PARKE BANCORP, INC.
Form 10-Q
November 15, 2010

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

FORM 10-Q

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

For the quarterly period ended: September 30, 2010.

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

Commission File No. 000-51338

PARKE BANCORP, INC.
(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	65-1241959 (IRS Employer Identification No.)
601 Delsea Drive, Washington Township, New Jersey (Address of principal executive offices)	08080 (Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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

Yes [ ] No [ ]

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

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [X]

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

Yes [ ] No [X]

As of November 15, 2010, there were issued and outstanding 4,440,030 shares of the registrant's common stock.

PARKE BANCORP, INC.

FORM 10-Q

FOR THE QUARTER ENDED September 30, 2010

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

Parke Bancorp Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2010	December 31, 2009
	(in thousands except share data)	
ASSETS		
Cash and due from financial institutions	$51,158	$4,099
Federal funds sold and cash equivalents	12	55
Cash and cash equivalents	51,170	4,154
Investment securities available for sale, at fair value	27,897	29,420
Investment securities held to maturity (fair value of $2,141 at September 30, 2010 and $2,404 at December 31, 2009)	1,991	2,509
Total investment securities	29,888	31,929
Loans held for sale	4,344	—
Loans, net of unearned income	633,743	603,401
Less: Allowance for loan and lease losses	13,428	12,404
Net loans and leases	620,315	590,997
Accrued interest receivable	3,303	2,808
Premises and equipment, net	4,338	2,861
Other real estate owned (OREO)	7,778	—
Restricted stock, at cost	3,087	3,094
Bank owned life insurance (BOLI)	5,316	5,184
Other assets	13,392	13,171
Total Assets	$742,931	$654,198
LIABILITIES AND EQUITY		
Liabilities		
Deposits		
Noninterest-bearing deposits	$22,682	$21,488
Interest-bearing deposits	576,298	498,825
Total deposits	598,980	520,313
FHLB borrowings	41,796	44,428
Other borrowed funds	14,344	10,000
Subordinated debentures	13,403	13,403
Accrued interest payable	865	821
Other liabilities	4,323	3,260
Total liabilities	673,711	592,225
Equity		
Preferred stock, $1,000 liquidation value; authorized 1,000,000 shares; Issued: 16,288 shares at September 30, 2010 and December 31, 2009	15,638	15,508
Common stock, $.10 par value; authorized 10,000,000 shares; Issued: 4,650,930 shares at September 30, 2010; and 4,224,867 shares at December 31, 2009	465	421
Additional paid-in capital	41,921	37,020

Retained earnings	14,027	14,071
Accumulated other comprehensive loss	(829)	(2,867)
Treasury stock, 210,900 shares at September 30, 2010 and 191,729 shares at December 31, 2009, at cost	(2,180)	(2,180)
Total shareholders' equity	69,042	61,973
Noncontrolling (minority) interest in consolidated subsidiaries	178	—
Total equity	69,220	61,973
Total liabilities and equity	$742,931	$654,198

See accompanying notes to consolidated financial statements

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

	For the nine months ended September 30,		For the three months ended September 30,	
	2010	2009	2010	2009
	(in thousands except share data)			
Interest income:				
Interest and fees on loans	$29,621	$28,646	$10,044	$9,680
Interest and dividends on investments	1,290	1,462	428	448
Interest on federal funds sold and cash equivalents	—	1	—	—
Total interest income	30,911	30,109	10,472	10,128
Interest expense:				
Interest on deposits	7,241	10,858	2,376	3,291
Interest on borrowings	1,330	1,578	444	474
Total interest expense	8,571	12,436	2,820	3,765
Net interest income	22,340	17,673	7,652	6,363
Provision for loan losses	6,401	3,200	2,100	1,450
Net interest income after provision for loan losses	15,939	14,473	5,552	4,913
Noninterest income (loss)				
Loan fees	109	201	28	62
Net income from BOLI	132	135	43	45
Service fees on deposit accounts	191	138	62	48
Other than temporary impairment losses	(115)	(2,401)	(71)	(1,120)
Portion of loss recognized in other comprehensive income (before taxes)	49	863	23	770
Net impairment losses recognized in earnings	(66)	(1,538)	(48)	(350)
Gain (loss) on sale of real estate owned	39	(149)	(7)	10
Gain on sale of loans	1,311	—	635	—
Other	192	223	132	26
Total noninterest income (loss)	1,908	(990)	845	(159)
Noninterest expense				
Compensation and benefits	3,641	2,966	1,163	953
Professional services	873	631	291	180
Occupancy and equipment	691	637	253	201
Data processing	250	255	88	87
FDIC insurance	653	627	216	185
Loss on write down of foreclosed assets	—	68	—	14
Other operating expense	2,144	1,109	1,265	372
Total noninterest expense	8,252	6,293	3,276	1,992
Income before income tax expense	9,595	7,190	3,121	2,762
Income tax expense	3,802	2,787	1,180	1,067
Net income attributable to Company and noncontrolling (minority) interest	5,793	4,403	1,941	1,695
Net income attributable to noncontrolling (minority) interest	(168)	—	(113)	—
Net income attributable to Company	5,625	4,403	1,828	1,695
Preferred stock dividend and discount accretion	740	655	247	245
Net income available to common shareholders	$4,885	$3,748	$1,581	$1,450

Earnings per common share				
Basic	$1.10	$0.85	$0.36	$0.33
Diluted	$1.09	$0.85	$0.35	$0.32
Weighted average shares outstanding				
Basic	4,437,860	4,431,409	4,439,838	4,436,452
Diluted	4,491,020	4,431,409	4,488,106	4,469,406

See accompanying notes to consolidated financial statements

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

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity	Non-Controlling (Minority) Interest	Total Equity
					(in thousands)				
Balance, December 31, 2008	$ —	$ 414	$ 35,656	$ 8,870	$ (2,791)	$ (1,848)	$ 40,301	$ —	$ 40,301
Stock warrants exercised		7	415			(332)	90		90
Stock compensation			14				14		14
Comprehensive income (loss):									
Net income				4,403			4,403		4,403
Non-credit unrealized losses on debt securities with OTTI, net of taxes					(518)		(518)		(518)
Net unrealized gains on available for sale securities without OTTI, net of taxes					2,640		2,640		2,640
Pension liability adjustments, net of tax					(9)		(9)		(9)
Total comprehensive income							6,516	—	6,516
Preferred stock issued	15,358		930				16,288		16,288
Dividend on preferred stock (5% annually)				(545)			(545)		(545)
Accretion of discount on preferred stock	110			(110)			0		0
Balance, September 30, 2009	$ 15,468	$ 421	$ 37,015	$ 12,618	$ (678)	$ (2,180)	$ 62,664	$ —	$ 62,664

Balance, December 31, 2009	$ 15,508	$ 421	$ 37,020	$ 14,071	$ (2,867)	$ (2,180)	$ 61,973	$ —	$ 61,973
Stock options exercised			22				22		22
Capital contribution by noncontrolling (minority) interest								196	196
Capital withdrawals by noncontrolling (minority) interest								(186)	(186)
10% common stock dividend		44	4,879	(4,929)			(6)		(6)
Comprehensive income (loss):									
Net income				5,625			5,625	168	5,793
Non-credit unrealized gains on debt securities with OTTI, net of taxes					85		85		85
Net unrealized gains on available for sale securities without OTTI, net of taxes					1,921		1,921		1,921
Pension liability adjustments, net of taxes					32		32		32
Total comprehensive income							7,663	168	7,831
Dividend on preferred stock (5% annually)				(610)			(610)		(610)
Accretion of discount on preferred stock	130			(13)			—		—
Balance, September 30, 2010	$ 15,638	$ 465	$ 41,921	$ 14,027	$ (829)	$ (2,180)	$ 69,042	$ 178	$ 69,220

See accompanying notes to consolidated financial statements

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

	For the nine months ended September 30,	
	2010	2009
	(in thousands)	
Cash Flows from Operating Activities		
Net income	$5,793	$4,403
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	247	236
Provision for loan losses	6,401	3,200
Stock compensation	—	14
Bank owned life insurance	(132)	(135)
Supplemental executive retirement plan	333	174
Gain on sale of SBA loans	(1,311)	—
SBA loans originated for sale	(12,593)	—
Proceeds from sale of SBA loans originated for sale	13,904	—
(Gain) loss on sale of other real estate owned	(39)	149
Loss on write down of foreclosed assets	—	68
Other than temporary decline in value of investments	66	1,538
Net accretion of purchase premiums and discounts on securities	(59)	(91)
Changes in operating assets and liabilities:		
Increase in accrued interest receivable and other assets	(848)	(2,991)
Increase in accrued interest payable and other accrued liabilities	1,107	1,377
Net cash provided by operating activities	8,525	7,942 1,628
Cash Flows from Investing Activities		
Purchases of investment securities available for sale	(1,794)	(3,307)
Redemptions of restricted stock	7	29
Proceeds from maturities and principal payments on mortgage-backed securities	7,171	8,228
Proceeds from sale of other real estate owned	453	1,008
Net increase in loans	(45,407)	(47,493)
Purchases of bank premises and equipment	(1,724)	(161)
Net cash used in investing activities	(41,294)	(41,696)
Cash Flows from Financing Activities		
Proceeds from issuance of preferred stock	—	16,288
Payment of dividend on preferred stock	(610)	(441)
Proceeds from exercise of stock options and warrants	22	422
Fractional share cash payment on 10% stock dividend	(6)	—
Purchase of treasury stock	—	(332)
Net increase in secured borrowings	4,344	—
Net decrease in Federal Home Loan Bank short term borrowings	(2,025)	(5,500)
Repayments of Federal Home Loan Bank advances	(500)	—
Payments of Federal Home Loan Bank advances	(107)	(602)
Net increase (decrease) in noninterest-bearing deposits	1,194	(1,147)
Net increase in interest-bearing deposits	77,473	37,002
Net cash provided by financing activities	79,785	45,690

Increase in cash and cash equivalents	47,016	11,936
Cash and Cash Equivalents, January 1,	4,154	7,270
Cash and Cash Equivalents, September 30,	$51,170	$19,206
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the six months for:		
Interest on deposits and borrowed funds		
	$8,527	$12,657
Income taxes	$6,200	$5,001
Supplemental Schedule of Noncash Activities:		
Real estate acquired in settlement of loans	$13,273	$442

See accompanying notes to consolidated financial statements

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Notes to Consolidated Financial Statements (Unaudited)

NOTE 1. ORGANIZATION

Parke Bancorp, Inc. ("Parke Bancorp" or the "Company") is a bank holding company incorporated under the laws of the State of New Jersey in January 2005 for the sole purpose of becoming the holding company of Parke Bank (the "Bank").

The Bank is a commercial bank which commenced operations on January 28, 1999. The Bank is chartered by the New Jersey Department of Banking and insured by the Federal Deposit Insurance Corporation ("FDIC"). Parke Bancorp and the Bank maintain their principal offices at 601 Delsea Drive, Washington Township, New Jersey. The Bank also conducts business through branches in Northfield and Washington Township, New Jersey and Philadelphia, Pennsylvania.

The Bank competes with other banking and financial institutions in its primary market areas. Commercial banks, savings banks, savings and loan associations, credit unions and money market funds actively compete for savings and time certificates of deposit and all types of loans. Such institutions, as well as consumer financial and insurance companies, may be considered competitors of the Bank with respect to one or more of the services it renders.

The Bank is subject to regulations of certain state and federal agencies, and accordingly, the Bank is periodically examined by such regulatory authorities. As a consequence of the regulation of commercial banking activities, the Bank's business is particularly susceptible to future state and federal legislation and regulations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation: The accounting and reporting policies of the Bank conform to accounting principles generally accepted in the United States of America (GAAP) and predominant practices within the banking industry.

The financial statements include the accounts of Parke Bancorp, Inc. and its wholly owned subsidiaries, Parke Bank, Parke Capital Markets, Farm Folly LLC, 601 Sewell Walnut LLC, 601 Sewell Sturdy LLC, 601 Sewell Seafar LLC, 601 Sewell Baker LLC and Woolwich Lots LLC. Parke Capital Markets and Farm Folly LLC are presently inactive. Parke Capital Trust I, Parke Capital Trust II and Parke Capital Trust III are wholly-owned subsidiaries but are not consolidated because they do not meet the consolidation requirements. Parke Bank has entered into a joint venture, 44 Capital Partners LLC, with a 51% ownership interest which is reflected in the consolidated financial statements. The LLC was formed to originate, sell and service Small Business Administration (SBA) loans. All significant inter-company balances and transactions have been eliminated.

The accompanying interim financial statements should be read in conjunction with the annual financial statements and notes thereto included in Parke Bancorp Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 since they do not include all of the information and footnotes required by U.S. generally accepted accounting principles. The accompanying interim financial statements for the three months and nine months ended September 30, 2010 and 2009 are unaudited. The balance sheet as of December 31, 2009, was derived from the audited financial statements. In the opinion of management, these financial statements include all normal and recurring adjustments necessary for a fair statement of the results for such interim periods. Results of operations for the three months and nine months ended September 30, 2010 are not necessarily indicative of the results for the full year.

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Use of Estimates: In preparing the interim financial statements, management makes estimates and assumptions based on available information that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and reported amounts of expenses and revenues. Actual results could differ from such estimates. The allowance for loan losses, deferred taxes, evaluation of investment securities for other-than-temporary impairment and fair values of financial instruments are significant estimates and particularly subject to change.

Recently Issued Accounting Pronouncements:

On July 1, 2009, the Accounting Standards Codification ("ASC") became the Financial Accounting Standards Board's ("FASB") officially recognized source of authoritative U.S. generally accepted accounting principles ("GAAP") applicable to all public and non-public non-governmental entities, superseding existing FASB, AICPA, EITF and related literature. Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature is considered non-authoritative. The switch to the ASC affects the way companies refer to U.S. GAAP in financial statements and accounting policies. Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure.

FASB ACS Topic 820, "Fair Value Measurements and Disclosures."

New authoritative accounting guidance (Accounting Standards Update No. 2010-6), which became effective January 1, 2010, provides amendments to ASC Topic 820 that require new disclosures as follows: 1) A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number).

The new authoritative guidance also clarifies existing disclosures as follows:

1) A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities.

2) A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3.

These new disclosures and clarifications of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009 and did not have a significant impact of the Company's consolidated financial statements. The disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The new disclosures are not expected to have a significant impact on the Company's consolidated financial statements. See Note 8, "Fair Value".

FASB ASC Topic 860, "Transfers and Servicing."

New authoritative accounting guidance under ASC Topic 860, "Transfers and Servicing" amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. The new authoritative accounting guidance eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets. The new authoritative accounting guidance also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. The new authoritative accounting guidance under ASC Topic 860 was effective January 1, 2010 and accordingly, impacted the manner in which the Company accounts for the sale of the guaranteed portion on SBA loans. Gains of $485,000 for the three months ended September 30, 2010 were deferred to the fourth quarter as a result of this new guidance.

FASB ASC Topic 310, “Receivables.”

New authoritative accounting guidance (Accounting Standards Update No. 2010-20) under ASC Topic 310, "Receivables", amends the current disclosures required by ASC Topic 310. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The Company is currently evaluating this new disclosure guidance, but does not expect it to have any effect on the Company's reported financial condition or results of operations.

NOTE 3. INVESTMENT IN DEBT AND MARKETABLE EQUITY SECURITIES

The following is a summary of the Company's investment in available-for-sale and held-to-maturity securities as of September 30, 2010 and December 31, 2009:

As of September 30, 2010	Amortized cost	Gross unrealized gains	Gross unrealized losses	Other-than-temporary impairments in OCI	Fair value
		(amounts in thousands)			
Available-for-sale:					
U.S. Government sponsored entities	$ 3,259	$ 28	$ —	$ —	$ 3,287
Corporate debt obligations	2,000	125	—	—	2,125
Residential mortgage-backed securities	15,158	683	4	—	15,837
Collateralized mortgage obligations	2,947	125	—	71	3,001
Collateralized debt obligations	5,562	—	1,375	540	3,647
Total available-for-sale	$ 28,926	$ 961	$ 1,379	$ 611	$ 27,897
Held to maturity:					
States and political subdivisions	$ 1,991	$ 150	$ —	$ —	$ 2,141

As of December 31, 2009	Amortized cost	Gross unrealized gains	Gross unrealized losses	Other-than-temporary impairments in OCI	Fair value
		(amounts in thousands)			
Available-for-sale:					
U.S. Government sponsored entities	$ 3,273	$ —	$ 41	$ —	$ 3,232
Corporate debt obligations	2,000	17	47	—	1,970
Residential mortgage-backed securities	19,098	679	79	—	19,698
Collateralized mortgage obligations	3,859	68	50	68	3,809
Collateralized debt obligations	5,562	—	4,166	685	711
Total available-for-sale	$ 33,792	$ 764	$ 4,383	$ 753	$ 29,420
Held to maturity:					
States and political subdivisions	$ 2,509	$ 10	$ 115	$ —	$ 2,404

The Company's unrealized loss on investments in collateralized debt obligations (CDOs) relates to four securities issued by financial institutions, totaling $5.6 million. The gross unrealized loss decreased from $4.2 million at December 31, 2009 to $1.4 million at September 30, 2010. In the first quarter of 2010, the Company engaged an independent third party valuation firm to assess three of its pooled trust preferred collateralized debt obligations for other than temporary impairment ("OTTI"). The OTTI analysis is based on a best estimate of cash flows, including potential credit losses and prepayments, discounted at

the securities' effective yields. The valuation firm also discounts the best estimate cash flows using a discount rate derived through the build-up method to estimate fair value. The fair value discount rate is based on the appropriate risk free rate, given the estimated duration of the security, plus a spread for liquidity under normal market conditions, and a spread to account for the uncertainty of the cash flows. Prior to the first quarter, the Company had relied on a pricing service that utilized a matrix pricing approach to estimate fair value. The Company believes that a fair value derived from best estimate cash flows represents a better estimate of the fair values of the securities.

The amortized cost and fair value of debt securities classified as available-for-sale and held-to-maturity, by contractual maturity, as of September 30, 2010 are as follows:

	Amortized Cost	Fair Value
	(amounts in thousands)	
Available-for-sale:		
Due within one year	$—	$—
Due after one year through five years	3,252	—
Due after five years through ten years	—	3,281
Due after ten years	7,569	5,778
Residential mortgage-backed securities and collateralized mortgage obligations	18,105	18,838
Total available-for-sale	$28,926	$27,897
Held-to-maturity:		
Due within one year	$—	$—
Due after one year through five years	—	—
Due after five years through ten years	—	—
Due after ten years	1,991	2,141
Total held-to-maturity	$1,991	$2,141

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

The following tables show the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2010 and December 31, 2009:

As of September 30, 2010	Less Than 12 Months		12 Months or Greater		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(amounts in thousands)			
Available-for-sale:						
U.S. Government sponsored entities	$—	$—	$—	$—	$—	$—
Corporate debt obligations	—	—	—	—	—	—
Residential mortgage-backed securities and collateralized mortgage obligations	1,097	4	—	—	1,097	4
Collateralized debt obligations	—	—	3,375	1,375	3,375	1,375
Total available-for-sale	$1,097	$4	$3,375	$1,375	$4,472	$1,379
Held-to-maturity:						
States and political subdivisions	$—	$—	$—	$—	$—	$—

As of December 31, 2009	Less Than 12 Months		12 Months or Greater		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(amounts in thousands)			
Available-for-sale:						
U.S. Government sponsored entities	$3,225	$41	$—	$—	$3,225	$41
Corporate debt obligations	—	—	653	47	653	47
Residential mortgage-backed securities and collateralized mortgage obligations	6,289	129	—	—	6,289	129
Collateralized debt obligations	—	—	585	4,166	585	4,166
Total available-for-sale	$9,514	$170	$1,238	$4,213	$10,752	$4,383
Held-to-maturity:						
States and political subdivisions	$—	$—	$610	$115	$610	$115

U.S. Government Sponsored Entities: The unrealized losses on the Company's investment in U.S. Government sponsored entities were caused by movement in interest rates. Because the Company does not intend to sell the investment and it is not more likely than not that the Company will be required to sell this investments before recovery of its amortized cost basis, which may be maturity, it does not consider the investment to be other-than-temporarily impaired at December 31, 2009.

Corporate Debt Obligations: The Company's unrealized loss on investments in corporate bonds relates to two trust preferred securities (TruPS) issued by financial institutions, totaling $1.0 million. The unrealized loss was primarily caused by an illiquid market for this sector of security. All two issues have been rated A or above by Moody's. Because the Company does not intend to sell the investment and it is not more likely than not that the Company will be required to sell the investment before recovery of its amortized cost basis, which may be maturity, it does not consider the investment to be other-than-temporarily impaired at December 31, 2009.

Residential Mortgage-Backed Securities and Collateralized Mortgage Obligations: The unrealized losses on the Company's investment in mortgage-backed securities were caused by movement in interest rates. The loss is attributable to two securities; one was issued by GNMA, a government agency and the other was issued by FHLMC, a government sponsored agency. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, it does not consider the investments in these securities to be other-than-temporarily impaired at September 30, 2010 or December 31, 2009.

Collateralized Debt Obligations: CDOs are pooled securities primarily secured by trust preferred securities (TruPS), subordinated debt and surplus notes issued by small and mid-sized banks and insurance companies. These securities are generally floating rate instruments with 30-year maturities, and are callable at par by the issuer after five years. The current economic downturn has had a significant adverse impact on the financial services industry, consequently, TruPS CDOs do not have an active trading market. With the assistance of a competent third-party valuation specialist, the Company utilized the following methodology to determine the fair value:

Cash flows were developed based on the estimated speeds at which the trust preferred securities are expected to prepay, the estimated rates at which the trust preferred securities are expected to defer payments, the estimated rates at which the trust preferred securities are expected to default, and the severity of the losses on securities which default. Trust preferred securities generally allow for prepayment by the issuer without a prepayment penalty any time after five years. Due to the lack of new trust preferred issuances and the relatively poor conditions of the financial institution industry, a relatively modest rate of prepayment was assumed going forward. Estimates for conditional default rates ("CDR") are based on the payment characteristics of the trust preferred securities themselves (e.g. current, deferred, or defaulted) as well as the financial condition of the trust preferred issuers in the pool. Estimates for the near-term rates of deferral and CDR are based on key financial ratios relating to the financial institutions' capitalization, asset quality, profitability and liquidity. Finally, we consider whether or not the financial institution has received TARP funding, and if it has, the amount. Longer-term rates of deferral and defaults are based on historical averages. The estimated cash flows were than discounted. The fair value of each bond was assessed by discounting their projected cash flows by a discount rate ranging from 10% to 20%. The discount rates were based on the yields of publicly traded TruPS and preferred stock issued by comparably rated banks. The fair value for previous reporting periods was based on indicative market bids and resulted in much lower values due to the inactive trading market.

The underlying issuers have been analyzed, and projections have been made regarding the future performance, considering factors including defaults and interest deferrals. The analysis indicates that the Company should expect to receive all contractual cash flows. Because the Company does not intend to

sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of its amortized cost basis, which may be maturity, it does not consider these investments to be other-than-temporarily impaired at September 30, 2010 or December 31, 2009.

Other-Than-Temporarily Impaired Debt Securities

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

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

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

The following table presents a roll-forward of the credit loss component of the amortized cost of debt securities that we have written down for OTTI and the credit component of the loss that is recognized in earnings. OTTI recognized in earnings subsequent to adoption in 2009 for credit-impaired debt securities is presented as additions in two components based upon whether the current period is the first time the debt security was credit-impaired (initial credit impairment) or is not the first time the debt security was credit impaired (subsequent credit impairments). The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired debt securities. Additionally, the credit loss component is reduced if we receive cash flows in excess of what we expected to receive over the remaining life of the credit-impaired debt security, the security matures or is fully written down. Changes in the credit loss component of credit-impaired debt securities were as follows for the nine month and three month periods ended September 30, 2010 and 2009.

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	For the Nine Months Ended September 30,	
	2010	2009
	(amounts in thousands)	
Beginning balance	$4,008	$2,279
Initial credit impairment	—	884
Subsequent credit impairments	66	654
Reductions for amounts recognized in earnings due to intent or requirement to sell	—	—
Reductions for securities deemed worthless	1,384	—
Reductions for increases in cash flows expected to be collected	—	—
Ending balance	$2,690	$3,817

	For the Three Months Ended September 30,	
	2010	2009
	(amounts in thousands)	
Beginning balance	$2,808	$3,467
Initial credit impairment	—	319
Subsequent credit impairments	48	31
Reductions for amounts recognized in earnings due to intent or requirement to sell	—	—
Reductions for securities deemed worthless	166	—
Reductions for increases in cash flows expected to be collected	—	—
Ending balance	$2,690	$3,817

A summary of investment gains and losses recognized in income during the nine month and three month periods ended September 30, 2010 and 2009 are as follows:

	For the Nine Months Ended September 30,	
	2010	2009
	(amounts in thousands)	
Available-for-sale securities:		
Realized gains	$—	$—
Realized (losses)	—	—
Other than temporary impairment	(66)	(1,538)
Total available-for-sale securities	$(66)	$(1,538)
Held-to-maturity securities:		
Realized gains	$—	$—
Realized (losses)	—	—
Other than temporary impairment	—	—
Total held-to-maturity securities	$0	$0

	For the Three Months Ended September 30,	
	2010	2009
	(amounts in thousands)	
Available-for-sale securities:		
Realized gains	$—	$—
Realized (losses)	—	—
Other than temporary impairment	(48)	(350)
Total available-for-sale securities	$(48)	$(350)
Held-to-maturity securities:		
Realized gains	$—	$—
Realized (losses)	—	—
Other than temporary impairment	—	—
Total held-to-maturity securities	$0	$0

During the first nine months of 2010, the Company recognized $66,000 of other-than-temporary impairment losses on available-for-sale securities, attributable to impairment charges recognized on
privately issued CMOs.

The impairment charges for the CMOs were recognized in light of significant deterioration of housing values in the residential real estate market, the significant rise in delinquencies and charge-offs of underlying mortgage loans and resulting decline in market value of the securities.

With the assistance of a competent third-party valuation specialist, the Company utilized the following methodologies to quantify the other-than-temporary-impairment. The underlying mortgage collateral was analyzed in order to project future cash flows and to calculate the credit component of the OTTI. Four major assumptions were utilized; prepayment (CPR), constant default rate (CDR), loss severity and risk adjusted discount rate. The methodologies for the four assumptions are:

CPR assumptions were based on an evaluation of the lifetime conditional prepayment rates; 3 month CPR over the most recent period, past 6 months and past 12 months; estimated prepayment rates provided by the Securities Industry & Financial Markets Association (SIFMA), forecasts from other industry experts, and judgment given the recent deterioration in credit conditions and declines in property values

CDR estimates were based on the status of the loans – current, 30-59 days delinquent, 60-89 days delinquent, 90+ days delinquent, foreclosure or REO – and proprietary loss migration models (i.e. percentage of 30 day delinquents that will ultimately migrate to default, percentage of 60 day delinquents that will ultimately migrate to default, etc.). The model assumes that the 60 day plus population will move to repossession inventory subject to the loss migration assumptions and liquidate over the next 36 months. Defaults vector from month 37 to month 48 to the month 49 CDR value and ultimately vector to zero over an extended period of time of at least 15 years.

Loss severity estimates are based on the initial loan to value ratio, the loan's lien position, private mortgage insurance proceeds available (if any), and the estimated change in the price of the property since origination. The loss severity assumption is static for twelve months then decreases monthly based on future market appreciation. Our annual

market appreciation assumption is 3.5% after 12 months. Our loss severity is subject to a floor value of 23.0%.

The risk adjusted discount rate was derived based on the spread from the most recent active market indication for either the instrument in question or a proxy of the instrument. The resulting spread was then used in conjunction with the swap curve to discount the expected cash flow stream.

NOTE 4. LOANS

The portfolio of the loans outstanding consists of:

	September 30, 2010			December 31, 2009		
	Amount	Percentage of Gross Loans		Amount	Percentage of Gross Loans	
	(amounts in thousands)					
Commercial	$25,115	4.0	%	$20,174	3.3	%
Real estate construction:						
Residential	45,727	7.2		61,865	10.3	
Commercial	57,436	9.1		44,726	7.4	
Real estate mortgage:						
Residential	166,987	26.3		154,385	25.6	
Commercial	322,661	50.9		309,226	51.2	
Consumer	15,817	2.5		13,025	2.2	
Total Loans	$633,743	100.0	%	$603,401	100.0	%

Loans on non-accrual were $23.3 million at September 30, 2010 and $25.5 million at December 31, 2009. Loans deemed impaired (including troubled debt restructuring – TDRs – and loans on nonaccrual) totaled $54.6 million at September 30, 2010 and $50.9 at December 31, 2009 for which the allowance for loan losses included specific reserves of $1.3 million and $3.6 million respectively as of these dates. No loans with interest past due 90 days or more were still accruing at September 30, 2010 or at December 31, 2009. The Company has created interest reserves for the purpose of making periodic and timely interest payments for borrowers that qualify. Total loans with interest reserves were $68.3 million at September 30, 2010 and $74.8 million at December 31, 2010. On a monthly basis management reviews loans with interest reserves to assess current and projected performance and determines whether such reserves will continue to be funded.

Activity in the allowance for loan losses was as follows:

	For the nine months ended September 30,	
	2010	2009
	(amounts in thousands)	
Balance at beginning of period	$12,404	$7,777
Provisions charged to operations	6,401	3,200
Charge-offs	(5,377)	(62)
Recoveries	—	—
Balance at end of period	$13,428	$10,915

	For the three months ended September 30,	
	2010	2009
	(amounts in thousands)	
Balance at beginning of period	$14,893	$9,514
Provisions charged to operations	2,100	1,450
Charge-offs	(3,565)	(49)
Recoveries	—	—
Balance at end of period	$13,428	$10,915

During the quarter the Company charged-off $3.6 million, primarily residential construction loans, due to estimated collateral deficiencies on impaired loans. The Company had previously established $2.8 million in specific reserves on these loans.

Individually impaired loans were as follows:

	September 30, 2010	December 31, 2009
	(amounts in thousands)	
Impaired loans with no allocated allowance for loan losses	$40,917	$28,681
Impaired loans with allocated allowance for loan losses	13,705	22,681
Total	$54,622	$50,889
Amount of the allowance for loan losses allocated	$1,296	$3,555

NOTE 5. REGULATORY RESTRICTIONS

The Company and the Bank are subject to various regulatory capital requirements of federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

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

	Actual			For Capital Adequacy Purposes			To be Well- Capitalized Under Prompt Corrective Action Provisions	
Parke Bancorp, Inc.	Amount	Ratio		Amount	Ratio		Amount	Ratio
As of September 30, 2010 (amounts in thousands except ratios)								
Total Risk Based Capital (to Risk Weighted Assets)	$90,802	14.0	%	$50,045	8	%	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	$82,871	12.7	%	$26,023	4	%	N/A	N/A
Tier 1 Capital (to Average Assets)	$82,871	12.1	%	$27,413	4	%	N/A	N/A

	Actual			For Capital Adequacy Purposes			To be Well- Capitalized Under Prompt Corrective Action Provisions	
Parke Bancorp, Inc.	Amount	Ratio		Amount	Ratio		Amount	Ratio
As of December 31, 2009 (amounts in thousands except ratios)								
Total Risk Based Capital (to Risk Weighted Assets)	$85,394	14.3	%	$47,892	8	%	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	$77,840	13.7	%	$22,674	4	%	N/A	N/A
Tier 1 Capital	$77,840	11.9	%	$26,108	4	%	N/A	N/A

(to Average Assets)

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Parke Bank	Actual		For Capital Adequacy Purposes		To be Well- Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2010 (amounts in thousands except ratios)						
Total Risk Based Capital (to Risk Weighted Assets)	$90,797	14.0 %	$50,928	8 %	$63,660	10 %
Tier 1 Capital (to Risk Weighted Assets)	$82,866	12.8 %	$25,464	4 %	$38,196	6 %
Tier 1 Capital (to Average Assets)	$82,866	11.7 %	$27,282	4 %	$34,103	5 %

Parke Bank	Actual		For Capital Adequacy Purposes		To be Well- Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2009 (amounts in thousands except ratios)						
Total Risk Based Capital (to Risk Weighted Assets)	$85,448	14.3 %	$47,890	8 %	$59,863	10 %
Tier 1 Capital (to Risk Weighted Assets)	$77,922	13.0 %	$23,945	4 %	$35,918	6 %
Tier 1 Capital (to Average Assets)	$77,922	11.9 %	$26,124	4 %	$32,655	5 %

NOTE 6. CAPITAL

On October 3, 2008 Congress passed the Emergency Economic Stabilization Act of 2008 (EESA), which provides the U.S. Secretary of the Treasury with broad authority to implement certain actions to help restore stability and liquidity to the U.S. markets. One of the provisions resulting from the Act is the Treasury Capital Purchase Program (CPP) which provides for the direct equity investment of perpetual preferred stock by the U.S. Treasury in qualified financial institutions. This program is voluntary and requires an institution to comply with several restrictions and provisions, including limits on executive compensation, stock redemptions, and declaration of dividends. The CPP provides for a

minimum investment of 1% of Risk-Weighted-Assets, with a maximum investment of the lesser of 3% of Risk-Weighted Assets or $25 billion. The perpetual preferred stock has a dividend rate of 5% per year until the fifth anniversary of the Treasury investment and a dividend of 9%, thereafter. The CPP also requires the Treasury to receive warrants for common stock equal to 15% of the capital invested by the U.S. Treasury. The Company received an investment in perpetual preferred stock of $16,288,000 on January 30, 2009. These proceeds were allocated between the preferred stock and warrants based on relative fair value in accordance with FASB ASC Topic 470-20, Debt with Conversion and Other Options. The allocation of

proceeds resulted in a discount on the preferred stock that will be accreted over five years. The Company issued 329,757 common stock warrants to the U.S. Treasury and $930,000 of those proceeds were allocated to the warrants. The warrants are accounted for as equity securities. The warrants have a contractual life of 10 years and an exercise price of $7.41 per share of common stock.

On May 21, 2010, the Company paid a 10% stock dividend to stockholders of record as of May 11, 2010. Both basic and diluted earnings per share calculations give retroactive effect to this stock dividend.

NOTE 7. COMPREHENSIVE INCOME

The Company's comprehensive income is presented in the following tables:

	For the nine months ended September 30, (amounts in thousands)	
	2010	2009
Net income	$5,793	$4,403
Non-credit unrealized gains (losses) on debt securities with OTTI:		
Available-for-sale	142	(863)
Unrealized gains (losses) on available for sale securities without OTTI	3,201	4,399
Minimum pension liability	54	(15)
Tax impact	(1,359)	(1,408)
Comprehensive income	7,831	6,516
Net income attributable to noncontrolling (minority) interest	(168)	—
Comprehensive income attributable to Company	$7,663	$6,516

	For the three months ended September30, (amounts in thousands)	
	2010	2009
Net income	$1,941	$1,695
Non-credit unrealized gains (losses) on debt securities with OTTI:		
Available-for-sale	64	(770)
Unrealized gains (losses) on available for sale securities without OTTI	(112)	5,392
Minimum pension liability	19	15
Tax impact	11	(1,855)
Comprehensive income	1,923	4,477
Net income attributable to noncontrolling (minority) interest	(113)	—
Comprehensive income attributable to Company	$1,810	$4,477

Accumulated other comprehensive loss consisted of the following at September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
	(amounts in thousands)	
Securities		
Non-credit unrealized losses on debt securities with OTTI:		

Available for sale	$(611)	$(753)
Unrealized gains (losses) on available for sale securities without OTTI	(418)	(3,619)
Minimum pension liability	(353)	(407)
Tax impact	553	1,912
	$(829)	$(2,867)

NOTE 8. FAIR VALUE

Fair Value Measurements

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

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

Level 1 Inputs:

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. 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 date.

Investment Securities Available for Sale:

Where quoted prices are available in an active market, securities are classified in Level 1 of the valuation hierarchy. Securities in Level 1 are exchange-traded equities. If quoted market prices are not available for the specific security, then fair values are provided by independent third-party valuations services. These valuations services estimate fair values using pricing models and other accepted valuation methodologies, such as quotes for similar securities and observable yield curves and spreads. As part of the Company's overall valuation process, management evaluates these third-party methodologies to ensure that they are representative of exit prices in the Company's principal markets. Securities in Level 2 include U.S. Government agencies, mortgage-backed securities, state and municipal securities and trust preferred securities. Securities in Level 3 include thinly traded collateralized mortgage obligations and collateralized debt obligations.

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

Financial Assets	Level 1	Level 2	Level 3	Total
		(amounts in thousands)		
Securities Available for Sale				
As of September 30, 2010				
U.S. Government sponsored entities	$—	$3,287	$—	$3,287
Corporate debt obligations	—	2,125	—	2,125
Residential mortgage-backed securities	—	15,837	—	15,837
Collateralized mortgage-backed securities		2,395	606	3,001
Collateralized debt obligations	—	—	3,647	3,647
Total	$—	$23,644	$4,253	$27,897
As of December 31, 2009				
U.S. Government sponsored entities	$—	$3,232	$—	$3,232
Corporate debt obligations	—	1,970	—	1,970
Residential mortgage-backed securities	—	19,698	—	19,698
Collateralized mortgage-backed securities		2,669	1,140	3,809
Collateralized debt obligations	—	—	711	711
Total	$—	$27,569	$1,851	$29,420

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Securities Available for Sale	
	2010	2009
	(amounts in thousands)	
Beginning balance at January 1,	$1,851	$1,705
Total net gains (losses) included in:		
Net income (loss)	(66)	(1,538)
Other comprehensive income (loss)	2,638	2,925
Purchases, sales, issuances and settlements, net	(170)	—
Net transfers into Level 3	—	2,280
Ending balance September 30,	$4,253	$5,372

Fair Value on a Non-recurring Basis:

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

Financial Assets	Level 1	Level 2	Level 3	Total
		(amounts in thousands)		
As of September 30, 2010				
Impaired Loans	$—	$—	$53,326	$53,326
Other Real Estate Owned	—	—	7,778	7,778
As of December 31, 2009				
Impaired Loans	$—	$—	$47,334	$47,334

Impaired loans, which are measured in accordance with FASB ASC Topic 310 “Receivables”, for impairment, had a carrying amount of $54.6 million and $50.9 million at September 30, 2010 and December 31, 2009 respectively, with a valuation allowance of $1.3 million and $3.6 million at September 30, 2010 and December 31, 2009 respectively. The valuation allowance for impaired loans is included in the allowance for loan losses in the balance sheet.

Other real estate owned (OREO) consists of commercial real estate properties which are recorded at fair value based upon current appraised value less estimated disposition costs, which is adjusted based upon Management’s review and changes in market conditions (level 3 inputs).

Fair Value of Financial Instruments

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

Cash and Cash Equivalents: The carrying amount of cash, due from banks, and federal funds sold approximates fair value.

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

Restricted Stock: The carrying value of restricted stock approximates fair value based on redemption provisions.

Loans (other than impaired): Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial, residential mortgage and other consumer. Each loan category is further segmented into groups by fixed and adjustable rate interest terms and by performing and non-performing categories.

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

For all loans, assumptions regarding the characteristics and segregation of loans, maturities, credit risk, cash flows, and discount rates are judgmentally determined using specific borrower and other available information.

Accrued Interest Receivable and Payable: The fair value of interest receivable and payable is estimated to approximate the carrying amounts.

Deposits: The fair value of deposits with no stated maturity, such as demand deposits, checking accounts, savings and money market accounts, is equal to the carrying amount. The fair value of certificates of deposit is based on the discounted value of contractual cash flows, where the discount rate is estimated using the market rates currently offered for deposits of similar remaining maturities.

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

Off-Balance Sheet Instruments: Since the majority of the Company's off-balance sheet instruments consist of non fee-producing, variable rate commitments, the Company has determined they do not have a distinguishable fair value.

The following table summarizes carrying amounts and fair values for financial instruments at September 30, 2010 and December 31, 2009:

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(amounts in thousands)			
Financial Assets:				
Cash and cash equivalents	$ 51,170	$ 51,170	$ 4,154	$ 4,154
Investment securities (available-for-sale and held-to-maturity)	29,888	30,038	31,929	31,824
Restricted stock	3,087	3,087	3,094	3,094
Loans, net	620,315	623,244	590,997	585,346
Accrued interest receivable	3,303	3,303	2,808	2,808
Financial Liabilities:				
Demand and savings deposits	$ 285,832	$ 285,832	$ 257,566	$ 257,566
Time deposits	313,148	315,351	261,882	264,901
Borrowings	69,543	74,056	67,831	68,859
Accrued interest payable	865	865	821	821

NOTE 9. SUBSEQUENT EVENTS

Accounting guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Accordingly, Management has evaluated subsequent events after September 30, 2010 through the date the financial statements were issued and determined that no subsequent events warranted recognition in or disclosure in the interim financial statements.

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

Forward-Looking Statements

The Company may from time to time make written or oral "forward-looking statements" including statements contained in this Report and in other communications by the Company which are made in good faith pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, such as statements of the Company's plans, objectives, expectations, estimates and intentions, involve risks and uncertainties and are subject to change based on various important factors (some of which are beyond the Company's control). The following factors, among others, could cause the Company's financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, inflation, interest rate, market and monetary fluctuations; the timely development of and acceptance of new products and services of the Company and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services; the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance); technological changes; acquisitions; changes in consumer spending and saving habits; and the success of the Company at managing the risks involved in the foregoing.

The Company cautions that the foregoing list of important factors is not exclusive. The Company also cautions readers not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date on which they are given. The Company is not obligated to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after any such date. Readers should carefully review the risk factors described in other documents the Company files from time to time with the SEC, including quarterly reports on Form 10-Q, Annual Reports on Form 10-K and any current reports on Form 8-K.

General

The Company's results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on its interest-earning assets, such as loans and securities, and the interest expense paid on its interest-bearing liabilities, such as deposits and borrowings. The Company also generates non-interest income such as service charges, gains from the sale of loans, earnings from bank owned life insurance (BOLI), loan exit fees and other fees. The Company's non-interest expenses primarily consist of employee compensation and benefits, occupancy expenses, marketing expenses, data processing costs and other operating expenses. The Company is also subject to losses in its loan portfolio if borrowers fail to meet their obligations. The Company's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory agencies.

The Company’s is intently focused on managing our non-performing assets. The deterioration of the local real estate market and the continued high levels of unemployment have had a significant negative impact on the credit quality of our loan portfolio. The percentage of non-performing assets to total assets has increased to 4.19% at September 30, 2010 from 3.89% at December 31, 2009. Management has allocated significant resources to resolve these issues, either through foreclosure or working with borrowers to bring the loans current. New processes have been implemented to identify and monitor impaired loans. New appraisals of the collateral securing impaired loans have been obtained to identify

any potential exposure. The lengthy process of foreclosure has had a negative impact on earnings due to higher levels of legal fees. The Company has had success in liquidating $5.5 million of foreclosed real estate during the quarter.

Comparison of Financial Condition at September 30, 2010 and December 31, 2009

At September 30, 2010, the Company's total assets increased to $742.9 million from $654.2 million at December 31, 2009, an increase of $88.7 million or 13.6%, attributable primarily to loan growth and an increase in cash and cash equivalents.

Cash and cash equivalents increased $47.0 million to $51.2 million at September 30, 2010 from $4.2 million at December 31, 2009 due to an effective deposit promotion and the opening of a full-service branch in Galloway Township, NJ in the second quarter of 2010. The cash will be utilized to fund future loan growth and pay off brokered CDs maturing in the fourth quarter.

Total investment securities decreased to $29.9 million at September 30, 2010 ($27.9 million classified as available-for-sale or 93.3%) from $31.9 million at December 31, 2009, an decrease of $2.0 million or 6.4%. The Company received $7.1 million in cash flow from maturities and principal payments, offset by purchases of $1.8 million. In addition, the fair value of the available-for sale portfolio increased by $3.3 million, primarily related to the CDO portfolio, which reflected lower levels of unrealized losses.

Management evaluates the portfolio for other-than-temporary impairment (OTTI) on a quarterly basis. Factors considered in the analysis include, but are not limited to, whether an adverse change in cash flows has occurred, the length of time and the extent to which the fair value has been less than cost, whether the Company intends to sell, or will more likely than not be required to sell the investment before recovery of its amortized cost basis, which may be maturity, credit rating downgrades, the percentage of performing collateral that would need to default or defer to cause a break in yield or a temporary interest shortfall, and management's assessment of the financial condition of the underlying issuers. For the nine months ended September 30, 2010, the Company recognized credit related OTTI charges (pre-tax) of $66,000 on two private-label CMOs.

Total loans increased to $633.7 million at September 30, 2010 from $603.4 million at December 31, 2009, an increase of $30.3 million or 5.0%, consistent with management's cautious plan for loan growth.

Delinquent loans decreased $509,000 to $32.3 million or 5.1% of total loans at September 30, 2010 from $32.8 million or 5.4% of total loans at December 31, 2009. Delinquent loan balances by number of days delinquent were: 31 to 59 days --- $6.1 million; 60 to 89 days --- $2.9 million; and 90 days and greater --- $23.3 million. Loans 90 days and more past due are no longer accruing interest.

At September 30, 2010, the Company had $23.3 million in non-performing loans or 3.7% of total loans, a decrease from $25.5 million or 4.2% of total loans at December 31, 2009. The decrease is attributable to the Company receiving deeds to collateral properties in settlement of twelve loan balances. The three largest relationships in non-performing loans are a $6.1 million residential loan, a $3.2 million residential construction loan, and a $2.3 million residential construction loan.

At September 30, 2010, Parke Bancorp's allowance for loan losses increased to $13.4 million from $12.4 million at December 31, 2009, an increase of $1.0 million or 8.3%. The ratio of allowance for loan losses to total loans increased to 2.12% at September 30, 2010 from 2.06% at December 31, 2009. During the nine month period ended September 30, 2010, the Company charged-off $5.4 million in loans, due to estimated collateral deficiencies on impaired loans and loans that were transferred to Other Real Estate Owned in settlement of the loan balances. Specific allowances for loan losses have been established in the amount of $1.3 million on impaired loans totaling $54.6 million at September 30, 2010. To the best of our knowledge, we have provided for all losses that are both probable and reasonably estimable at September 30, 2010 and December 31, 2009.

The negative economic trends that began in 2008, including the weakness in the residential and commercial real estate markets and high levels of unemployment, have had a significant impact on the credit quality of our loan portfolio. Nonperforming assets have increased from 3.89% of total assets at December 31, 2009 to 4.19% at September 30, 2010. We are aggressively managing all loan relationships by enhancing our credit monitoring and tracking systems. New processes have been established to manage delinquencies. We are working closely with borrowers to resolve these non-performing loans. Updated appraisals are being obtained, where appropriate, to ensure that collateral values are sufficient to cover outstanding loan balances, establishing specific reserves for any potential shortfall. Cash flow dependent commercial real estate properties are being visited to inspect current tenant lease status. Where necessary, we will apply our loan work-out experience to protect our collateral position.

Other Real Estate Owned ("OREO") at September 30, 2010 was $7.8 million, compared to none at December 31, 2009. The real estate includes 9 properties, the largest being a country club totaling $2.5 million. The Company disposed of $5.5 million in properties during the quarter.

At September 30, 2010, the Bank's total deposits increased to $599.0 million from $520.3 million at December 31, 2009, an increase of $78.7 million or 15.1%, largely due to an increase in the levels of retail certificates of deposit. Retail certificate of deposits increased $69.9 million, or 42.2%, to $235.7 million at September 30, 2010 from $165.8 million at December 31, 2009. This growth was generated through a successful marketing campaign and the opening of a new full-service retail branch. Brokered deposits decreased $18.6 million, or 19.4%, to $77.5 million at September 30, 2010 from $96.1 million at December 31, 2009.

Management used the increased liquidity to reduce Federal Home Loan Bank borrowings by $2.6 million, or 5.9%, to $41.8 million at September 30, 2010 from $44.4 million at December 31, 2009.

At September 30, 2010, total equity increased to $69.2 million from $62.0 million at December 31, 2009, an increase of $7.2 million or 11.7%. A $2.0 million favorable change in comprehensive income related to the investment portfolio, and net income represented the majority of the increase.

Comparison of Operating Results for the Nine Months Ended September 30, 2010 and 2009

General: Net income available to common shareholders for the nine months ended September 30, 2010 was $4.9 million, compared to $3.7 million for the same period in 2009. The increase was impacted by the following:

Interest Income: Interest income increased $802,000, or 2.7%, to $30.9 million for the nine months ended September 30, 2010, from $30.1 million for the nine months ended September 30, 2009. The increase is attributable to higher average loan balances, offset somewhat by a lower yield on loans. Average loans for the nine month period ended September 30, 2010 were $618.8 million compared to $582.2 million for the same period last year. The average yield on loans declined to 6.40% for the nine months ended September 30, 2010 compared to 6.58% for the same period in 2009, due to increased levels of non-accrual loans and the historically low rate environment.

Interest Expense: Interest expense decreased $3.8 million or 31.1%, to $8.6 million for the nine months ended September 30, 2010, from $12.4 million for the nine months ended September 30, 2009. The decrease is primarily attributable to a lower cost of deposits as the Bank has been able to re-price deposits due to the current, historically low, rate environment while still maintaining strong deposit growth. The average rate paid on deposits for the nine month period ended September 30, 2010 was 1.83% compared to 2.88% for the same period last year.

Net Interest Income: Net interest income increased $4.6 million, or 26.4%, to $22.3 million for the nine months ended September 30, 2010, from $17.7 million for the nine months ended September 30, 2009. We experienced an increase in our net interest rate spread of 80 basis points, to 4.38% for the nine months ended September 30, 2010, from 3.58% for the same period last year. Our net interest margin increased 72 basis points, to 4.56% for the nine months ended September 30, 2010, from 3.84% for the same period last year. Our ability to lower our cost of deposits, a change in deposit mix to lower cost core deposits and our practice of setting interest rate floors on commercial and real estate loans has allowed for this growth in net interest rate margin.

Provision for Loan Losses: We recorded a provision for loan losses of $6.4 million for the nine months ended September 30, 2010, compared to $3.2 million for the nine months ended September 30, 2009. The increase in the provision for losses over the prior year correlates to credit deterioration within the loan portfolio and management's analysis of non-performing loans, and credit risk inherent in the overall loan portfolio.

Non-interest Income: Non-interest income was $1.9 million for the nine months ended September 30, 2010, compared to a loss of $990,000 for the same period last year. The Company recognized $1.3 million in gains from the sale of the guaranteed portion of SBA loans in 2010 as a result of a joint venture entered into during the third quarter of 2009. For the same period in 2009, non-interest income was impacted by a $1.5 million impairment loss related to the investment portfolio.

Non-interest Expense: Non-interest expense increased $2.0 million to $8.3 million for the nine months ended September 30, 2010, from $6.3 million for the nine months ended September 30, 2009. Compensation and benefits expenses increased $675,000 due to increased staffing related to the SBA subsidiary, the new branch, annual merit raises and higher fringe benefit costs. Professional fees increased $242,000 primarily related to legal fees associated with loan workouts. In addition, the Company recorded a $618,000 charge related to the funding of a letter of credit due to a borrower's nonperformance, which is included in Other Operating Expenses.

Income Taxes: The Company recorded income tax expense of $3.8 million, on income before taxes of $9.6 million for the nine months ended September 30, 2010, resulting in an effective tax rate of 39.6%, compared to income tax expense of $2.8 million on income before taxes of $7.2 million for the same period of 2009, resulting in an effective tax rate of 38.8%. The increase is due to the Company now being in a higher tax bracket.

The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, and have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense. Yields and costs have been annualized.

	For the Nine Months Ended September 30,					
	2010			2009		
	Average Balance	Interest Income/ Expense	Yield/Cost	Average Balance	Interest Income/ Expense	Yield/Cost
	(amounts in thousands, except percentages)					
Assets						
Loans	$618,846	$29,621	6.40 %	$582,192	$28,646	6.58 %
Investment securities	35,936	1,290	4.80 %	33,564	1,462	5.82 %
Federal funds sold and cash equivalents	115	—	0.00 %	238	1	0.56 %
Total interest-earning assets	654,897	30,911	6.31 %	615,994	$30,109	6.54 %
Non-interest earning assets	44,511			36,229		
Allowance for loan losses	(14,075)			(8,936)		
Total assets	$685,333			$643,287		
Liabilities and Shareholders' Equity						
Interest bearing deposits						
NOWs	$12,070	106	1.17 %	$10,807	119	1.47 %
Money markets	89,292	790	1.18 %	65,885	766	1.55 %
Savings	145,992	1,672	1.53 %	95,526	1,632	2.28 %
Time deposits	190,631	2,917	2.05 %	183,553	4,534	3.30 %
Brokered certificates of deposit	90,221	1,756	2.60 %	148,344	3,807	3.43 %
Total interest-bearing deposits	528,206	7,241	1.83 %	504,115	10,858	2.88 %
Borrowings	66,405	1,330	2.68 %	57,774	1,578	3.65 %
Total interest-bearing liabilities	594,611	8,571	1.93 %	561,889	$12,436	2.96 %
Non-interest bearing deposits	19,533			19,944		
Other liabilities	4,560			4,244		
Total liabilities	618,704			586,077		
Shareholders' equity	66,629			57,210		
Total liabilities and shareholders' equity	$685,333			$643,287		
Net interest income		$22,340			$17,673	
Interest rate spread			4.38 %			3.58 %
Net interest margin			4.56 %			3.84 %

Comparison of Operating Results for the Three Months Ended September 30, 2010 and 2009

General: Net income available to common shareholders for the three months ended September 30, 2010 was $1.6 million, compared to $1.5 million for the same period in 2009. The increase was impacted by the following:

Interest Income: Interest income increased $344,000, or 3.4%, to $10.4 million for the three months ended September 30, 2010, from $10.1 million for the three months ended September 30, 2009. The increase is attributable to higher average loan balances, somewhat offset by a lower yield on loans. Average loans for the three month period ended September 30, 2010 were $628.0 million compared to $598.3 million for the same period last year. The average yield on loans was 6.35% for the three months ended September 30, 2010 compared to 6.42% for the same period in 2009.

Interest Expense: Interest expense decreased $945,000 or 25.1%, to $2.8 million for the three months ended September 30, 2010, from $3.8 million for the three months September 30, 2009. The decrease is primarily attributable to a lower cost of deposits as the Bank has been able to re-price deposits due to the current, historically low, rate environment while still maintaining strong deposit growth. The average rate paid on deposits for the three month period ended September 30, 2010 was 1.71% compared to 2.55% for the same period last year. This strong growth has also allowed us to reduce our reliance on more expensive brokered deposits.

Net Interest Income: Net interest income increased $1.3 million, or 20.3%, to $7.7 million for the three months ended September 30, 2010, from $6.4 million for the three months ended September 30, 2009. We experienced an increase in our net interest rate spread of 68 basis points, to 4.44% for the three months ended September 30, 2010, from 3.76% for the same period last year. Our net interest margin increased 55 basis points, to 4.57% for the three months ended September 30, 2010, from 4.02% for the same period last year. Our ability to lower our cost of deposits, a change in deposit mix to lower cost core deposits and our practice of setting interest rate floors on commercial and real estate loans has allowed for this growth in net interest rate margin.

Provision for Loan Losses: We recorded a provision for loan losses of $2.1 million for the three months ended September 30, 2010 compared to $1.5 million for the three months ended September 30, 2009. The increase in the provision for losses over the prior year correlates to credit deterioration within the loan portfolio and management's analysis of non-performing loans, and credit risk inherent in the overall loan portfolio.

Non-interest Income: Non-interest income was $845,000 for the three months ended September 30, 2010, compared to a loss of $159,000 for the same period last year. The Company recognized $635,000 in gains from the sale of the guaranteed portion of SBA loans in 2010. For the same period in 2009, a $1.1 million impairment loss related to the investment portfolio was recorded.

Non-interest Expense: Non-interest expense increased $1.3 to $3.3 million for the three months ended September 30, 2010, from $2.0 million for the three months ended September 30, 2009. Compensation and benefits expenses increased $210,000 due to increased staffing related to the SBA subsidiary, annual merit raises and higher fringe benefit costs. Professional fees increased $111,000 primarily related to legal fees associated with loan workouts. In addition, the Company recorded a $618,000 charge related to funding a letter of credit due to a borrower's nonperformance, which is included in Other Operating Expenses.

Income Taxes: The Company recorded income tax expense of $1.2 million, on income before taxes of $3.1 million for the three months ended September 30, 2010, resulting in an effective tax rate of 37.8%,

compared to income tax expense of $1.1 million on income before taxes of $2.8 million for the same period of 2009, resulting in an effective tax rate of 38.6%. The decrease is due to an over accrual in a prior period.

The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, and have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense. Yields and costs have been annualized.

	For the Three Months Ended September 30,					
	2010			2009		
	Average Balance	Interest Income/ Expense	Yield/Cost	Average Balance	Interest Income/ Expense	Yield/Cost
	(amounts in thousands, except percentages)					
Assets						
Loans	$627,995	$10,044	6.35%	$598,251	$9,680	6.42%
Investment securities	35,603	428	4.77%	30,100	448	5.90%
Federal funds sold and cash equivalents	80	—	0.00%	119	—	0.00%
Total interest-earning assets	663,678	10,472	6.26%	628,470	$10,128	6.39%
Non-interest earning assets	61,432			33,597		
Allowance for loan losses	(15,535)			(9,918)		
Total assets	$709,575			$652,149		
Liabilities and Shareholders' Equity						
Interest bearing deposits						
NOWs	$14,796	47	1.26%	$10,997	35	1.26%
Money markets	87,598	257	1.16%	73,798	245	1.32%
Savings	148,944	543	1.45%	117,588	564	1.90%
Time deposits	218,183	1,060	1.93%	184,027	1,425	3.07%
Brokered certificates of deposit	80,635	469	2.31%	125,579	1,022	3.23%
Total interest-bearing deposits	550,156	2,376	1.71%	511,989	3,291	2.55%
Borrowings	65,211	444	2.70%	54,889	474	3.43%
Total interest-bearing liabilities	615,367	2,820	1.82%	566,878	$3,765	2.63%
Non-interest bearing deposits	20,356			20,789		
Other liabilities	4,892			4,515		
Total liabilities	640,615			592,182		
Shareholders' equity	68,960			59,967		
Total liabilities and shareholders' equity	$709,575			$652,149		
Net interest income		$7,652			$6,363	
Interest rate spread			4.44%			3.76%
Net interest margin			4.57%			4.02%

Critical Accounting Policies

In the preparation of our consolidated financial statements, management has adopted various accounting policies that govern the application of accounting principles generally accepted in the United States. The significant accounting policies are described in the Note 2 to the Consolidated Financial Statements.

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

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

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

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

Other Than Temporary Impairment on Investment Securities: Management periodically performs analyses to determine whether there has been an other-than-temporary decline in the value of one or more securities. The available-for-sale securities portfolio is carried at estimated fair value, with any unrealized gains or losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholder’s equity. The held-to-maturity securities portfolio, consisting of debt securities for which there is a positive intent and ability to hold to maturity, is

carried at amortized cost. Management conducts a quarterly

review and evaluation of the securities portfolio to determine if the value of any security has declined below its cost or amortized cost, and whether such decline is other-than-temporary. If such decline is deemed other-than-temporary, the cost basis of the security is adjusted by writing down the security to estimated fair market value through a charge to current period earnings to the extent that such decline is credit related. All other changes in unrealized gains or losses for investment securities available for sale are recorded, net of tax effect, through other comprehensive income.

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

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

Liquidity: Liquidity describes the ability to meet the financial obligations that arise out of the ordinary course of business. Liquidity addresses the Company's ability to meet deposit withdrawals on demand or at contractual maturity, to repay borrowings as they mature, and to fund current and planned expenditures. Liquidity is derived from increased repayment and income from interest-earning assets. The loan to deposit ratio was 105.8% and 116.0% at September 30, 2010 and December 31, 2009, respectively. Funds received from new and existing depositors provided a large source of liquidity for the nine month period ended September 30, 2010. The Company seeks to rely primarily on core deposits from customers to provide stable and cost-effective sources of funding to support loan growth. The Company also seeks to augment such deposits with longer term and higher yielding certificates of deposit. To the extent that retail deposits are not adequate to fund customer loan demand, liquidity needs can be met in the short-term funds market. As of September 30, 2010, the Company had short term lines of credit with PNC Bank for $8.0 million and Atlantic Central Bankers Bank for $3.0 million. There were no outstanding borrowings on these lines at September 30, 2010. Longer term funding can be obtained through advances from the FHLB. As of September 30, 2010, the Company maintained lines of credit with the FHLB of $129.6 million, of which $41.8 million was outstanding at September 30, 2010.

As of September 30, 2010, the Company's investment securities portfolio included $15.2 million of mortgage-backed securities that provide significant cash flow each month. The majority of the investment portfolio is classified as available for sale, is marketable, and is available to meet liquidity needs. The Company's residential real estate portfolio includes loans, which are underwritten to secondary market criteria, and accordingly could be sold in the secondary mortgage market if needed as an additional source of liquidity. The Company's management is not aware of any known trends, demands, commitments or uncertainties that are reasonably likely to result in material changes in liquidity.

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Capital: A strong capital position is fundamental to support the continued growth of the Company. The Company and the Bank are subject to various regulatory capital requirements. Regulatory capital is defined in terms of Tier I capital (shareholders' equity as adjusted for unrealized gains or losses on available-for-sale securities), Tier II capital (which includes a portion of the allowance for loan losses) and total capital (Tier I plus Tier II). Risk-based capital ratios are expressed as a percentage of risk-weighted assets. Risk-weighted assets are determined by assigning various weights to all assets and off-balance sheet associated risk in accordance with regulatory criteria. Regulators have also adopted minimum Tier I leverage ratio standards, which measure the ratio of Tier I capital to total assets.

At September 30, 2010 management believes that the Company and the Bank are "well-capitalized" and in compliance with all applicable regulatory requirements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable as the Company is a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures. Based on their evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, (the "Exchange Act")), the Company's principal executive officer and principal financial officer have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q, such disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods specified in the SEC’s rules and forms.

Internal Controls

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company was not a party to any material legal proceedings.

ITEM 1A. RISK FACTORS

Not applicable as the Company is a smaller reporting company.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION

Recent Legislation

The Dodd-Frank Act Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") which was signed into law on July 21, 2010, Generally, the Dodd-Frank Act is effective the day after it was signed into law, but different effective dates apply to specific sections of the law. Uncertainty remains as to the ultimate impact of the Dodd-Frank Act, which could have a material adverse impact either on the financial services industry as a whole, or on the Company's or the Bank's business, results of operations and financial condition. The Dodd-Frank Act, among other things:

- Directs the Federal Reserve to issue rules which are expected to limit debit-card interchange fees;

- Removes trust preferred securities issued after May 19, 2010, as a permitted component of a holding company's Tier 1 capital and, after a three-year phase-in period beginning January 1, 2013, eliminates Tier 1 capital treatment for all trust preferred securities issued by holding companies with more than $15 billion in total consolidated assets;

- Provides for an increase in the FDIC assessment for depository institutions with assets of $10 billion or more, increases in the minimum reserve ratio for the deposit insurance fund from 1.15% to 1.35% and changes in the basis for determining FDIC premiums from deposits to assets;

- Creates a new consumer financial protection bureau that will have rulemaking authority for a wide range of consumer protection laws that would apply to all banks and would have broad powers to supervise and enforce consumer protection laws;

- Provides for new disclosure and other requirements relating to executive compensation and corporate governance;

- Changes standards for Federal preemption of state laws related to federally chartered institutions and their subsidiaries;

- Provides mortgage reform provisions regarding a customer's ability to repay, restricting variable-rate lending by requiring the ability to repay to be determined for variable-rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions;

- Creates a financial stability oversight council that will recommend to the Federal Reserve increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity;

- Permanently increases the deposit insurance coverage to $250 thousand and allows depository institutions to pay interest on checking accounts; and

- Requires publicly-traded bank holding companies with assets of $10 billion or more to establish a risk committee responsible for enterprise-wide risk management practices.

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- Abolishes the Office of Thrift Supervision and delegates its supervisory and rule making functions to the Office of the Comptroller of the Currency ("OCC"), the primary federal banking regulator of national banks;
- Delegates supervisory and rulemaking functions to the Board of Governors of the Federal Reserve System for savings and loan holding companies, such as the Company;

ITEM 6. EXHIBITS

31.1 Certification of CEO required by Rule 13a-14(a).
31.2 Certification of CFO required by Rule 13a-14(a).
32 Certification required by 18 U.S.C. §1350.

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: November 15 2010

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

Date: November 15, 2010

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