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

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Notes to Consolidated Financial Statements (Unaudited)

NOTE 1. ORGANIZATION

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

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements include the accounts of Parke Bancorp, Inc. and its wholly owned subsidiaries, Parke Bank, Parke Capital Markets, Farm Folly LLC 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 (in thousands)	Fair Value
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 (amounts in thousands)	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
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.

Other-Than-Temporarily Impaired Debt Securities

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

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

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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	$ 56,495	9.9%	$ 22,737	4%		