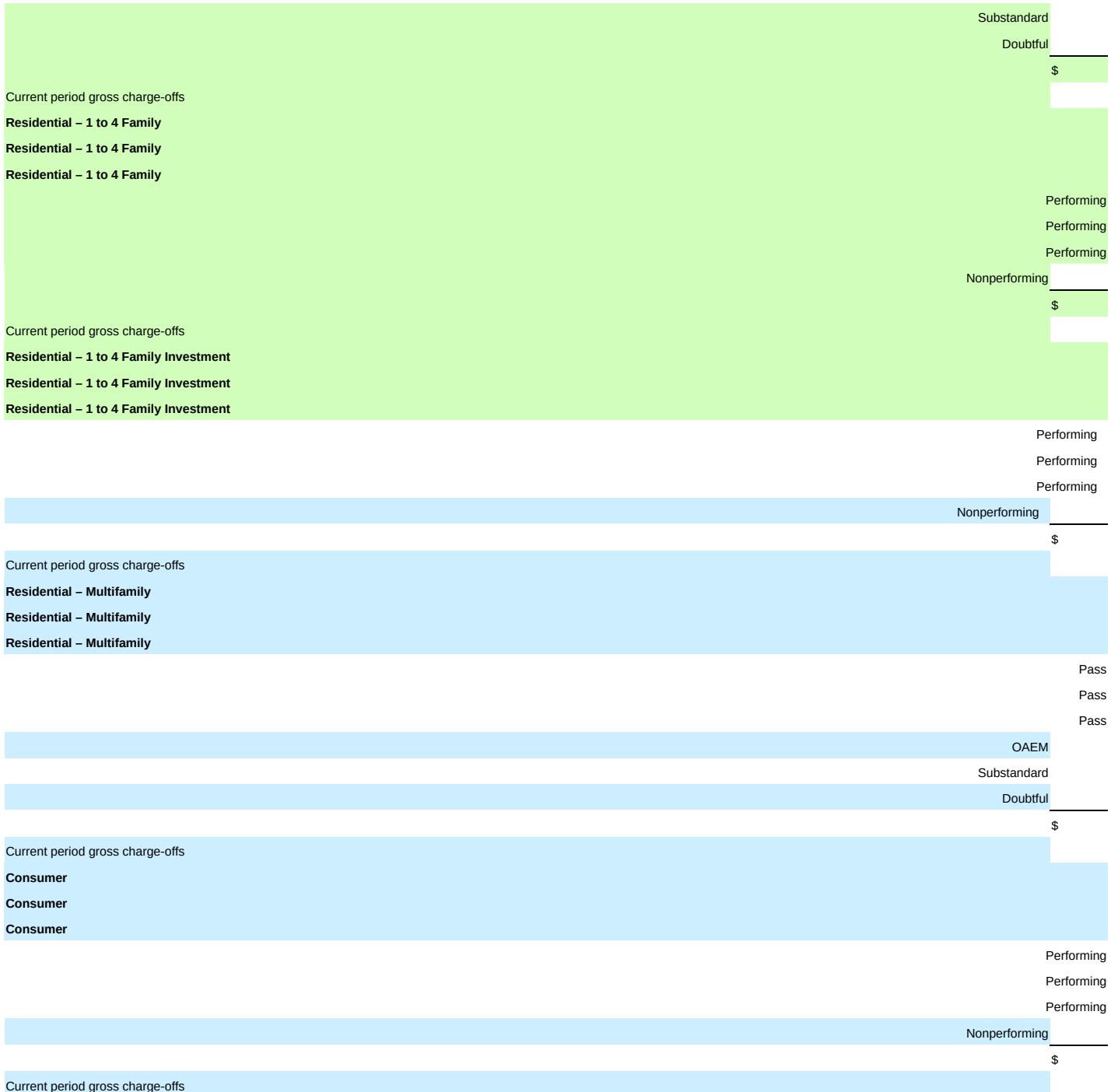
\$

Current period gross charge-offs

Commercial – Owner Occupied

Commercial – Owner Occupied





Modifications to Borrowers Experiencing Financial Difficulty

At **March 31, 2024** June 30, 2024, the Company did not make any modifications to borrowers experiencing financial difficulty.

NOTE 5. EARNINGS PER SHARE ("EPS")

The following tables set forth the calculation of basic and diluted EPS for the **three-month** **three and six-month** periods ended **March 31, 2024** **June 30, 2024** and 2023.

Basic earnings per common share

Basic earnings per common share
Basic earnings per common share
Net income available to the Company
Net income available to the Company
Net income available to the Company
Less: Dividend on series B preferred stock
Less: Dividend on series B preferred stock
Less: Dividend on series B preferred stock
Net income available to common shareholders
Net income available to common shareholders
Net income available to common shareholders
Basic weighted-average common shares outstanding
Basic weighted-average common shares outstanding
Basic weighted-average common shares outstanding
Basic earnings per common share
Basic earnings per common share
Basic earnings per common share
Diluted earnings per common share
Diluted earnings per common share
Diluted earnings per common share
Net income available to common shares
Net income available to common shares
Net income available to common shares
Add: Dividend on series B preferred stock
Add: Dividend on series B preferred stock
Add: Dividend on series B preferred stock
Net income available to diluted common shares
Net income available to diluted common shares
Net income available to diluted common shares
Basic weighted-average common shares outstanding
Basic weighted-average common shares outstanding
Basic weighted-average common shares outstanding
Dilutive potential common shares
Dilutive potential common shares
Dilutive potential common shares
Diluted weighted-average common shares outstanding
Diluted weighted-average common shares outstanding
Diluted weighted-average common shares outstanding
Diluted earnings per common share
Diluted earnings per common share
Diluted earnings per common share

As of June 30, 2024 and December 31, 2023, there were 312,630 and 330,536 weighted average option shares outstanding, respectively, that were not included in the computation of diluted EPS because these shares were anti-dilutive.

NOTE 6. FAIR VALUE

Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. In accordance with this guidance, the Company groups its assets and liabilities

carried at fair value in three levels as follows:

Level 1 Input:

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

Level 2 Inputs:

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

Level 3 Inputs:

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

Fair Value on a Recurring Basis:

The following is a description of the Company's valuation methodologies for assets carried at fair value on a recurring basis. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting measurement date.

Investments in Available for Sale Securities:

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

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

Financial Assets	Financial Assets	Level 1	Level 2	Level 3	Total	Financial Assets	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)					(Dollars in thousands)			
Available for Sale Securities	Available for Sale Securities					Available for Sale Securities				
As of March 31, 2024										
As of June 30, 2024										
Residential mortgage-backed securities										
Residential mortgage-backed securities										
Residential mortgage-backed securities										
Total										
Total										
Total										
As of December 31, 2023	As of December 31, 2023					As of December 31, 2023				
Residential mortgage-backed securities										
Residential mortgage-backed securities										
Residential mortgage-backed securities										
Total										
Total										
Total										

For the ~~three~~ six months ended ~~March 31, 2024~~ June 30, 2024, there were no transfers between the levels within the fair value hierarchy. There were no level 3 assets or liabilities held during the ~~three and~~ six months ended ~~March 31, 2024~~ June 30, 2024 and 2023.

Fair Value on a Non-recurring Basis:

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

Financial Assets	Financial Assets	Level 1	Level 2	Level 3	Total	Financial Assets	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)					(Dollars in thousands)			
As of March 31, 2024										
As of June 30, 2024										
Collateral-dependent loans										
OREO										
As of December 31, 2023	As of December 31, 2023					As of December 31, 2023				
Collateral-dependent loans										
OREO										

Collateral-dependent loans are those loans that are accounted for under ASC 326, Financial Instruments - Credit Losses ("ASC 326"), in which the Bank has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties that collateralize the loans. These assets are generally classified as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

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

Fair Value of Financial Instruments

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

For certain financial assets and liabilities, carrying value approximates fair value due to the nature of the financial instrument. These instruments include cash and cash equivalents, accrued interest receivable, bank owned life insurance, Federal Home Loan Bank of New York ("FHLBNY") restricted stock, demand and other non-maturity deposits and accrued interest payable, and they are considered to be level 1 measurements.

The following table summarizes the carrying amounts and fair values for financial instruments that are not carried at fair value at **March 31, 2024**, **June 30, 2024** and December 31, 2023:

March 31, 2024	Carrying Amount	Fair Value			Level 3
		Total	Level 1	Level 2	
June 30, 2024	Carrying Amount	Fair Value			Level 3
		Total	Level 1	Level 2	
		(Dollars in thousands)			(Dollars in thousands)
Financial Assets:	Financial Assets:				Financial Assets:
Investment securities HTM					
Investment securities HTM					
Investment securities HTM					
Loans, net					
Loans, net					
Loans, net					
Financial Liabilities:					
Financial Liabilities:					
Financial Liabilities:					
Time deposits					
Time deposits					
Time deposits					
Borrowings					
		Fair Value			
December 31, 2023	Carrying Amount	Total	Level 1	Level 2	Level 3

(Dollars in thousands)										
Financial Assets:										
Investment securities HTM	\$	9,292	\$	7,892	\$	—	\$	7,892	\$	—
Loans, net		1,755,209		1,727,842		—		1,718,866		8,976
Financial Liabilities:										
Time deposits	\$	607,070	\$	605,216	\$	—	\$	605,216	\$	—
Borrowings		168,111		172,985		—		172,985		—

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheet. The contract or notional amounts of these instruments reflect the extent of the Company's involvement in these particular classes of financial instruments. The Company's exposure to the maximum possible credit risk in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable; inventory; property, plant and equipment and income-producing commercial properties. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments to fund fixed-rate loans were immaterial at **March 31, 2024** **June 30, 2024**. Variable-rate commitments are generally issued for less than one year and carry market rates of interest. Such instruments are not likely to be affected by annual rate caps triggered by rising interest rates. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, unused commitments to extend credit amounted to approximately **\$112.8 million** **\$114.8 million** and **\$93.8 million**, respectively. At **March 31, 2024** **June 30, 2024** and December 31, 2023, the allowance for credit losses on off-balance sheet credit exposures was **\$938.0 million** **\$896.0 thousand** and **\$499 thousand**, respectively.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, standby letters of credit with customers were **\$1.5 million** **\$0.6 million** and **\$1.5 million**, respectively.

On **March 20, 2024** **June 26, 2024**, the Bank entered into an agreement with the FHLBNY for a Municipal Letter of Credit ("MLOC") of \$60.0 million. The MLOC is used to pledge against public deposits and the MLOC expires on **June 25, 2024** **September 25, 2024**. There were no outstanding borrowings on the letters of credit as of **March 31, 2024** **June 30, 2024**.

The Company also has entered into an employment contract with the President of the Company, which provides for continued payment of certain employment salary and benefits prior to the expiration date of the agreement and in the event of a change in control, as defined. The Company has also entered in Change-in-Control Severance Agreements with certain officers which provide for the payment of severance in certain circumstances following a change in control.

We provide banking services to customers that are licensed by various States to do business in the cannabis industry as growers, processors and dispensaries. Cannabis businesses are legal in these States, although they are not legal at the federal level. The U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") published guidelines in 2014 for financial institutions servicing state legal cannabis businesses. A financial institution that provides services to cannabis-related businesses can comply with Bank Secrecy Act ("BSA") disclosure standards by following the FinCEN guidelines. We maintain stringent written policies and procedures related to the acceptance of such businesses and to the monitoring and maintenance of such business accounts. We conduct a significant due diligence review of the cannabis business before the business is accepted, including confirmation that the business is properly licensed by the applicable state. Throughout the relationship, we continue monitoring the business, including site visits, to ensure that the business continues to meet our stringent requirements, including maintenance of required licenses and periodic financial reviews of the business.

While we believe we are operating in compliance with the FinCEN guidelines, there can be no assurance that federal enforcement guidelines will not change. Federal prosecutors have significant discretion and there can be no assurance that the federal prosecutors will not choose to strictly enforce the federal laws governing cannabis. Any change in the Federal government's enforcement position, could cause us to immediately cease providing banking services to the cannabis industry.

At **March 31, 2024** **June 30, 2024** and December 31, 2023, deposit balances from cannabis customers were approximately **\$107.4 million** **\$142.5 million** and **\$96.7 million**, or **6.9%** **9.5%** and 6.2% of total deposits, respectively, with three customers accounting for **51.9%** **66.1%** and 60.6% of the total at **March 31, 2024** **June 30, 2024** and December 31, 2023. At **March 31, 2024** **June 30, 2024** and December 31, 2023, there were cannabis-related loans in the amounts of \$29.5 million and \$27.1 million, respectively.

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

Forward-Looking Statements

Throughout this report, "Parke Bancorp" and "the Company" refer to Parke Bancorp Inc., and its consolidated subsidiaries. The Company is collectively referred to as "we", "us" or "our". Parke Bank is referred to as the "Bank".

The Company may from time to time make written or oral "forward-looking statements" including statements contained in this Report and in other communications by the Company which are made in good faith pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, such as statements

of the Company's plans, objectives, expectations, estimates and intentions, involve risks and uncertainties and are subject to change based on various important factors (some of which are beyond the Company's control). The following factors, among others, could cause the Company's financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), inflation, interest rate, market and monetary fluctuations; the potential adverse effects of the Consent Orders and any additional regulatory restrictions that may be imposed by banking regulators; the timely development of, and acceptance of, new products and services of the Company and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services; the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance); the effect of any change in federal government enforcement of federal laws affecting the cannabis industry; technological changes; acquisitions; changes in consumer spending and saving habits; and the success of the Company at managing the risks involved in the foregoing.

Financial institutions can be affected by changing conditions in the real estate and financial markets. The effects of geopolitical instability, including the conflict between Russia and Ukraine and the war in Israel, foreign currency exchange volatility, volatility in global capital markets, inflationary pressures, and higher interest rates may meaningfully impact loan production, income levels, and the measurement of certain significant estimates such as the allowance for credit losses. Moreover, in a period of economic contraction, we may experience elevated levels of credit losses, reduced interest income, impairment of financial assets, diminished access to capital markets and other funding sources, and reduced demand for our products and services. Volatility in the housing markets, real estate values and unemployment levels results in significant write-downs of asset values by financial institutions. Our lending relationships are primarily with small to mid-sized businesses and individual consumers residing in and around Southern New Jersey and Philadelphia, Pennsylvania. We focus our lending efforts primarily in three lending areas: residential mortgage loans, commercial mortgage loans, and construction loans. As a result of this geographic concentration, a significant broad-based deterioration in economic conditions in these areas could have a material adverse impact on the quality of our loan portfolio, results of operations and future growth potential.

Our operations are subject to risks and uncertainties surrounding our exposure to changes in the interest rate environment. Earnings and liquidity depend to a great extent on our interest rates. Interest rates are highly sensitive to many factors beyond our control, including competition, general economic conditions, geopolitical tensions and monetary and fiscal policies of various governmental and regulatory authorities, including the Federal Reserve. Conditions such as inflation, deflation, recession, unemployment and other factors beyond our control may also affect interest rates. The nature and timing of any changes in interest rates or general economic conditions and their effect on us cannot be controlled and are difficult to predict. If the rate of interest we pay on our interest-bearing liabilities increases more than the rate of interest we receive on our interest-earning assets, our net interest income, and therefore our earnings, could contract and be materially adversely affected. Our earnings could also be materially adversely affected if the rates on interest-earning assets fall more quickly than those on our interest-bearing liabilities. Changes in interest rates could also create competitive pressures, which could impact our liquidity position.

Changes in interest rates also can affect our ability to originate loans, our ability to obtain and retain deposits, and the value of interest-earning assets, and the ability to realize gains from the sale of such assets, which could all negatively impact shareholder's equity and regulatory capital. Since March 2022, the Federal Reserve Open Markets Committee ("FOMC") has raised the Fed Funds rate by 525 basis points. Additional increases in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to repay their current loan obligations, which could not only result in increased loan defaults, foreclosures and charge-offs, but could also necessitate further increases to our allowance for credit losses and reduce net income. In addition, based on our interest rate sensitivity analyses, an increase in the general level of interest rates may negatively affect the market value of the investment portfolio depending on the duration of certain securities included in the investment portfolio. In December of 2023, the FOMC signaled its intention to reduce interest rates in 2024, contingent upon inflation settling at its

2.0% target. In March 2024, however, the Fed decided to keep the federal funds target rate at 5.25% to 5.5%, where it has remained since July 2023.

The extent to which current economic environment has a further impact on our business, results of operations, and financial condition, as well as the regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the current economic environment and actions taken by governmental authorities and other third parties in response to the geopolitical conflict, and inflationary pressure.

The Company cautions that the foregoing list of important factors is not exclusive. The Company also cautions readers not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date on which they are given. The Company is not obligated to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after any such date.

Overview

The following discussion provides information about our results of operations, financial condition, liquidity and asset quality. We intend that this information facilitates your understanding and assessment of significant changes and trends related to our financial condition and results of operations. You should read this section in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

We are a bank holding company and are headquartered in Washington Township, New Jersey. Through the Bank, we provide personal and business financial services to individuals and small to mid-sized businesses primarily in New Jersey and Pennsylvania. The Bank has branches in Galloway Township, Northfield, Washington Township, Collingswood, New Jersey and Philadelphia, Pennsylvania, and a loan office in Philadelphia, Pennsylvania. The vast majority of our revenue and income is currently generated through the Bank.

We manage our Company for the long term. We are focused on the fundamentals of growing customers, loans, deposits and revenue and improving profitability, while investing for the future and managing risk, expenses and capital. We continue to invest in our products, markets and brand, and embrace our commitments to our customers, shareholders, employees and the communities where we do business. Our approach is concentrated on organically growing and deepening client relationships across our businesses that meet our risk/return measures.

We focus on small to mid-sized business and retail customers and offer a range of loan products, deposits services, and other financial products through our retail branches and other channels. The Company's results of operations are dependent primarily on its net interest income, which is the difference between the interest income earned on its interest

earning-assets and the interest expense paid on its interest-bearing liabilities. In our operations, we have three major lines of lending: residential real estate mortgage, commercial real estate mortgage, and construction lending. Our interest income is primarily generated from our lending and investment activities. Our deposit products include checking, savings, money market accounts, and certificates of deposit. The majority of our deposit accounts are obtained through our retail banking business, which provides us with low cost funding to grow our lending efforts. The Company also generates income from loan and deposit fees and other non-interest related activities. The Company's non-interest expense primarily consists of employee compensation, administration, and other operating expenses.

At **March 31, 2024** June 30, 2024, we had total assets of **\$2.01 billion** \$2.03 billion, and total equity of **\$288.4 million** \$292.8 million. Net income available to common shareholders for the three and six months ended **March 31, 2024** June 30, 2024 was **\$6.1 million** \$6.5 million and **\$12.6 million** \$12.6 million, respectively.

Results of Operations

Three Months Ended **March 31, 2024** June 30, 2024 Compared to Three Months Ended **March 31, 2023** June 30, 2023

Net Income: Our net income available to common shareholders for the first second quarter of 2024 decreased **\$5.0** 1.7 million, or **44.8%** 20.6%, to **\$6.1 million** \$6.5 million, compared to **\$11.1 million** \$8.1 million for the same period last year. Earnings per share were **\$0.51** \$0.54 per basic common share and **\$0.51** \$0.53 per diluted common share for the first second quarter of 2024, compared to **\$0.93** \$0.68 per basic common share and **\$0.92** \$0.67 per diluted

common share for the same period last year. The decrease was primarily due to lower net higher interest income, an increase in provision for credit losses, expense, and a decrease in non-interest income.

Net Interest Income: Our net interest income was **\$14.1 million** \$14.3 million for the first second quarter of 2024 compared to **\$17.1 million** \$15.9 million for the first second quarter of 2023, a decrease of **\$3.0 million** \$1.6 million, or **18.1%** 9.8%. Net interest income decreased during the three months ended **March 31, 2024** June 30, 2024, primarily due to an increase in interest expense on deposits and borrowings, partially offset by an increase in interest and fees on loans. Interest income increased **\$3.5 million** \$2.9 million, or **13.3%** 10.7%, during the three months ended **March 31, 2024** June 30, 2024 as compared to the same period in the prior year. The increase in interest income was primarily due to an increase of **\$3.5 million** \$3.0 million in interest and fees on loans, due to higher loan balances and market interest rates, partially offset by a \$0.1 million decrease in interest on deposits with banks. The increase in interest income was offset by an increase in interest expense during the three months ended **March 31, 2024** June 30, 2024 of **\$6.5 million** \$4.5 million, or **73.8%** 39.3%, primarily due to an increase in market interest rates on deposits and the overall mix of deposits of **\$5.9 million** \$4.6 million, and an increase in interest on borrowings of \$0.7 million, due to an increase in market interest rates.

Provision for (recovery of) credit losses: For the three months ended **March 31, 2024** June 30, 2024, the provision for credit losses was **\$0.2 million** \$0.5 million, compared to a recovery provision of **(\$2.4)** \$0.5 million for the three months ended **March 31, 2023** June 30, 2023. The provision (recovery) expense for the three months ended **March 31, 2023** June 30, 2024, was primarily driven by a decrease an increase in the construction loan portfolio post CECL implementation that resulted in balance from the provision recovery, while the increase in provision expense during the three months quarter ended March 31, 2024, was due to which carries a change in the mix of the loan portfolio which resulted in an increase in the qualitative higher loss factors, mainly attributed to the residential 1 - 4 family investment and multi-family factor than other loan portfolios.

Non-interest Income: Our non-interest income was **\$1.1 million** \$1.2 million for the three months ended **March 31, 2024** June 30, 2024, a decrease of **\$0.7 million** \$0.4 million, compared to **\$1.8 million** \$1.6 million for the three months ended **March 31, 2023** June 30, 2023. The decrease is primarily attributable to a decrease in service fees on deposit accounts of **\$0.8 million**, \$0.6 million due to a decrease in cannabis deposit fee income, partially offset by an increase in other loan fees \$0.1 million non-interest income of \$0.2 million.

Non-interest Expense: Our non-interest expense decreased **\$0.2 million** \$0.1 million, or **3.4%** 2.1%, to **\$6.5 million** \$6.2 million for the three months ended **March 31, 2024** June 30, 2024, from **\$6.8 million** \$6.4 million for the three months ended **March 31, 2023** June 30, 2023. The decrease in non-interest expense was primarily due to a decrease in compensation and benefits other operating expense of **\$0.4 million** \$0.3 million, and a decrease in professional services data processing expense of \$0.1 million, partially offset by an increase in OREO expense of \$0.2 million, compensation and an increase in FDIC insurance benefits of \$0.1 million.

Income Tax: Income tax expense was **\$2.2 million** \$2.3 million on income before taxes of **\$8.4 million** \$8.8 million for the three months ended **March 31, 2024** June 30, 2024, resulting in an effective tax rate of 26.6%, compared to income tax expense of **\$3.4 million** \$2.5 million on income before taxes of **\$14.6 million** \$10.6 million for the same period of 2023, resulting in an effective tax rate of **23.6%** 23.2%.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Net income: Our net income available to common shareholders for the six months ended June 30, 2024 decreased \$6.7 million, or 34.6%, to \$12.6 million compared to \$19.2 million for the six months ended June 30, 2023. Earnings per share were \$1.05 per basic common share and \$1.04 per diluted common share for the six months ended June 30, 2024 compared to \$1.61 per basic common share and \$1.59 per diluted common share for the same period last year. The decrease in net income available to common shareholders primarily resulted from an increase in interest expense of \$11.0 million, an increase in provision for credit losses of \$2.6 million, and a decrease in non-interest income of \$1.1 million, partially offset by an increase in interest income of \$6.4 million.

Net interest income: Our net interest income decreased \$4.6 million, or 14.1%, to \$28.4 million for the six months ended June 30, 2024, compared to \$33.0 million for the same period last year. Interest income for the six months ended June 30, 2024, increased \$6.4 million to \$59.7 million, or 12.0%, from \$53.3 million for the same period of 2023. The

increase in interest income was primarily due to an increase in interest and fees on loans of \$6.5 million, primarily due to an increase in market interest rates and balances outstanding, partially offset by a decrease in interest earned on Federal Reserve Bank ("FRB") deposits of \$0.2 million. Interest expense increased \$11.0 million, or 54.4%, for the six months ended June 30, 2024, compared to the same period in 2023, primarily due to an increase in interest paid on deposits of \$10.5 million, or 62.9%, primarily due to an increase in market interest rates and a shift in deposit mix. Further contributing to the increase in interest expense was an increase in interest on borrowings of \$0.5 million, or 15.1%, due to an increase in borrowing levels and higher market interest rates.

Provision for credit losses: The provision for credit losses was \$0.7 million for the six months ended June 30, 2024, compared to a recovery of provision for credit losses of \$1.9 million for the six months ended June 30, 2023. The provision for credit losses for the six months ended June 30, 2024 was primarily driven by an increase in the outstanding loan balance of \$17.8 million from the balance at December 31, 2023, specifically in the construction 1 - 4 family, and multi-family portfolios. The provision recovery of \$1.9 million during the same period in 2023 was primarily related to decreases in loss factors related to the construction, commercial owner occupied, and residential 1 to 4 family investment portfolios. For more information about our provision for credit losses and our allowance for loan and lease losses and loss experience, see "Financial Condition-Allowance for Loan and Lease Losses" below and [Note 4 - Loans And Allowance For Credit Losses on Loans](#) to the unaudited consolidated financial statements.

Non-interest income: Our non-interest income was \$2.3 million for the six months ended June 30, 2024, a decrease of \$1.1 million, or 33.0%, compared to \$3.4 million for the same period last year. The decrease is primarily attributable to a decrease in service fees on deposit accounts of \$1.4 million, partially offset by an increase in other income of \$0.3 million. Fee income for the six months ended June 30, 2024 from commercial deposit accounts of depositors who do business in the cannabis-related industry totaled \$0.5 million, compared to \$2.0 million for the same period last year. Fee income is included in service fees on deposit accounts in the accompanying Consolidated Statements of Income.

Non-interest expense: Our non-interest expense decreased \$0.4 million to \$12.8 million for the six months ended June 30, 2024, from \$13.1 million for the six months ended June 30, 2023. The decrease in non-interest expense was primarily due to a decrease

in compensation and benefits of \$0.3 million, and a decrease in other operating expense of \$0.3 million, partially offset by an increase in OREO expense of \$0.2 million.

Income Tax: Income tax expense was \$4.6 million on income before taxes of \$17.2 million for the six months ended June 30, 2024, resulting in an effective tax rate of 26.6%, compared to income tax expense of \$5.9 million on income before taxes of \$25.2 million for the same period of 2023, resulting in an effective tax rate of 23.5%.

Net Interest Income

Net interest income is the interest earned on investment securities, loans and other interest-earning assets minus the interest paid on deposits, short-term borrowings and long-term debt. The net interest margin is the average yield of net interest income on average earning assets. Net interest income and the net interest margin in any one period can be significantly affected by a variety of factors including the mix and overall size of our earning assets portfolio and the cost of funding those assets.

The following tables presents the average daily balances of assets, liabilities and equity and the respective interest earned or paid on interest-earning assets and interest-bearing liabilities, as well as average annualized rates, for the periods indicated.

		For the Three Months Ended March 31,						For the Three Months Ended June 30,					
		2024			2023			2024			2023		
		Average Balance	Interest Income/Expense	Yield/ Cost	Average Balance	Interest Income/Expense	Yield/ Cost	Average Balance	Interest Income/Expense	Yield/ Cost	Average Balance	Interest Income/Expense	Yield/ Cost
		(Dollars in thousands)											
Assets	Assets												
Loans*	Loans*	\$1,792,735	\$ 28,083	6.30	6.30 %	\$1,763,219	\$ 24,545	5.65	5.65	5.65	% Loans*	\$ 1,781	Investm
Investment securities**	Investment securities**	23,116	249	249	4.33	25,434	210	210	3.35	3.35	% securities		
Interest bearing deposits	Interest bearing deposits	87,901	1,145	1,145	5.24	117,128	1,269	1,269	4.39	4.39	% deposit		
Total interest-earning assets	Total interest-earning assets	1,903,752	29,477	29,477	6.23	1,905,781	26,024	26,024	5.54	5.54	% assets		
Other assets	Other assets	70,416				80,113					Other assets	65,383	
Allowance for credit losses	Allowance for credit losses	(32,299)				(31,843)					Allowance for credit losses	(31,974)	

Total assets	Total assets	\$1,941,869			\$1,954,051				Total assets	\$ 1,931,397		
Liabilities and Shareholders' Equity	Liabilities and Shareholders' Equity								Liabilities and Shareholders' Equity			
Interest bearing deposits:	Interest bearing deposits:								Interest bearing deposits:			
Checking	Checking	\$ 72,272	\$ 267	1.49	1.49 %	\$ 83,278	\$ 130	0.63	0.63	Checking \$ 65		
Money markets	Money markets	562,177	6,805	6,805	4.87	335,722	2,758	2,758	3,33	Money markets %		
Savings	Savings	78,199	220	220	1.13	174,600	463	463	1.08	Savings %		
Time deposits	Time deposits	431,883	4,131	4,131	3.85	499,910	2,931	2,931	2.38	Time deposits %		
Brokered certificates of deposit	Brokered certificates of deposit	149,475	2,034	2,034	5.47	113,372	1,300	1,300	4.65	Brokered certificates of deposit %		
Total interest-bearing deposits	Total interest-bearing deposits	1,294,006	13,457	13,457	4.18	1,206,882	7,582	7,582	2.55	Total interest-bearing deposits % deposit		
Borrowings	Borrowings	140,106	1,966	1,966	5.64	143,021	1,293	1,293	3.67	Borrowings % Borrowing		
Total interest-bearing liabilities	Total interest-bearing liabilities	1,434,112	15,423	15,423	4.33	1,349,903	8,875	8,875	2.67	Total interest-bearing liabilities % liability		
Non-interest bearing deposits	Non-interest bearing deposits	203,077				316,365				Non-interest bearing deposits	184,964	
Other liabilities	Other liabilities	16,859				16,331				Other liabilities	17,635	
Total non-interest bearing liabilities	Total non-interest bearing liabilities	219,936				332,696				Total non-interest bearing liabilities	202,599	
Equity	Equity	287,821				271,452				Equity	292,420	
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	\$1,941,869				\$1,954,051				Total liabilities and shareholders' equity	\$ 1,931,397	
Net interest income	Net interest income		\$14,054				\$ 17,149				Net interest income	
Interest rate spread	Interest rate spread			1.90	%					Interest rate spread		
Net interest margin	Net interest margin			2.97	%					Net interest margin		

* The average balance of loans includes loans on nonaccrual.

** Includes balances of FHLBNY and ACBB stock.

Assets	For the Six Months Ended June 30,					
	2024			2023		
	Interest Income/			Interest Income/		
	Average Balance	Expense	Yield/ Cost	Average Balance	Expense	Yield/ Cost
(Dollars in thousands)						
Loans*	\$ 1,787,114	\$ 56,815	6.39 %	\$ 1,766,704	\$ 50,307	5.74 %
Investment securities**	23,322	497	4.29 %	26,883	437	3.28 %

Interest bearing deposits	90,434	2,354	5.23 %	111,619	2,547	4.60 %
Total interest-earning assets	1,900,870	59,666	6.31 %	1,905,206	53,291	5.64 %
Other assets	67,900			79,744		
Allowance for credit losses	(32,137)			(31,677)		
Total assets	\$ 1,936,633			\$ 1,953,273		
Liabilities and Shareholders' Equity						
Interest bearing deposits:						
Checking	\$ 68,956	\$ 390	1.14 %	\$ 79,381	\$ 247	0.63 %
Money markets	582,697	14,128	4.88 %	337,504	6,068	3.63 %
Savings	73,714	419	1.14 %	157,035	907	1.16 %
Time deposits	423,530	8,447	4.01 %	504,891	6,792	2.71 %
Brokered certificates of deposit	137,729	3,757	5.49 %	112,522	2,647	4.74 %
Total interest-bearing deposits	1,286,626	27,141	4.24 %	1,191,333	16,661	2.82 %
Borrowings	148,619	4,159	5.63 %	179,471	3,615	4.06 %
Total interest-bearing liabilities	1,435,245	31,300	4.39 %	1,370,804	20,276	2.98 %
Non-interest bearing deposits	194,021			291,310		
Other liabilities	17,247			16,425		
Total non-interest bearing liabilities	211,268			307,735		
Equity	290,120			274,734		
Total liabilities and shareholders' equity	\$ 1,936,633			\$ 1,953,273		
Net interest income		\$ 28,366			\$ 33,015	
Interest rate spread			1.92 %			2.66 %
Net interest margin			3.00 %			3.49 %

* The average balance of loans includes loans on nonaccrual.

** Includes balances of FHLBNY and ACBB stock.

Financial Condition

General

At **March 31, 2024** **June 30, 2024**, the Company's total assets were **\$2.01 billion** **\$2.03 billion**, a decrease an increase of **\$14.4 million** **\$3.6 million**, or **0.7%** **0.2%**, from December 31, 2023. The **decrease** increase in total assets was primarily attributable to an increase in loans receivable and an increase in restricted stock, partially offset by a decrease in cash and cash equivalents of **\$9.3 million**, a decrease in loans receivable, and a decrease in other assets. The Loans increased **\$17.8 million**, primarily due to increases in the construction and multi-family portfolios, partially offset by a decrease in cash the CRE non-owner occupied portfolio. Restricted stock increased **\$2.3 million** due to an increase in FHLBNY advances. Cash and cash equivalents was decreased **\$12.7 million**, or **7.0%**, primarily due to a repayment of borrowings, the increase in loans, and the decrease in deposits, partially offset by an increase in deposits. Loans decreased **\$1.8 million** at March 31, 2024, primarily due to decreases in loan balances classified as construction, and commercial - non-owner occupied, partially offset by an increase in the residential - multifamily loan portfolio, compared to the loan balances at December 31, 2023. FHLBNY borrowings. Other assets decreased **\$2.1 million** **\$3.3 million** during the three months ended **March 31, 2024** **June 30, 2024**, to **\$8.4 million** **\$7.2 million** at **March 31, 2024** **June 30, 2024**, from **\$10.5 million** at December 31, 2023, primarily driven by a decrease of **\$2.0 million** in prepaid taxes.

Total liabilities were **\$1.72 billion** **\$1.73 billion** at **March 31, 2024** **June 30, 2024**. This represented an **\$18.5 million** a **\$4.8 million**, or **1.1%** **0.3%**, decrease, from **\$1.74 billion** at December 31, 2023. The decrease in total liabilities was primarily due to a decrease in borrowings deposits of **\$30 million** **\$56.4 million**, or **3.6%**, to **\$1.50 billion** at June 30, 2024, from **\$1.55 billion** at December 31, 2023, partially offset by an increase in deposits, which increased **\$10.9 million** borrowings of **\$50.0 million**, or **0.7%** **40.0%**, to **\$1.56 billion** **\$218.2 million** at **March 31, 2024**, from **\$1.55 billion** at December 31, 2023 **June 30, 2024**. The decrease in borrowings was due to the pay-down of FHLBNY advances. The increase in deposits was attributable primarily due to an increase in money market balances of **\$77.0 million**, partially offset by a decrease in non-interest demand deposits of **\$35.8 million** **\$33.4 million**, a decrease in savings deposits of **\$11.4 million** **\$16.4 million**, and a decrease in time deposit balances deposits of **\$27.0 million** **\$44.7 million**, partially offset by an increase in money market deposits of **\$42.8 million**. The increase in borrowings was due to additional FHLBNY advances.

Total equity was **\$288.4 million** **\$292.8 million** and **\$284.3 million** at **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, an increase of **\$4.1 million** **\$8.5 million** from December 31, 2023. The increase was primarily due to the retention of earnings, partially offset by the payment of **\$2.2 million** **\$4.3 million** of cash dividends.

The following table presents certain key condensed balance sheet data as of **March 31, 2024** **June 30, 2024** and December 31, 2023:

March 31, 2024	December 31, 2023	Change	% Change	June 30, 2024	December 31, 2023
Cash and cash equivalents					

Cash and cash equivalents															
Cash and cash equivalents	\$ 171,093	\$	\$ 180,376	\$	\$ (9,283)		(5.1)	(5.1)	% \$ 167,678	\$	\$	180,376	\$		
Investment securities	15,911	16,387	16,387	(476)	(476)	(2.9)	(2.9)	(2.9)	% securities	15,509		16,387			
Loans, net of unearned income															
Loans, net of unearned income															
Loans, net of unearned income	1,785,542	1,787,340	1,787,340	(1,798)	(1,798)	(0.1)	(0.1)	(0.1)	%	1,805,141		1,787,340		1,787	
Allowance for credit losses	Allowance for credit losses	(31,918)	(32,131)	(32,131)	213	213	(0.7)	(0.7)	% losses	(32,425)		(32,131)			
Total assets	Total assets	2,009,073	2,023,500	2,023,500	(14,427)	(14,427)	(0.7)	(0.7)	% assets	2,027,138		2,023,500			
Total deposits	Total deposits	1,563,704	1,552,827	1,552,827	10,877	10,877	0.7	0.7	% deposits	1,496,441		1,552,827			
FHLBNY borrowings	FHLBNY borrowings	95,000	125,000	125,000	(30,000)	(30,000)	(24.0)	(24.0)	% borrowings	175,000		125,000			
Subordinated debt															
Subordinated debt		43,158	43,111	43,111	47	47	0.1	0.1	%	43,206		43,111		43	
Total liabilities															
Total liabilities															
Total liabilities		1,720,687	1,739,183	1,739,183	(18,496)	(18,496)	(1.1)	(1.1)	%	1,734,338		1,739,183		1,739	
Total equity	Total equity	288,386	284,317	284,317	4,069	4,069	1.4	1.4	% equity	292,800		284,317			
Total liabilities and equity	Total liabilities and equity	2,009,073	2,023,500	2,023,500	(14,427)	(14,427)	(0.7)	(0.7)	% and equity	2,027,138		2,023,500			

Cash and cash equivalents

Cash and cash equivalents decreased **\$9.3 million** **\$12.7 million** to **\$171.1 million** **\$167.7 million** at **March 31, 2024** **June 30, 2024** from **\$180.4 million** at December 31, 2023, a decrease of **5.1%** **7.0%**. The decrease was primarily due to **an increase in loans, and a repayment of borrowings, decrease in deposits, partially offset by an increase in deposits, borrowings.**

Investment securities

Total investment securities decreased to **\$15.9 million** **\$15.5 million** at **March 31, 2024** **June 30, 2024**, from **\$16.4 million** at December 31, 2023, a decrease of **\$0.5 million** or **2.9%** **5.4%**. The decrease was attributed to normal pay downs. For detailed information on the composition and maturity distribution of our investment portfolio, see [NOTE 3 - Investment Securities](#) in the notes to the unaudited consolidated financial statements.

Loans

Our lending relationships are primarily with small to mid-sized businesses and individual consumers residing in and around Southern New Jersey and Philadelphia, Pennsylvania. We have also expanded our lending footprint in other **areas**, **areas**, including **New York** and **South Carolina**. We focus our lending efforts primarily in three lending areas: residential mortgage loans, commercial mortgage loans, and construction loans.

We originate residential mortgage loans with adjustable and fixed-rates that are secured by 1- 4 family and multifamily residential properties. These loans are generally underwritten under terms, conditions and documentation acceptable to the secondary mortgage market. A substantial majority of such loans can be pledged for potential borrowings.

We originate commercial real estate loans that are secured by commercial real estate properties that are owner and non-owner occupied real estate properties. These loans are typically larger in dollar size and are primarily secured by office buildings, retail buildings, warehouses and general purpose business space. The commercial mortgage loans generally have maturities of twenty years, but re-price within five years.

The construction loans we originate provide real estate acquisition, development and construction funds to individuals and real estate developers. The loans are secured by the properties under development. The construction loan funds are disbursed periodically at pre-specified stages of completion.

We also originate commercial and industrial loans, which provide liquidity to businesses in the form of lines of credit and may be secured by accounts receivable, inventory, equipment or other assets. In addition, we have a small consumer loan portfolio which provides loans to individual borrowers.

Loans receivable: Loans receivable decreased slightly increased to \$1.786 billion \$1.81 billion at March 31, 2024 June 30, 2024, from \$1.787 billion \$1.79 billion at December 31, 2023, an increase of \$17.8 million, or 1.0%. The decrease increase was primarily due to decreases increases in the construction, and CRE non-owner occupied Residential - Multifamily loan portfolios, partially offset by an increase a decrease in the residential Commercial - multifamily Non-Owner Occupied loan portfolio. Loans receivable as of March 31, 2024 June 30, 2024 and December 31, 2023, consisted of the following:

	Amount	Percentage of Loans to total Loans	Amount	Percentage of Loans to total Loans	\$ Change	% Change	Amount	Percent of Loan: total Loan
Commercial and Industrial								
Commercial and Industrial								
Commercial and Industrial	\$ 37,002	2.1	2.1 %	\$ 35,451	2.0	2.0 %	\$ 1,551	4.4
Construction	142,178	8.0	8.0 %	157,556	8.8	8.8 %	(15,378)	(9.8)
							(9.8) % Construction	179,662
Real Estate Mortgage:								
Commercial – Owner Occupied								
Commercial – Owner Occupied	140,021	7.8	7.8 %	141,742	7.9	7.9 %	(1,721)	(1.2)
Commercial – Non-owner Occupied	360,961	20.2	20.2 %	369,909	20.7	20.7 %	(8,948)	(2.4)
Residential – 1 to 4 Family	448,219	25.1	25.1 %	449,682	25.2	25.2 %	(1,463)	(0.3)
Residential – 1 to 4 Family Investment	523,029	29.3	29.3 %	524,167	29.3	29.3 %	(1,138)	(0.2)
Residential – Multifamily	128,855	7.2	7.2 %	103,324	5.8	5.8 %	25,531	24.7
Consumer	5,277	0.3	0.3 %	5,509	0.3	0.3 %	(232)	(4.2)
Total Loans	\$1,785,542	100.0	100.0 %	\$1,787,340	100.0	100.0 %	\$ (1,798)	(0.1)
							(0.1) % Total Loans	\$1,805,141
								100.0 %

Deposits

At March 31, 2024 June 30, 2024, total deposits increased decreased to \$1.56 billion \$1.55 billion from \$1.55 billion at December 31, 2023, an increase a decrease of \$10.9 million \$56.4 million, or 0.7%3.6%. The increase in deposits was primarily due to an increase in money market deposit balances, partially offset by decreases in non-interest bearing, savings, and time deposit account balances. The increase in the money market balance was primarily due to an increase of \$90.2 million in our premier money market product, and \$10.2 million in the municipal money market product, partially offset by a \$15.1 million decrease in the brokered money market balance. The decrease in non-interest bearing demand deposits was primarily due to a decrease in noninterest-bearing deposits, savings deposits, and time deposit balances, partially offset by an increase in money market deposits balances. The decrease in the noninterest-bearing deposit balance was primarily driven by a \$25.0 million decrease in our cannabis related deposits, which decreased \$15.5 million, checking account, as well as a \$9.6 million decrease in our business checking accounts. The decrease in the savings deposits was primarily due to a \$12.3 million decrease in our preferred savings accounts. The decrease in our time deposits was primarily due to \$34.8 million decrease in our 13 and 21 months CD promotional accounts, and an \$8.0 million decrease in brokered time deposits. The increase in our money market deposits was primarily due to a \$138.4 million increase in our premier money market accounts, \$60.0 million of \$14.3 million during the same time period, which was cannabis deposits, partially offset by a \$75.1 million decrease in brokered money market accounts.

March 31,

June 30,

	2024	2024	2023	\$ Change	% Change	2023	2023
Noninterest-bearing							
Noninterest-bearing							
Noninterest-bearing	\$ 196,388	\$ 232,189	\$ (35,801)	(15.4)	(15.4)%	\$ 198,761	\$ 232,189
Interest-bearing							
Checking							
Checking	67,340	63,017	63,017	4,323	4,323	6.9	61,534
Savings	72,048	83,470	83,470	(11,422)	(11,422)	(13.7)	67,089
Money market	644,123	567,080	567,080	77,043	77,043	13.6	609,841
Time deposits	583,805	607,071	607,071	(23,266)	(23,266)	(3.8)	559,216
Total deposits	\$ 1,563,704	\$ 1,552,827	\$ 10,877	0.7	0.7 %	\$ 1,496,441	\$ 1,552,827
Estimated uninsured deposits	\$ 601,443	\$ 622,966	\$ (21,523)	(3.5)	(3.5)%	\$ 500,988	\$ 622,966

Borrowings

Total borrowings were \$138.2 million \$218.2 million at March 31, 2024 June 30, 2024 and \$168.1 million at December 31, 2023. The decrease increase in borrowings is due to the decrease an increase of \$30.0 million \$50.0 million in FHLBNY advances. \$75.0 million At June 30, 2024, \$155.0 million of the outstanding FHLBNY advances have short-term maturities.

Equity

Total equity increased to \$288.4 million \$292.8 million at March 31, 2024 June 30, 2024 from \$284.3 million at December 31, 2023, an increase of \$4.1 million \$8.5 million, or 1.4% 3.0%, primarily due to the retention of earnings from the period, partially offset by the payment of \$2.2 million \$4.3 million in cash dividends.

Liquidity and Capital Resources

Liquidity is a measure of our ability to generate cash to support asset growth, meet deposit withdrawals, satisfy other contractual obligations, and otherwise operate on an ongoing basis. At March 31, 2024 June 30, 2024, our cash position was \$171.1 million \$167.7 million. We invest cash that is in excess of our immediate operating needs primarily in our interest-bearing account at the Federal Reserve.

Our primary source of funding has been deposits. Funds from other operations, financing arrangements, investment securities available-for-sale also provide significant sources of funding. The Company seeks to rely primarily on core deposits from customers to provide stable and cost-effective sources of funding to support loan growth. We focus on customer service which we believe has resulted in a history of customer loyalty. Stability, low cost and customer loyalty comprise key characteristics of core deposits.

We also use brokered deposits as a funding source. The Bank joined the IntraFi Financial Network to secure an additional alternative funding source. IntraFi provides the Bank an additional source of external funds through their weekly CDARS® settlement process, as well as their ICS® money market product. As of March 31, 2024 June 30, 2024, the Company had \$222.4 million \$72.2 million of brokered deposits sourced from IntraFi. Additionally, we have access to other brokered deposit funding sources that we utilize as a source of additional liquidity. During the 2nd quarter of 2024, we entered into relationships with Wells Fargo and Piper Sandler to obtain brokered deposits, and as of June 30, 2024, the Company had \$90.3 million sourced from these broker relationships. While deposit accounts comprise the vast majority of our funding needs, we maintain secured borrowing lines with the FHLBNY. As of March 31, 2024 June 30, 2024, the Company had lines of credit with the FHLBNY of \$960.4 million \$1.04 billion, of which \$95.0 million \$175.0 million was outstanding, and an additional \$60.0 million from a letter of credit for securing public funds. The remaining borrowing capacity was \$805.4 million \$804.5 million at March 31, 2024 June 30, 2024.

We had outstanding loan commitments of \$112.8 million \$114.8 million at March 31, 2024 June 30, 2024. Our loan commitments are normally originated with the full amount of collateral. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The funding requirements for such commitments occur on a measured basis over time and would be funded by normal deposit growth.

The following is a discussion of our cash flows for the three six months ended March 31, 2024 June 30, 2024 and 2023.

Cash provided by operating activities was \$8.4 million \$17.2 million in the three six months ended March 31, 2024 June 30, 2024, compared to \$10.5 million \$14.7 million for the same period in the prior year. The decrease increase in operating cash flow was primarily due to the decrease in net income, accrued interest receivable and other assets, and the

increase in provision for credit losses, partially offset by the increase decrease in the provision for credit losses, net income.

Cash provided by used in investing activities was \$3.6 million \$19.3 million in the three six months ended March 31, 2024 June 30, 2024, compared to cash used in investing activities of \$14.4 million \$38.5 million in the same period last year. The increase decrease in cash provided used in the investing activities during the six months ended June 30, 2024, was primarily due to the decrease in cash outflow from the origination of loans, and the redemption of restricted stock, during the period.

Cash used in financing activities was \$21.2 million \$10.6 million in the three six months ended March 31, 2024 June 30, 2024, compared to cash used in financing activities of \$32.3 million \$20.9 million in the three months ended March 31, 2023, same period last year. The decrease in cash used in financing activities during the three six months ended March 31, 2024 June 30, 2024, was driven by the growth in interest-bearing deposits of \$46.7 million, partially offset by a primarily due to lower decrease in noninterest-bearing deposits of \$35.8 million, compared to net withdrawals of \$112.2 million in and interest-bearing deposits, and the three months ended March 31, 2023.

increase in FHLBNY short-term borrowings, partially offset by the decrease in FHLBNY long-term borrowings, and the decrease in Federal Reserve short-term borrowings.

Capital Adequacy

We utilize a comprehensive process for assessing the Company's overall capital adequacy. We actively review our capital strategies in light of current and anticipated business risks, future growth opportunities, industry standards, and compliance with regulatory requirements. The assessment of overall capital adequacy depends on a variety of factors, including asset quality, liquidity, earnings stability, competitive forces, economic conditions, and strength of management. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. We primarily manage our capital through the retention of earnings. We also use other means to manage our capital. Total equity increased \$4.1 million \$8.5 million at March 31, 2024 June 30, 2024, from December 31, 2023, primarily from the Company's net income of \$6.2 million \$12.6 million for the period, net of common and preferred stock dividends of \$2.2 million \$4.3 million.

Banks and bank holding companies are subject to various regulatory capital requirements administered by federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and the Company must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items, as calculated under the regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies. Failure to meet minimum capital requirements can result in regulatory actions.

Under the capital rules issued by the Federal banking agencies, the Company and the Bank elected to exclude the effects of certain Accumulated Other Comprehensive Income ("AOCI") items from its regulatory capital calculation. At March 31, 2024 June 30, 2024, the Bank and the Company were both considered "well capitalized".

The following table presents the tier 1 regulatory capital leverage ratios of the Company and the Bank at March 31, 2024 June 30, 2024:

Amount	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio				
(Dollars in thousands except ratios)												
Company	Company		Parke Bank		Company		Parke Bank					
Tier 1 leverage	Tier 1 leverage \$ 301,844	15.54	15.54 %	\$ 331,032	17.05	17.05 %	Tier 1 leverage \$ 306,283	15.86	15.86 %	\$ 334,969	17.35	17.35 %

Critical Accounting Policies

The Company's accounting policies are more fully described in [Note 1 of the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K](#) for the fiscal year ended December 31, 2023. As disclosed in Note 1, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates. The Company believes that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results of operations and require management's most difficult, subjective and complex judgments.

Allowance for Credit Losses: Our allowances for credit losses represents management's best estimate of probable losses inherent in our investment and loan portfolios, excluding those loans accounted for under fair value. Our process for determining the allowance for credit losses is discussed in [Note 1 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K](#).

Our determination of the allowance for credit losses is based on periodic evaluations of the loan and lease portfolios and other relevant factors, broken down into vintage based on year of origination. These critical estimates include significant use of our own historical data and other qualitative, and quantitative data. These evaluations are inherently subjective, as they require material estimates and may be susceptible to significant change. Our allowance for credit losses is comprised of two components, a specific allowance and a general calculation. A specific allowance is calculated for loans and leases that do not share similar risk characteristics with other financial assets, and include collateral dependent loans. A loan is considered to be collateral dependent when foreclosure of the underlying collateral is probable. Parke has elected to apply the practical expedient to measure expected credit losses of a collateral dependent asset using the fair value of the collateral, less any estimated costs to sell, when foreclosure is not probable but repayment of the loan is expected to be provided substantially through the operation or sale of the collateral, and the borrower is experiencing financial difficulty. The general based component covers loans and leases on which there are expected credit losses that are not yet individually identifiable. The allowance calculation and determination process is dependent on the use of key assumptions. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan portfolio performance experience, the financial strength of the borrower, projected industry outlook, and economic conditions.

The process of determining the level of the allowance for credit losses requires a high degree of judgment. To the extent actual outcomes differ from our estimates, additional provision for loan and lease losses may be required that would reduce future earnings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 4. CONTROLS AND PROCEDURES

The Company's management evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures, (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, (the "Exchange Act")), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Absecon Gardens Condominium Association v. Parke Bank Matter

Absecon Gardens Condominium Association v. Parke Bank, One Mechanic Street, et al, Superior Court of New Jersey, Law Division, Atlantic County, Docket No. ATL-L-2321-21. The Company is the successor to the interests of the developer of the Absecon Gardens Condominium project in Absecon NJ. Some of the unit owners have suggested that the Company is responsible for contributions and/or repair for alleged damages purportedly relating to construction. The owners filed a Complaint, alleging that the damages total approximately \$1.7 million. The matter is in the early stages of discovery so it is difficult to determine whether that amount accurately reflects the claimed damages, or whether the Company is in any way culpable for the damages. At this time it is too early to predict whether an unfavorable outcome will result. The Company is vigorously defending this matter. In the normal course of business, there are outstanding various contingent liabilities such as claims and legal action, which are not reflected in the financial statements. In the opinion of management, no material losses are anticipated as a result of these actions or claims.

Other than the foregoing, there were no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

Mori Restaurant LLC v. Parke Bank Matter

On May 20, 2014, Parke Bank (the "Bank") loaned Voorhees Diner Corporation ("VDC") the original principal sum of \$1.0 million for purposes of tenant fit out, and operation, of the Voorhees Diner situated at 320 Route 73, Voorhees, New Jersey 08043. VDC leased the Diner property under that certain Lease with Mori Restaurant LLC ("Mori") dated May 20, 2014. In connection with the loan from the Bank and as security therefor, VDC pledged its leasehold interest to the Bank. On March 6, 2015, the loan was modified, and the principal amount of the loan was increased to \$1.4 million. On January 8, 2020, the Bank declared VDC in default of its loan obligations. Judgment was entered against VDC and in favor of the Bank, and the court appointed Alan I. Gould, Esquire, as the Receiver for the Voorhees Diner Corporation. Mr. Gould subsequently caused VDC's leasehold interest in the Diner property to be sold at sheriff's sale. The Bank's REO subsidiary, 320 Route 73 LLC, was the successful bidder and took title thereto. Mori Restaurant has filed counterclaims against 320 Route 73 LLC and the Bank for rent allegedly accruing due during the period that the Receiver was in possession of the premises. As to all of Mori Restaurant's claims, the Bank defendants' primary, but not exclusive, defense in this matter is that, pursuant to that certain Fee Owner Consent executed by and between Mori Restaurant and the Bank, in November 2014, the lease between VDC and Mori Restaurant was terminated as a matter of law and neither the Bank nor 320 Route 73 LLC have liability to Mori Restaurant under the lease or otherwise. The Bank believes this suit is without merit, denies any and all liability and intends to vigorously defend against this matter.

Other than the foregoing, there were no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

ITEM 1A. RISK FACTORS

Not applicable.

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

- (a) Unregistered Sales of Equity Securities. Not Applicable.
- (b) Use of Proceeds. Not Applicable.
- (c) Issuer Purchases of Equity Securities. There were no repurchases of our common stock during the three months ended **March 31, 2024** June 30, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

3.1	Certificate of Incorporation of Parke Bancorp, Inc. (1)
3.2	Bylaws of Parke Bancorp, Inc. (2)
3.3	Certificate of Amendment setting forth the terms of the Registrant's 6.00% Non-Cumulative Perpetual Convertible Preferred Stock, Series B (3)
4.1	Specimen stock certificate of Parke Bancorp, Inc. (4)
31.1	Certification of CEO required by Rule 13a-14(a).
31.2	Certification of CFO required by Rule 13a-14(a).
32	Certification required by 18 U.S.C. §1350.
101	The following materials from the Company's Form 10-Q for the quarter ended March 31, 2024 June 30, 2024, formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.
101.INS	Inline XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) Incorporated by Reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 filed with the SEC on January 31, 2005 (File No. 333-122406).

(2) Incorporated by Reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K filed with the SEC on March 31, 2021.

(3) Incorporated by Reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on December 24, 2013.

(4) Incorporated by Reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4 filed with the SEC on January 31, 2005 (File No. 333-122406).

(5) Incorporated by Reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 22, 2024.

SIGNATURES

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

PARKE BANCORP, INC.

Date: May 8, August 7, 2024

/s/ Vito S. Pantilione

Vito S. Pantilione

President and Chief Executive Officer
(Principal Executive Officer)

Date: May 8, August 7, 2024

/s/ Jonathan D. Hill

Jonathan D. Hill

Senior Vice President and
Chief Financial Officer
(Principal Accounting Officer)

33 36

Exhibit 31.1

CERTIFICATION

I, Vito S. Pantilione, President and Chief Executive Officer, certify that:

1. I have reviewed this Form 10-Q of Parke Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, August 7, 2024

/s/ Vito S. Pantilione

Vito S. Pantilione

President and Chief Executive Officer

CERTIFICATION

I, Jonathan D. Hill, Senior Vice President and Chief Financial Officer, certify that:

1. I have reviewed this Form 10-Q of Parke Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

/s/ Jonathan D. Hill

Jonathan D. Hill
Senior Vice President and Chief Financial Officer

CERTIFICATION

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarter ended **March 31, 2024** **June 30, 2024** (the "Report") of Parke Bancorp, Inc. (the "Company") as filed with the Securities and Exchange Commission, we, Vito S. Pantilione, President and Chief Executive Officer, and Jonathan D. Hill, Senior Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Vito S. Pantilione

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

/s/ Jonathan D. Hill

Jonathan D. Hill
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

May 8, August 7, 2024

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