PARKE BANCORP, INC.
Form 10-Q
November 13, 2009

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 2009.

or

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

For the transition period from ____________ to ____________

Commission File No.**000-51338**

PARKE BANCORP, INC.

(Exact name of registrant as specified in its charter)

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

856-256-2500

(Registrant’s telephone number, including area code)

N/A

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

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

Yes x No o

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 o No o

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 o Accelerated filer o Non-accelerated filer o 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 o No x

As of November 13, 2009, there were issued and outstanding 4,033,138 shares of the registrant's common stock.

PARKE BANCORP, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2009

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Parke Bancorp Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30, 2009	December 31, 2008
	(in thousands except share data)	
ASSETS		
Cash and due from financial institutions	$ **19,179**	$ 6,700
Federal funds sold and cash equivalents	**27**	570
Cash and cash equivalents	**19,206**	7,270
Investment securities available for sale, at fair value	**29,078**	31,930
Investment securities held to maturity (fair value of **$2,608 at September 30, 2009** and $2,324 at December 31, 2008)	**2,502**	2,482
Loans, net of unearned income	**594,669**	547,660
Less: Allowance for loan and lease losses	**10,915**	7,777
Net loans and leases	**583,754**	539,883
Accrued interest receivable	**3,100**	2,976
Premises and equipment, net	**2,939**	3,014
Restricted stock, at cost	**2,554**	2,583
Bank owned life insurance (BOLI)	**5,138**	5,004
Other assets	**7,141**	6,810
Total Assets	$ **655,412**	$ 601,952
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing deposits	$ **21,114**	$ 22,261
Interest-bearing deposits	**510,068**	473,066
Total deposits	**531,182**	495,327
FHLB borrowings	**32,438**	38,540
Other borrowed funds	**10,000**	10,000
Subordinated debentures	**13,403**	13,403
Accrued interest payable	**1,342**	1,563
Other liabilities	**4,383**	2,818
Total liabilities	**592,748**	561,651
Shareholders' Equity		
Preferred stock, $1,000 liquidation value; authorized 1,000,000 shares; Issued: **16,288 shares at September 30, 2009;** and 0 at December 31, 2008	**15,468**	—
Common stock, $.10 par value; authorized 10,000,000 shares; Issued: **4,224,867 shares at September 30, 2009**; and 4,140,231 shares at December 31, 2008	**421**	414
Additional paid-in capital	**37,015**	35,656

Retained earnings	**12,618**	8,870
Accumulated other comprehensive loss	**(678)**	(2,791)
Treasury stock, **191,729 shares at September 30, 2009**; and 130,270 shares at December 31, 2008, at cost	**(2,180)**	(1,848)
Total shareholders' equity	**62,664**	40,301
Total liabilities and shareholders' equity	$ **655,412**	$ 601,952

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,	
	2009	2008	**2009**	2008
	(in thousands except share data)			
Interest income:				
Interest and fees on loans	**$ 28,646**	$ 25,184	**$ 9,680**	$ 8,658
Interest and dividends on investments	**1,462**	1,710	**448**	575
Interest on federal funds sold a cash equivalents	**1**	197	**—**	22
Total interest income	**30,109**	27,091	**10,128**	9,255
Interest expense:				
Interest on deposits	**10,858**	12,765	**3,291**	4,046
Interest on borrowings	**1,578**	1,684	**474**	621
Total interest expense	**12,436**	14,449	**3,765**	4,667
Net interest income	**17,673**	12,642	**6,363**	4,588
Provision for loan losses	**3,200**	1,519	**1,450**	595
Net interest income after provision for loan losses	**14,473**	11,123	**4,913**	3,993
Noninterest income (loss)				
Loan fees	**201**	393	**62**	146
Net income from BOLI	**135**	143	**45**	49
Service fees on deposit accounts	**138**	142	**48**	54
Other than temporary impairment losses	**(2,401)**	(947)	**(1,120)**	(459)
Portion of loss recognized in other comprehensive income (OCI) (before taxes)	**863**	—	**770**	—
Net impairment losses recognized in earnings	**(1,538)**	(947)	**(350)**	(459)
Gain (loss) on sale of real estate owned	**(149)**	—	**10**	—
Other	**223**	70	**26**	19
Total noninterest income (loss)	**(990)**	(199)	**(159)**	(191)
Noninterest expense				
Compensation and benefits	**2,966**	2,534	**953**	800
Professional services	**631**	612	**180**	204
Occupancy and equipment	**637**	555	**201**	193
Data processing	**255**	214	**87**	74
FDIC Insurance	**627**	178	**185**	65
Loss on write down of foreclosed assets	**68**	238	**14**	163
Other operating expense	**1,109**	959	**372**	353
Total noninterest expense	**6,293**	5,290	**1,992**	1,852
Income before income tax expense	**7,190**	5,634	**2,762**	1,950
Income tax expense	**2,787**	2,260	**1,067**	877
Net income	**4,403**	3,374	**1,695**	1,073
Preferred stock dividend and discount accretion	**655**	—	**245**	—
Net income available to common shareholders	**$ 3,748**	$ 3,374	**$ 1,450**	$ 1,073
Earnings per common share				
Basic	**$ 0.93**	$ 0.90	**$ 0.36**	$ 0.29
Diluted	**$ 0.93**	$ 0.82	**$ 0.36**	$ 0.27

Weighted average shares outstanding				
Basic	**4,030,754**	3,732,464	**4,033,138**	3,760,695
Diluted	**4,036,070**	4,114,351	**4,063,090**	4,028,033

See accompanying notes to consolidated financial statements

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Parke Bancorp, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY

(unaudited)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	(in thousands)						
Balance, December 31, 2007	$0	$325	$26,804	$11,897	$(790)	$(1,819)	$36,417
Stock warrants exercised		16	443				459
Stock compensation			(17)				(17)
15% common stock dividend		48	7,223	(7,275)			(4)
Comprehensive income (loss):							
Net income				3,374			3,374
Change in unrealized loss on securities available for sale, net of tax					(1,727)		(1,727)
Pension liability adjustments, net of tax					23		23
Total comprehensive income							1,670
Balance, September 30, 2008	$0	$389	$34,453	$7,996	$(2,494)	$(1,819)	$38,525
Balance, December 31, 2008	$0	$414	$35,656	$8,870	$(2,791)	$(1,848)	$40,301
Stock warrants exercised		7	415				422
Stock compensation			14				14
Treasury stock purchased (61,459 shares)						(332)	(332)
Comprehensive income (loss):							
Net income				4,403			4,403
Non-credit unrealized losses on debt securities with OTTI, net of taxes					(518)		(518)
Net unrealized gains on available for sale securities without OTTI, net of taxes					2,640		2,640
Pension liability adjustments, net of taxes					(9)		(9)
Total comprehensive income							6,516
Preferred stock issued	15,358		930				16,288
Dividend on preferred stock (5% annually)				(545)			(545)
Accretion of discount on preferred stock	110			(110)			0
Balance, September 30, 2009	$15,468	$421	$37,015	$12,618	$(678)	$(2,180)	$62,664

See accompanying notes to consolidated financial statements

Parke Bancorp Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the nine months ended September, 30	
	2009	2008
	(in thousands)	
Cash Flows from Operating Activities		
Net income	**$ 4,403**	$ 3,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**236**	228
Provision for loan losses	**3,200**	1,519
Stock compensation	**14**	(17)
Bank owned life insurance	**(135)**	(143)
Supplemental executive retirement plan	**174**	245
Loss on sale of other real estate owned	**149**	—
Loss on write down of foreclosed assets	**68**	238
Other than temporary decline in value of investments	**1,538**	947
Net accretion of purchase premiums and discounts on securities	**(91)**	(88)
Changes in operating assets and liabilities:		
Increase in accrued interest receivable and other assets	**(2,991)**	(1,337)
Increase (decrease) in accrued interest payable and other accrued liabilities	**1,377**	(380)
Net cash provided by operating activities	**7,942**	4,586
Cash Flows from Investing Activities		
Purchases of investment securities available for sale	**(3,307)**	(13,947)
Redemptions (purchases) of restricted stock	**29**	(1,170)
Proceeds from maturities of investment securities available for sale	**3,500**	3,500
Principal payments on mortgage-backed securities	**4,728**	2,130
Proceeds from sale of other real estate owned	**1,008**	—
Net increase in loans	**(47,493)**	(100,701)
Purchases of bank premises and equipment	**(161)**	(76)
Net cash used in investing activities	**(41,696)**	(110,264)
Cash Flows from Financing Activities		
Proceeds from issuance of preferred stock	**16,288**	—
Payment of dividend on preferred stock	**(441)**	—
Proceeds from exercise of stock options and warrants	**422**	455
Purchase of treasury stock	**(332)**	—
Net (decrease) increase in Federal Home Loan Bank short term borrowings	**(5,000)**	13,050
Proceeds from Federal Home Loan Bank advances	**9,500**	10,000
Payments of Federal Home Loan Bank advances	**(10,602)**	(97)
Net (decrease) increase in noninterest-bearing deposits	**(1,147)**	6,300
Net increase in interest-bearing deposits	**37,002**	72,488
Net cash provided by financing activities	**45,690**	102,200
Increase/(decrease) in cash and cash equivalents	**11,936**	(3,478)
Cash and Cash Equivalents, January 1,	**7,270**	9,178
Cash and Cash Equivalents, September 30,	**$ 19,206**	$ 5,700
Supplemental Disclosure of Cash Flow Information:		

Cash paid during the year for:		
Interest on deposits and borrowed funds	**$ 12,657**	$ 14,582
Income taxes	**$ 5,001**	$ 3,003
Supplemental Schedule of Noncash Activities:		
Real estate acquired in settlement of loans	**$ 442**	$ —

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1. ORGANIZATION

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

The Bank is a commercial bank which commenced operations on January 28, 1999. The Bank is chartered by the New Jersey Department of Banking and 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 and Taylors Glen LLC. Parke Capital Markets and Farm Folly LLC are presently inactive and Taylors Glen LLC was sold in March of 2009. 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. The LLC was formed to originate, sell and service Small Business Administration (SBA) loans. The LLC had no significant activity as of September 30, 2009. 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, 2008 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, 2009 and 2008 are unaudited. The balance sheet as of December 31, 2008, 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, 2009 are not necessarily indicative of the results for the full year.

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 particularly subject to change.

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) recognized the complexity of its standard-setting process and embarked on a revised process in 2004 that culminated in the release on July 1, 2009, of the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC. The Codification does not change how the Company accounts for its transactions or the nature of related disclosures made. However, when referring to guidance issued by the FASB, the Company now refers to topics in the ASC. The above change was made effective by the FASB for periods ending on or after September 15, 2009. We have updated references to GAAP in this 10-Q to reflect the guidance in the Codification.

FASB ASC Topic 820-10-65, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly

ASC Topic 820-10 provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value in accordance with FASB ASC Topic 820.

This new accounting guidance clarifies that when there has been a significant decrease in the volume and level of activity for the asset or liability, some transactions may not be orderly. In those situations, the entity must evaluate the weight of the evidence to determine whether the transaction is orderly. The guidance provides a list of circumstances that may indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair value. Adoption of the new guidance has had a significant impact on the manner in which management determines fair value of illiquid investments in the Company’s portfolio as described in Note 3.

FASB ASC Topic 320-10-65, Recognition and Presentation of Other-Than-Temporary Impairments (OTTI)

ASC Topic 320-10-65 clarifies the interaction of the factors that should be considered when determining whether a debt security is other-than-temporarily impaired. For debt securities, management must assess whether (a) it has the intent to sell the security and (b) it is more likely than not that it will be required to sell the security prior to its anticipated recovery. These steps are done before assessing whether the entity will recover the cost basis of the investment. Previously, this assessment required management to assert it had both the intent and the ability to hold a security for a period of time sufficient to allow for an anticipated recovery in fair value to avoid recognizing an other-than-temporary impairment. This change does not affect the need to forecast recovery of the value of the security through either cash flows or market price.

In instances when a determination is made that an other-than-temporary impairment exists but the investor does not intend to sell the debt security or it is not more likely than not that it will not be required

to sell the debt security prior to its anticipated recovery, ASC Topic 320-10-65 changes the presentation and amount of the other-than-temporary impairment recognized in the income statement. The other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income. Accordingly, management has expanded the presentation and disclosure of OTTI of investment securities as more fully described in Note 3.

FASB ASC Topic 825-10-65, Interim Fair Value Disclosures

Management has included the fair value of financial instruments disclosures required by FASB ASC Topic 825-10 as detailed in Note 7.

FASB ASC Topic 855-10 Subsequent Events

In May 2009, the FASB issued ASC Topic 855-10, Subsequent Events, which the Company adopted as of June 30, 2009. This new 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 (i.e., complete in a form and format that complies with GAAP and approved for issuance). However, ASC Topic 855-10 does not apply to subsequent events or transactions that are within the scope of other applicable GAAP that provide different guidance on the accounting treatment for subsequent events or transactions. There are two types of subsequent events to be evaluated under this guidance:

Recognized subsequent events - An entity must recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements.

Non-recognized subsequent events - An entity must not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but that arose after the balance sheet date but before financial statements are issued or are available to be issued. Some non-recognized subsequent events may be of such a nature that they must be disclosed to keep the financial statements from being misleading. For such events, an entity must disclose the nature of the event and an estimate of its financial effect or a statement that such an estimate cannot be made.

ASC Topic 855-10 also requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date - that is, whether that date represents the date the financial statements were issued or were available to be issued.

This guidance applies to both interim financial statements and annual financial statements. ASC Topic 855-10 is effective for interim and annual periods ending after June 15, 2009, and should be applied prospectively. Parke Bancorp, Inc. management believes that ASC Topic 855-10 will not result in significant changes in the subsequent events that the Company reports - either through recognition or disclosure - in its financial statements.

Accordingly, management has evaluated subsequent events through November 13, 2009, the date the financial statements were issued and has determined that no recognized or non-recognized subsequent events warranted inclusion or disclosure in the interim financial statements as of September 30, 2009.

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, 2009 and December 31, 2008:

As of September 30, 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	$ 1,005	$ —	$ 7	$ —	$ 998
Corporate debt obligations	2,000	13	45	—	1,968
Residential mortgage-backed securities	18,986	772	28	—	19,730
Collateralized mortgage obligations	2,116	75	—	42	2,149
Collateralized debt obligations	5,688	—	634	821	4,233
Total available-for-sale	$ 29,795	$ 860	$ 714	$ 863	$ 29,078
Held to maturity:					
States and political subdivisions	$ 2,502	$ 106	$ —	$ —	$ 2,608

As of December 31, 2008	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	$ 1,994	$ 17	$ —	$ —	$ 2,011
Corporate debt obligations	3,496	—	425	—	3,071
Residential mortgage-backed securities	20,939	632	10	—	21,561
Collateralized mortgage obligations	4,021	65	498	—	3,588
Collateralized debt obligations	5,733	—	4,034	—	1,699
Total available-for-sale	$ 36,183	$ 714	$ 4,967	$ —	$ 31,930
Held to maturity:					
States and political subdivisions	$ 2,482	$ 6	$ 164	$ —	$ 2,324

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, 2009, are as follows:

	Amortized Cost	Fair Value
	(in thousands)	
Available-for-sale:		
Due within one year	$ —	$ —
Due after one year through three years	—	—
Due after three years through five years	998	992
Due after five years	7,695	6,207
Residential mortgage-backed securities and collateralized mortgage obligations	21,102	21,879
Total available for sale	$ 29,795	$ 29,078
Held-to-maturity:		
Due within one year	$ 541	$ 550
Due after one year through three years	—	—
Due after three years through five years	—	—
Due after five years	1,961	2,058
Total held-to-maturity	$ 2,502	$ 2,608

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, 2009 and December 31, 2008:

As of September 30,2009	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	$ 992	$ 7	$ —	$ —	$ 992	$ 7
Corporate debt obligations	—	—	955	45	955	45
Residential mortgage-backed securities	2,757	28	—	—	2,757	28
Collateralized debt obligations	—	—	4,116	634	4,116	634
Total available-for-sale	$ 3,749	$ 35	$ 5,071	$ 679	$ 8,820	$ 714
Held to maturity:						
States and political subdivisions	$ —	$ —	$ —	$ —	$ —	$ —

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As of December 31, 2008	Less Than 12 Months		12 Months or Greater		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
Description of Securities	Value	Losses	Value	Losses	Value	Losses
	(amounts in thousands)					
Available-for-sale:						
U.S. Government sponsored entities	$ —	$ —	$ —	$ —	$ —	$ —
Corporate debt obligations	—	—	—	—	—	—
Residential mortgage-backed securities	1,234	181	1,220	306	2,454	487
Collateralized debt obligations	4,750	4,480	—	—	4,750	4,480
Total available-for-sale	$ 5,984	$ 4,661	$ 1,220	$ 306	$ 7,204	$ 4,967
Held to maturity:						
States and political subdivisions	$ 1,775	$ 164	$ —	$ —	$ 1,775	$ 164

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 the investment before recovery of its amortized cost basis, which may be maturity, it does not consider the investment in these securities to be other-than-temporarily impaired at September 30, 2009.

Corporate Debt Obligations: The Company's unrealized loss on investments in corporate bonds relates to three trust preferred securities (TruPS) issued by financial institutions, totaling $2.0 million. The unrealized loss was primarily caused by an illiquid market for this sector of security. All three 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 September 30, 2009 or December 31, 2008.

Residential Mortgage-Backed Securities: The unrealized losses on the Company's investment in mortgage-backed securities were caused by movement in interest rates. The securities were issued by FNMA and FHLMC, government sponsored entities. It is expected that the U.S. government will guarantee all contractual cash flows. Because the Company does not intend to sell the investment and it is not more likely than not that the Company will be required to sell the investment before recovery of its amortized cost basis, which may be maturity, it does not consider the investment in these securities to be other-than-temporarily impaired at September 30, 2009 or December 31, 2008.

Collateralized Debt Obligations: The Company's unrealized loss on investments in collateralized debt obligations (CDOs) relates to three securities issued by financial institutions, totaling $4.8 million. 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 competent third-party valuation specialists, the Company utilized the following methodology to determine the fair value:

Cash flows were developed based on the estimated speeds at which the 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 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 on 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 5.66% to 5.91%. 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 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 these investments to be other-than-temporarily impaired at September 30, 2009 or December 31, 2008.

<u>Other-Than-Temporarily Impaired Debt Securities</u>

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 interests and loss severity.

We have a process in place to identify debt securities that could potentially have a credit impairment that is other than temporary. This process involves monitoring late payments, pricing levels, downgrades by rating agencies, key financial ratios, financial statements, revenue forecasts and cash flow projections as indicators of credit issues. On a quarterly basis, we review all securities to determine whether an 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. The beginning balance represents the credit loss component for debt securities for which OTTI occurred prior to adoption of the guidance of ASC Topic 320-10-69 on April 1, 2009. 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 three month and nine month periods ended September 30, 2009.

	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2009
	(in thousands)	
Beginning balance	$ 3,467	$ 2,279
Initial credit impairment	319	884
Subsequent credit impairments	31	654
Reductions for amounts recognized in earnings due to intent or requirement to sell	—	—
Reductions for securities sold	—	—
Reductions for increases in cash flows expected to be collected	—	—
Ending balance	$ 3,817	$ 3,817

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

	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2009
	(in thousands)	
Available-for-sale securities:		
Realized gains	$ —	$ —
Realized (losses)	—	—
Other than temporary impairment	(350)	(1,538)
Total available-for-sale securities	$ (350)	$ (1,538)
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 2009, the Company recognized $1.5 million of other-than-temporary impairment losses on available-for-sale securities, attributable to impairment charges recognized on

$3.0 million of privately issued CMOs and a $978,000 CDO issue.

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 competent third-party valuation specialists, 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 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 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.

The impairment charge on the CDO is driven by current economic downturn that has had a significant adverse impact on the financial services industry. With the assistance of competent third-party valuation specialists, the Company utilized the following methodology to determine the existence of OTTI:

The aggregated cash flows are primarily dependent 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 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 on based on historical averages.

The discount rate estimates come from conversations with major financial institutions regarding assumptions they are using for highly rated assets, from opportunistic hedge funds regarding assumptions they are using to bid on lower and unrated assets, and other industry experts.

NOTE 4. LOANS

The portfolio of the loans outstanding consists of:

	September 30, 2009		December 31, 2008	
	Amount	Percentage of Gross Loans	Amount	Percentage of Gross Loans
	(amounts in thousands)			
Commercial	$ 21,793	3.7 %	$ 19,935	3.6 %
Real estate construction:				
Residential	93,948	15.8	87,327	15.9
Commercial	31,256	5.3	31,582	5.8
Real estate mortgage:				
Residential	113,540	19.1	90,226	16.5
Commercial	321,861	54.0	308,457	56.3
Consumer	12,271	2.1	10,133	1.9
Total Loans	$ 594,669	100.0 %	$ 547,660	100.0 %

Loans on non-accrual were $26.3 million at September 30, 2009 and $8.2 million at December 31, 2008. No loans with interest past due 90 days or more were still accruing at September 30, 2009 or December 31, 2008. 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 $74.5 million at September 30, 2009 and $120.8 million at December 31, 2008. 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.

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, 2009 (amounts in thousands except ratios)						
Total Risk Based Capital (to Risk Weighted Assets)	$ 83,869	14.0%	$ 47,904	8%	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	$ 76,342	12.7%	$ 23,952	4%	N/A	N/A
Tier 1 Capital (to Average Assets)	$ 76,342	11.7%	$ 26,044	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, 2008 (amounts in thousands except ratios)						
Total Risk Based Capital (to Risk Weighted Assets)	$ 63,609	11.2%	$ 45,474	8%	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	$ 56,495	9.9%	$ 22,737	4%	N/A	N/A
Tier 1 Capital (to Average Assets)	$ 56,495	9.5%	$ 23,761	4%	N/A	N/A

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Parke Bank	Actual Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio	To be Well- Capitalized Under Prompt Corrective Action Provisions Amount	Ratio
As of September 30, 2009 (amounts in thousands except ratios)						
Total Risk Based Capital (to Risk Weighted Assets)	$ 83,955	14.0%	$ 47,904	8%	$ 59,880	10%
Tier 1 Capital (to Risk Weighted Assets)	$ 76,428	12.8%	$ 23,952	4%	$ 35,928	6%
Tier 1 Capital (to Average Assets)	$ 76,428	11.7%	$ 26,044	4%	$ 32,555	5%

Parke Bank	Actual Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio	To be Well- Capitalized Under Prompt Corrective Action Provisions Amount	Ratio
As of December 31, 2008 (amounts in thousands except ratios)						
Total Risk Based Capital (to Risk Weighted Assets)	$ 63,325	11.1%	$ 45,474	8%	$ 56,843	10%
Tier 1 Capital (to Risk Weighted Assets)	$ 56,211	9.9%	$ 22,737	4%	$ 34,106	6%
Tier 1 Capital (to Average Assets)	$ 56,211	9.5%	$ 23,761	4%	$ 29,701	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

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proceeds resulted in a discount on the preferred stock that will be accreted over five years. The Company issued 299,779 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 $8.15 per share of common stock.

The Company accounts for its stock options in accordance with FASB ASC Topic 718, Compensation – Stock Compensation. There were no awards during 2009 or 2008. Compensation expense recognized during the first nine months of 2009 amounted to $14,000. As of September 30, 2009, unrecognized compensation expense of $4,000 in connection with non-vested options is expected to be recognized within the next year.

NOTE 7. COMPREHENSIVE INCOME

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

	For the three months ended September 30,	
	(amounts in thousands)	
	2009	2008
Net Income:	$ 1,695	$ 1,073
Non-credit unrealized losses on debt securities with OTTI:		
Available-for-sale	(770)	—
Unrealized gains (losses) on available for sale securities without OTTI	5,392	(1,033)
Minimum pension liability	15	13
Tax impact	(1,855)	408
	$ 4,447	$ 461

	For the nine months ended September 30,	
	(amounts in thousands)	
	2009	2008
Net Income:	$ 4,403	$ 3,374
Non-credit unrealized losses on debt securities with OTTI:		
Available-for-sale	(863)	—
Unrealized gains (losses) on available for sale securities without OTTI	4,399	(2,878)
Minimum pension liability	(15)	38
Tax impact	(1,408)	1,136
	$ 6,516	$ 1,670

NOTE 8. FAIR VALUE

Fair Value Measurements

The Company discloses fair value measurements in accordance with FASB ASC Topic 820, Fair Value Measurements and Disclosures. Accordingly, effective January 1, 2009, the Company began disclosing the fair value of Other Real Estate Owned (OREO) previously deferred under the provisions of this guidance.

FASB ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for such asset or liability in an orderly transaction between market participants on the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs applied in the valuation technique. These inputs can be classified as readily observable, market corroborated, or generally unobservable. The Company utilizes techniques that maximize the use of observable inputs whenever available and minimize the use of unobservable inputs. The Company is required to provide the following information according to the fair value hierarchy based upon observable inputs used in valuation techniques. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets carried at fair value will be classified and disclosed 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.
2) Generally, this includes debt and equity securities and derivative contracts that are traded in an active exchange market (i.e. New York Stock Exchange), as well as certain U.S. Treasury and U.S. Government and agency mortgage-backed securities that are highly liquid and are actively traded in over-the-counter markets.

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."
4) Generally, this includes U.S. Government and agency mortgage-backed securities and preferred stocks, corporate debt securities, derivative contracts and loans held for sale.

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.
3) Generally, this includes trust preferred securities.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Fair Value on a Recurring Basis

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, 2009	$ —	$ 23,706	$ 5,372	$ 29,078
As of December 31, 2008	—	30,225	1,705	31,930

The fair value of securities available for sale is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1). When listed prices or quotes are not available, fair value is based upon quoted market prices for similar or identical assets or other observable inputs (Level 2) or significant management judgment or estimation based upon unobservable inputs due to limited or no market activity of the instrument (Level 3).

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

	Securities Available for Sale	
	2009	2008
	(amounts in thousands)	
Beginning balance at January 1,	$ 1,705	$ 5,735
Total net gains (losses) included in:		
Net income	(1,538)	(947)
Other comprehensive income (loss)	2,925	(2,016)
Purchases, sales, issuances and settlements, net	—	—
Net transfers into Level 3	2,280	1,004
Ending balance September 30,	$ 5,372	$ 3,776

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, 2009				
Impaired Loans	$ —	$ —	$ 24,775	$ 24,755
Other Real Estate Owned	—	—	188	188
As of December 31, 2008				
Impaired Loans	$ —	$ —	$ 9,978	$ 9,978
Repossessed Assets	—	—	113	113

Impaired loans, which are measured in accordance with FASB ASC Topic 310 "Receivables", for impairment, had a carrying amount of $27.4 million and $10.2 million at September 30, 2009 and December 31, 2008 respectively, with a valuation allowance of $2.6 million and $222,000 at September 30, 2009 and December 31, 2008 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 a commercial real estate property which is recorded at fair value based upon current appraised value less estimated disposition costs.

Repossessed assets at December 31, 2008, consisted of stock in an unrelated entity and a mobile home, were recorded based upon management's best estimate of fair value.

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, 2009 and December 31, 2008:

	September 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(amounts in thousands)			
Financial Assets:				
Cash and cash equivalents	$ 19,206	$ 19,206	$ 7,270	$ 7,270
Investment securities (available-for-sale and held-to-maturity)	31,580	31,686	34,412	34,254
Restricted stock	2,554	2,554	2,583	2,583
Loans, net	583,754	581,657	539,883	552,049
Accrued interest receivable	3,100	3,100	2,976	2,976
Financial Liabilities:				
Demand and savings deposits	$ 234,937	$ 234,937	$ 149,353	$ 149,353
Time deposits	296,245	299,652	345,974	349,815
Borrowings	55,841	59,092	61,943	64,588

Accrued interest payable	1,342	1,342	1,563	1,563

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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, 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.

Comparison of Financial Condition at September 30, 2009 and December 31, 2008

At September 30, 2009, the Company's total assets increased to $655.4 million from $602.0 million at December 31, 2008, an increase of $53.4 million or 8.9%.

Cash and cash equivalents increased $11.9 million or 164.2%, to $19.2 million at September 30, 2009 from $7.3 million at December 31, 2008.

Total investment securities decreased to $31.6 million at September 30, 2009 ($29.1 million classified as available-for-sale or 92.1%) from $34.4 million at December 31, 2008, a decrease of $2.9 million or 8.2%. The Company received $8.2 million in cash flow from calls, maturities and principal payments, offset by purchases of $3.3 million. In addition, the fair value of the available-for sale portfolio increased by $3.5 million, primarily related to the CDO portfolio. The fair value for previous reporting periods was based on indicative market bids. Due to an illiquid market for this sector of securities, a discounted cash flow methodology was utilized in accordance with FASB ASC Topic 820-10-65, Fair Value Measurements and Disclosures. The methodology assumptions are detailed in Footnote 3.

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, 2009, the Company recognized a credit related OTTI charge (pre-tax) of $1.5 million on three private-label CMOs and a CDO issue.

Total loans increased to $594.7 million at September 30, 2009 from $547.7 million at December 31, 2008, an increase of $47.0 million or 8.6%, consistent with management's plan for loan growth.

Delinquent loans increased $31.3 million to $43.3 million or 7.3% of total loans at September 30, 2009 from $12.0 million or 2.2% of total loans at December 30, 2008. Delinquent loan balances by number of days delinquent were: 31 to 59 days --- $9.0 million; 60 to 89 days --- $8.0 million; and 90 days and greater --- $26.3 million. Loans 90 days and more past due are no longer accruing interest.

At September 30, 2009, the Company had $26.3 million in non-performing loans or 4.4% of total loans, an increase from $8.2 million or 1.5% of total loans at December 31, 2008. The three largest relationships in non-performing loans are $6.2 million, $5.4 million, and $4.5 million. All three are comprised of residential and multi-family construction loans.

We believe we have appropriately established adequate loss reserves on problem loans that we have identified and to cover credit risks that are inherit in the portfolio as of September 30, 2009. However, we believe that non-performing and delinquent loans will continue to increase as the current recession persists. We are aggressively managing all loan relationships. Credit monitoring and tracking systems have been instituted. Updated appraisals are being obtained, where appropriate, to ensure that collateral values are sufficient to cover outstanding loan balances. 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 and actively negotiate with borrowers to resolve these non-performing loans.

At September 30, 2009, the Bank's total deposits increased to $531.2 million from $495.3 million at December 31, 2008, an increase of $35.9 million or 7.2%. Non-interest bearing deposits decreased $1.2 million, or 5.2%, to $21.1 million at September 30, 2009 from $22.3 million at December 31, 2008. NOW and money market accounts increased $22.5 million, or 32.3%, to $92.2 million at September 30, 2009 from $69.7 million at December 31, 2008. Savings accounts increased $64.3 million, or 111.9%, to $121.7 million at September 30, 2009 from $57.4 million at December 31, 2008. Retail certificate of deposits increased $15.7 million, or 9.3%, to $185.5 million at September 30, 2009 from $169.8 million at December 31, 2008. This growth, generated through a successful marketing campaign and a cross selling program to increase core deposits, has allowed us to reduce brokered deposits, which decreased $65.4 million, or 37.2%, to $110.7 million at September 30, 2009 from $176.1 million at December 31, 2008.

Borrowings decreased $6.1 million, or 9.9%, to $55.8 million at September 30, 2009 from $61.9 million at December 31, 2008. This decline in FHLB borrowings was directly attributable to the deposit growth discussed above.

At September 30, 2009, total shareholders' equity increased to $62.7 million from $40.3 million at December 31, 2008, an increase of $22.4 million or 55.5%. In addition to net income of $4.4 million, perpetual preferred stock issued under the Treasury Capital Purchase Program (CPP) totaling $16.3 million, contributed to the increase.

Comparison of Operating Results for the Nine months Ended September 30, 2009 and 2008

General: Net income for the nine months ended September 30, 2009 was $4.4 million, compared to $3.4 million for the same period in 2008. Net income available to common shareholders, which includes the impact of dividends and accretion of discount on preferred stock issued in January 2009, was $3.7 million for the nine month period ended September 30, 2009. The results for the 2009 period were impacted by a provision for loan losses of $3.2 million, a $1.5 million other-than-temporary impairment charge on investment securities, and a special assessment levied on all banks during the 2nd quarter of 2009 by the FDIC of $284,000.

Interest Income: Interest income increased $3.0 million, or 11.1%, to $30.1 million for the nine months ended September 30, 2009, from $27.1 million for the nine months ended September 30, 2008. The increase is attributable to higher loan volumes, offset by a lower yield on loans. Average loans for the nine month period ended September 30, 2009 were $582.2 million compared to $457.3 million for the same period last year, while average loan yields were 6.58% for the nine months ended September 30, 2009 compared to 7.36% for the same period in 2008.

Interest Expense: Interest expense decreased $2.0 million, or 13.9%, to $12.4 million for the nine months ended September 30, 2009, from $14.4 million for the nine months ended September 30, 2008. The decrease is primarily attributable to an increase of core deposits and a decline in the cost of funds. The average rate paid on deposits for the nine month period ended September 30, 2009 was 2.88% compared to 4.20% for the same period last year. The Bank has been able to re-price deposits due to the current, historically low, rate environment while still maintaining strong deposit growth.

Net Interest Income: Net interest income increased $5.1 million, or 39.8%, to $17.7 million for the nine months ended September 30, 2009, from $12.6 million for the nine months ended September 30, 2008. We experienced an increase in our net interest rate spread of 66 basis points, to 3.58% for the nine months ended September 30, 2009, from 2.92% for the same period last year. Our net interest margin increased 51 basis points, to 3.84% for the nine months ended September 30, 2009, from 3.33% 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 floors on commercial and real estate loans has allowed for this growth in net interest rate margin.

Provision for Loan Losses: We establish provisions for loan losses, which are charged to operations, in order to maintain the allowance for loan losses at a level we consider necessary to absorb credit losses incurred in the loan portfolio that are both probable and reasonably estimable at the balance sheet date. In determining the level of the allowance for loan losses, we consider, among other things, past and current loss experience, evaluations of real estate collateral, current economic conditions, volume and type of lending, adverse situations that may affect a borrower's ability to repay a loan and the levels of delinquent loans and current local and national industry and economic conditions. The amount of the allowance is based on estimates, and the ultimate losses may vary from such estimates as more information becomes available or conditions change. We assess the allowance for loan losses and make provisions for loan losses on a monthly basis.

At September 30, 2009, the Company's allowance for loans losses increased to $10.9 million from $7.8 million at December 31, 2008, an increase of $3.1 million or 39.8%. The allowance for loan loss ratio increased to 1.84% of gross loans at September 30, 2009, from 1.42% of gross loans at December 31, 2008. The allowance for loan losses to non-performing loans coverage ratio declined to 41.5% at September 30, 2009, from 94.8% at December 31, 2008.

We recorded a provision for loan losses of $3.2 million for the nine months ended September 30, 2009 compared to $1.5 million for the nine months ended September 30, 2008. The increase in the provision for losses over the prior year correlates to the increase in credit deterioration within the loan portfolio and management's analysis of non-performing loans.

<u>Non-interest Income</u>: Non-interest income decreased $791,000 to a loss of $990,000 for the nine months ended September 30, 2009, from a loss of $199,000 for the nine months ended September 30, 2008. The decrease resulted from the Company recognizing an other-than-temporary impairment charge to non-interest income on CMO's and a CDO totaling $1.5 million for the nine month period ended September 30, 2009. In addition, during the current quarter, the Company recognized $149,000 in losses related to the sale of foreclosed real estate. This was partially offset by an increase of $153,000 in other miscellaneous income, the majority of which was the reimbursement of legal fees previously charged to expense. The 2008 period included an other-than-temporary impairment charge of $947,000 on FNMA and FHLMC preferred stock.

<u>Non-interest Expense</u>: Non-interest expense increased $1.0 million to $6.3 million for the nine months ended September 30, 2009, from $5.3 million for the nine months ended September 30, 2008. FDIC insurance premiums have increased by $449,000, which includes a special assessment levied on all banks during the 2nd quarter of 2009 by the FDIC. The Company's assessment amount was $284,000. Compensation and benefits expenses increased $432,000 due to increased staffing, annual merit raises, and higher fringe benefit costs.

<u>Income Taxes</u>: The Company recorded income tax expense of $2.8 million, on income before taxes of $7.2 million for the nine months ended September 30, 2009, resulting in an effective tax rate of 38.8%, compared to income tax expense of $2.3 million on income before taxes of $5.6 million for the same period of 2008, resulting in an effective tax rate of 40.1%. The 2008 effective rate was affected by an under accrual for a prior tax 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 Nine Months Ended September 30,					
	2009			2008		
	Average Balance	Interest Income/ Expense	Yield/Cost	Average Balance	Interest Income/ Expense	Yield/Cost
	(amounts in thousands except Yield Cost data)					
Assets						
Loans	$ 582,192	$ 28,646	6.58 %	$ 457,257	$ 25,184	7.36 %
Investment securities	33,564	1,462	5.82 %	39,343	1,710	5.81 %
Federal funds sold and cash equivalents	238	1	0.56 %	9,857	197	2.67 %
Total interest-earning assets	615,994	$ 30,109	6.54 %	506,457	$ 27,091	7.15 %
Non-interest earning assets	36,229			19,599		
Allowance for loan losses	(8,936)			(6,345)		
Total assets	$ 643,287			$ 519,711		
Liabilities and Shareholders' Equity						
Interest bearing deposits						
NOWs	$ 10,807	119	1.47 %	$ 12,405	229	2.47 %
Money markets	65,885	766	1.55 %	35,518	884	3.32 %
Savings	95,526	1,632	2.28 %	39,334	988	3.36 %
Time deposits	183,553	4,534	3.30 %	171,934	5,563	4.32 %
Brokered certificates of deposit	148,344	3,807	3.43 %	146,633	5,101	4.65 %
Total interest-bearing deposits	504,115	10,858	2.88 %	405,824	12,765	4.20 %
Borrowings	57,774	1,578	3.65 %	50,541	1,684	4.45 %
Total interest-bearing liabilities	561,889	$ 12,436	2.96 %	456,365	$ 14,449	4.23 %
Non-interest bearing deposits	19,944			21,078		
Other liabilities	4,244			4,140		
Total liabilities	586,077			481,583		
Shareholders' equity	57,210			38,128		
Total liabilities and shareholders' equity	$ 643,287			$ 519,711		
Net interest income		$ 17,673			$ 12,642	
Interest rate spread			3.58 %			2.92 %
Net interest margin			3.84 %			3.33 %

Comparison of Operating Results for the Three Months Ended September 30, 2009 and 2008

General: Net income for the three months ended September 30, 2009 was $1.7 million, compared to $1.1 million for the same period in 2008. Net income available to common shareholders, which includes the impact of dividends and accretion of discount on preferred stock issued in January 2009, was $1.5 million for the three month period ended September 30, 2009. The results for the 2009 period were impacted by a provision for loan losses of $1.5 million and a $350,000 other-than-temporary impairment charge on investment securities.

Interest Income: Interest income increased $873,000, or 9.4%, to $10.1 million for the three months ended September 30, 2009, from $9.2 million for the three months September 30, 2008. The increase is attributable to higher loan volumes, offset by a lower yield on loans. Average loans for the three month period ended September 30, 2009 were $598.3 million compared to $491.1 million for the same period last year. The average yield on loans was 6.42% for the three months ended September 30, 2009 compared to 7.01% for the same period in 2008.

Interest Expense: Interest expense decreased $902,000, or 19.3%, to $3.8 million for the three months ended September 30, 2009, from $4.7 million for the three months September 30, 2008. The decrease is primarily attributable to a lower cost of deposits. The average rate paid on deposits for the three month period ended September 30, 2009 was 2.55% compared to 3.81% for the same period last year. The Bank has been able to re-price deposits due to the current, historically low, rate environment while still maintain strong deposit growth. This strong growth has also allowed us to reduce our reliance on more expensive brokered deposits.

Net Interest Income: Net interest income increased $1.8 million, or 38.7%, to $6.4 million for the three months ended September 30, 2009, from $4.6 million for the three months ended September 30, 2008. We experienced an increase in our net interest rate spread of 72 basis points, to 3.76% for the three months ended September 30, 2009, from 3.04% for the same period last year. Our net interest margin increased 60 basis points, to 4.02% for the three months ended September 30, 2009, from 3.42% 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 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 $1.5 million for the three months ended September 30, 2009 compared to $595,000 for the three months ended September 30, 2008. 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.

Non-interest Income: Non-interest income decreased $32,000 to a loss of $159,000 for the three months ended September 30, 2009, from a loss of $191,000 for the three months ended September 30, 2008. The decrease resulted from the Company recognizing an other-than-temporary impairment charge to non-interest income on investment securities totaling $350,000 for the three month period ended September 30, 2009. The 2008 period included an other-than-temporary impairment charge of $459,000 on FNMA and FHLMC preferred stock.

Non-interest Expense: Non-interest expense increased $140,000 to $2.0 million for the three months ended September 30, 2009, from $1.9 million for the three months ended September 30, 2008. Compensation and benefits expenses increased $153,000 due to increased staffing, annual merit raises, and higher fringe benefit cost. FDIC insurance premiums have increased by $120,000. The 2008 period included a $163,000 write-down of a repossessed asset.

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Income Taxes: The Company recorded income tax expense of $1.1 million, on income before taxes of $2.8 million for the three months ended September 30, 2009, resulting in an effective tax rate of 38.6%, compared to income tax expense of $877,000 on income before taxes of $1.9 million for the same period of 2008, resulting in an effective tax rate of 45.0%. The 2008 effective rate was affected by an under accrual for a prior tax 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,					
	2009			2008		
	Average Balance	Interest Income/ Expense	Yield/Cost	Average Balance	Interest Income/ Expense	Yield/Cost
	(amounts in thousands, except percentages)					
Assets						
Loans	$ 598,251	$ 9,680	6.42 %	$ 491,069	$ 8,658	7.01 %
Investment securities	30,100	448	5.90 %	40,295	575	5.68 %
Federal funds sold and cash equivalents	119	—	0.00 %	3,031	22	2.89 %
Total interest-earning assets	628,470	$ 10,128	6.39 %	534,395	$ 9,255	6.89 %
Non-interest earning assets	33,597			20,358		
Allowance for loan losses	(9,918)			(6,850)		
Total assets	$ 652,149			$ 547,903		
Liabilities and Shareholders’ Equity						
Interest bearing deposits						
NOWs	$ 10,997	35	1.26 %	$ 9,690	47	1.93 %
Money markets	73,798	245	1.32 %	37,364	276	2.94 %
Savings	117,588	564	1.90 %	45,546	374	3.27 %
Time deposits	184,027	1,425	3.07 %	174,181	1,641	3.75 %
Brokered certificates of deposit	125,579	1,022	3.23 %	155,448	1,708	4.37 %
Total interest-bearing deposits	511,989	3,291	2.55 %	422,229	4,046	3.81 %
Borrowings	54,889	474	3.43 %	59,628	621	4.14 %
Total interest-bearing liabilities	566,878	$ 3,765	2.63 %	481,857	$ 4,667	3.85 %
Non-interest bearing deposits	20,789			22,796		
Other liabilities	4,515			4,338		
Total liabilities	592,182			508,991		
Shareholders’ equity	59,967			38,912		
Total liabilities and shareholders’ equity	$ 652,149			$ 547,903		
Net interest income		$ 6,363			$ 4,588	
Interest rate spread			3.76 %			3.04 %
Net interest margin			4.02 %			3.42 %

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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 factors. Other factors include trends in delinquencies and classified loans, loan concentrations by loan category and by property type, seasonality of the portfolio, internal and external analysis of credit quality, peer group data, 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 existing 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. The market values of securities are affected by changes in interest rates.

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 112.0% and 110.6% at September 30, 2009 and December 31, 2008, respectively. Funds received from new and existing depositors provided a large source of liquidity for the nine month period ended September 30, 2009. 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, 2009, the Company had short term lines of credit with PNC Bank for $13.0 million and Atlantic Central Bankers Bank for $3.0 million. There were no outstanding borrowings on these lines at September 30, 2009. Longer term funding can be obtained through advances from the FHLB. As of September 30, 2009, the Company maintained lines of credit with the FHLB of $91.5 million, of which $32.4 million was outstanding at September 30, 2009.

As of September 30, 2009, the Company’s investment securities portfolio included $19.7 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.

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, 2009, 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 4T. 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. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

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 13, 2009	/s/ Vito S. Pantilione Vito S. Pantilione President and Chief Executive Officer (Principal Executive Officer)
Date:	November 13, 2009	/s/ John F. Hawkins John F. Hawkins Vice President and Interim Chief Financial Officer (Principal Accounting Officer)