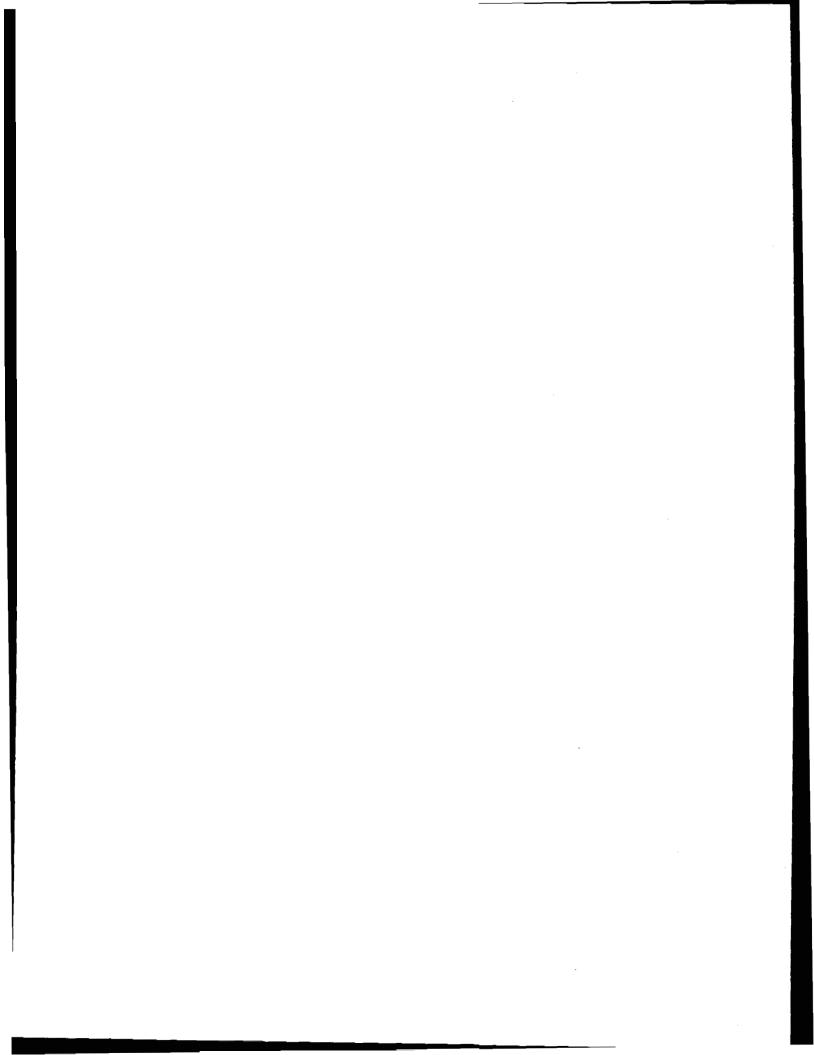
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PARKE BANCORP, INC.

2006 ANNUAL REPORT TO SHAREHOLDERS

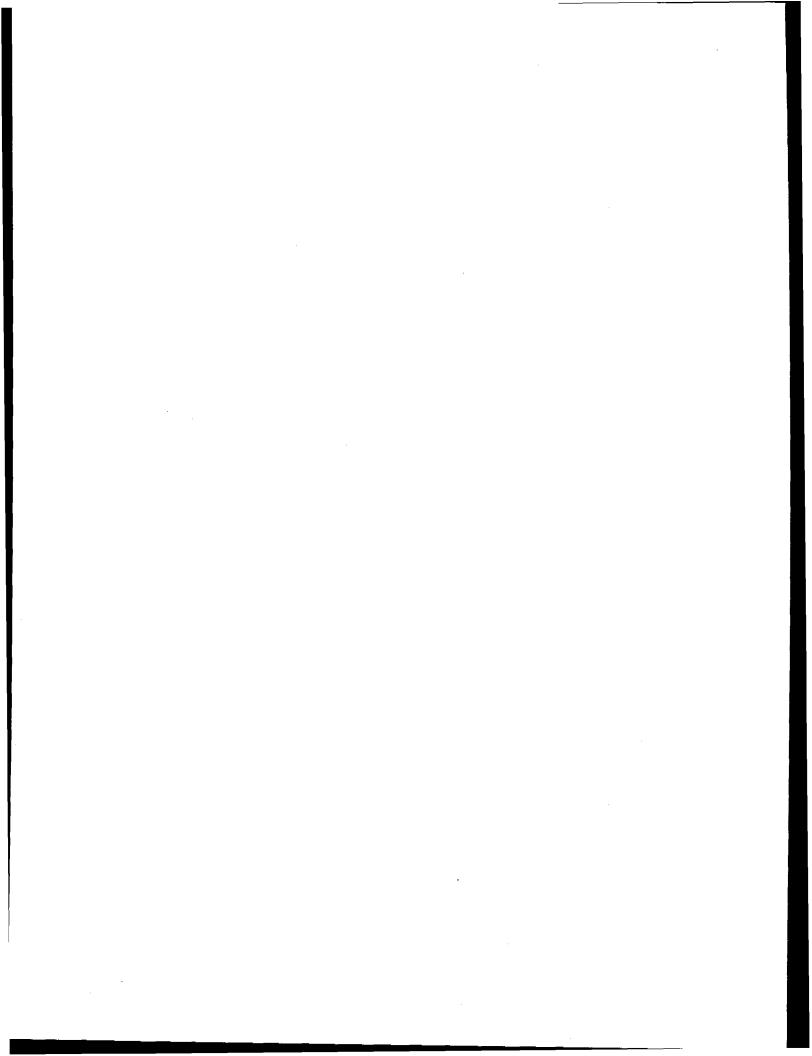


PARKE BANCORP, INC. 2006 ANNUAL REPORT TO SHAREHOLDERS

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Parke Bancorp, Inc. (the "Company") may from time to time make written or oral "forward-looking statements" including statements contained in this Annual 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 involve risks and uncertainties, such as statements of the Company's plans, objectives, estimates and intentions that 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's bank subsidiary, Parke Bank, 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; increased competition from both banks and non-banks; legal and regulatory developments; technological changes; mergers and acquisitions; changes in consumer spending and saving habits; and the success of Parke Bank at managing these risks.





To Our Shareholders:

2006 was another record year of growth and profit for Parke Bancorp. The year was pivotal in many ways including the opening of our first full service branch in Philadelphia. There also were many new hurdles that faced the banking industry; such as continued Federal Reserve increases in interest rates, the continued compression of the net interest margin and the dramatic decline of the real estate market. The commitment of our Board of Directors, management team and employees was evident in facing these challenges by continuing to focus on our business plan. This dedication resulted in over a 32% increase in net income to \$4.6 million, or \$1.40 per share, and asset growth of 21% to \$360 million. Parke Bancorp's return on assets and return on equity grew to 1.41% and 15.68% respectively for the full year ended December 31, 2006. The continued strong growth of our bank provided the opportunity to enhance shareholder value by issuing a \$.20 per share cash dividend in 2006.

The opening of our full service branch in Philadelphia helped support deposit growth for the bank of \$58 million, a 25% increase from a year earlier. Paul Palmieri is a Scnior Vice President and is responsible for our Philadelphia division. Paul has done a great job growing our loans and deposits in the Philadelphia area and continues to focus on developing new business relationships in the community. Parke Bancorp's deposit base expansion helped fund the growth in our loan portfolio, which grew by 20% to \$310 million. The growth in our real estate loan portfolio was particularly noteworthy considering the nationwide decline in real estate development. David Middlebrook, Senior Vice President and Senior Loan Officer, is credited with the success in the sustained quality and growth of our loan portfolio. The continued growth reflects the expertise and experience of our loan officers and loan administration personnel. Construction lending has been and continues to be an important part of Parke Bancorp's business plan. Although new construction lending slowed in 2006, construction loan repayments remained strong. We continue to carefully monitor the real estate markets in our lending area and pursue opportunities that match our lending expertise.

Our primary commitment continues to be quality customer service, making a "Return to Better Banking" more than a bi-line, it is our bank's promise to our customers. Betty Milavsky, a Scnior Vice President, continues to focus on innovative technology and bank products that provide our customers with "one stop" banking. Betty is spearheading new internet products that will be introduced in 2007, including on-line bill paying and remote check capturing services. Today's technology provides our customers with the same banking conveniences of the nation's largest banks, combined with "hometown" quality personal service.

We are proud to have a new member on our Senior Management team, Robert Kuehl, our Senior Vice President and Chief Financial Officer. Parke Bancorp is very fortunate to have someone with Bob's qualifications and experience join our organization. He has extensive experience and expertise in all facets of finance and accounting, in addition to bank acquisition and SEC expertise at a money center bank, larger regional bank and various community banks. The addition of Bob to Parke Bancorp further supports management's ability to face upcoming regulatory and market challenges while taking advantage of opportunities that will become available as our bank continues to grow.

The continued turmoil in the Middle East, oil price volatility, increased regulatory requirements and other geopolitical uncertainties combine to make forecasting the economic future of our country and specifically our markets difficult. There are indications, according to area pundits, that the real estate market may have "bottomed out" within our regional market, which could be good news for our local economy. There are also conflicting indicators on the direction of interest rates. It appears that recent inflation news may redirect the Federal Reserve's previous indication of lowering interest rates. There continues to be increased competition from banking and non-banking sources, including unfair advantages enjoyed by credit unions. While these challenges are daunting, we are confident that the talent and commitment of our directors, management and staff, combined with the strong locations of our branch network will enable Parke Bancorp to face the volatility and uncertainty of the market place.

Our ongoing commitment to, and focus on, our business plan will assist us in meeting these challenges and sustain our growth while providing the best banking services and products in the Delaware Valley area, as we continue to enhance shareholder value.

C.R. "Chuck" Pennoni

Chairman

Vito S. Pantilione President and Chief Executive Officer

SELECTED FINANCIAL DATA (Dollars in thousands, except per share data)

				At or for th	ic Ye	ar Ended Dec	embe	er 31,		
		2006		2005		2004		2003		2002
BALANCE SHEET DATA:										
Assets	\$	359,997	\$	297,810	\$	224,339	\$	174,004	\$	130,903
Loans Receivable, Net		306,044	\$	255,461	\$	185,986	\$	144,078	\$	93,762
Securities—Available for Sale		24,530	\$	22,023	\$	24,043	\$	14,323	\$	22,903
Securities—Held to Maturity		2,431	\$	2,406	\$	548	\$	779	\$	250
Cash and Cash Equivalents		11,261	\$	4,380	\$	1,802	\$	4,267	\$	7,540
Deposits		289,929	\$	232,056	\$	179,585	\$	142,447	\$	107,548
Borrowings	\$	34,851	\$	35,967	\$	20,379	\$	10,340	\$	4,949
Stockholders' Equity	*	30,709	\$	27,193	\$	22,829	\$	19,993	\$	17,628
OPERATIONS DATA:										
Interest Income	\$	25,475	\$	17,336	\$	11,766	\$	9,444	\$	6,612
Interest Expense		12,022		6,684		3,746		3,182		2,960
Net Interest Income		13,453		10,652		8,020		6,263		3,651
Provision for Loan Losses		940		1,180		825		923		298
Net Interest Income after									_	
Provision for Loan Losses		12,513		9,472		7,194		5,340		3,153
Non-Interest Income		857		896		861		799		488
Non-Interest Expense		5,827		4,544		3,589		2,837		2,079
Income Before Income Taxes		7,543		5,824	_	4,466		3,282		1,562
Income Tax Expense		2,919		2,330		1,744		1,279		620
Net Income		4,624	\$	3,494	\$	2,722	\$	2,002	\$	942
Net Income	=	7,027	<u> </u>	×	- 1	2,122	<u></u>	2,002	<u> </u>	742
SELECTED FINANCIAL RATIO	OS:									
										
Equity to Assets		8.54%		10.96%		10.77%		12.27%		10.49%
Book Value/Common Share	\$	10.65	\$	9.79	\$	8.75	\$	7.77	\$	7.06
Cash Dividends declared per	ď	20	Φ.		•					
Share Basic Income per Common	3	.20	\$	~	\$	-	\$	-	\$	-
Share	\$	1.64	\$	1.30	\$	1.05	\$.80	\$.66
Diluted Income per Common							-		-	
Share	\$	1.40	\$	1.10	\$.87	\$.71	\$.65
Return on Average Assets		1.41%		1.35%		1.45%		1.33%		0.94%
Return on Average Equity		15.68%		13.91%		13.24%		10.72%		7.20%
Net Interest Margin		4.25%		4.33%		4.58%		4.40%		3.84%
Non-Interest Expense/Average								.,,,,,		5.01,0
Assets		1.77%		1.76%		1.91%		1.88%		2.07%
Non-Interest Income/Average						· -				2,0770
Assets		0.26%		0.35%		0.46%		0.52%		0.49%
Non-Performing Loans/Loans(1)		.30%		.77%		0.17%		0.54%		1.13%
Allowance for Loan										/V
Losses/Loans ⁽¹⁾		1.45%		1.38%		1.39%		1.54%		1.40%
Dividend Payout Patio		12.20%		-		-		-		-

⁽¹⁾ Total loans before allowance for loan losses

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Forward Looking Statements

The Company may from time to time make written or oral "forward-looking statements", including statements contained in the Company's filings with the Securities and Exchange Commission (including the Proxy Statement and the Annual Report on Form 10-K, including the exhibits), in its reports to stockholders and in other communications by the Company, which are made in good faith by the Company.

These forward-looking statements involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations, estimates and intentions, which 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 Bank 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 rates, market and monetary fluctuations; the timely development of and acceptance of new products and services of the Bank 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; changes in consumer spending and saving habits; and the success of the Bank at managing the risks resulting from these factors. The Company cautions that the listed factors are not exclusive.

Overview

The Company's results of operations are dependent primarily on the Bank's 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 Bank also generates non-interest income such as service charges, BOLI income and other fees. The Bank's non-interest expenses primarily consist of employee compensation and benefits, occupancy expenses, marketing expenses, data processing costs and other operating expenses. The Bank is also subject to losses from its loan portfolio if borrowers fail to meet their obligations. The Bank's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory agencies.

The Company recorded net income of \$4.6 million, or \$1.40 per diluted share, \$3.5 million, or \$1.10 per diluted share, and \$2.7 million, or \$0.87 per diluted share, for 2006, 2005 and 2004, respectively. Pre-tax earnings amounted to \$7.5 million for 2006, \$5.8 million for 2005 and \$4.5 million for 2004.

Total assets of \$360.0 million at December 31, 2006 increased by \$61.2 million, or 20.8%, reflecting continued strong loan growth for the Company. Total loans increased by \$51.5 million, or 19.9%, and investment securities grew by \$2.5 million, or 10.4%, during the past year. This strong asset growth was funded primarily by deposit growth of \$57.9 million, or 24.9% as borrowings declined slightly during 2006. The Company continues to expand its balance sheet primarily through the generation of loan growth through its effective development of new and existing business relationships.

Total capital increased \$3.5 million, or 12.9%, during the past year and the first cash dividend was paid out by the Company with a special one-time payment of \$0.20 per share in December of 2006.

The principal objective of this financial review is to provide a discussion and an overview of our consolidated financial condition and results of operations. This discussion should be read in conjunction with the accompanying financial statements and related notes.

Comparative Average Balances, Yields and Rates. The following table sets forth for the periods indicated the Company's average volume of interest-earning assets and interest-bearing liabilities and average yields and rates. Changes in net interest income from period to period result from increases or decreases in the volume and mix of interest-earning assets and interest-bearing liabilities, increases or decreases in the average rates earned and paid on such assets and liabilities and the availability of particular sources of funds, such as non-interest-bearing deposits.

						For	the Y	ear Ende	i					
	De	cemb	er 31, 2000	6		Dec	embe	er 31, 2005		_	Dec	emb	er 31, 2004	
(Dollars in thousands) Assets:	Average Balance		ncome/ Expense	Yield/ Rate		Average Balance		ncome/ expense	Yield/ Rate		Average Balance		ncome/ Expense	Yield/ Rate
Loans (net of deferred costs/fees) ⁽¹⁾	. 26,774 . 2,856	\$	23,992 1,341 142	8.4% 5.0% 5.0%	\$	219,217 24,276 2,107	\$	16,108 1,159 69	7.3% 4.8% 3.3%	\$	154,764 17,219 3,044	\$	10,978 750 38	7.1% 4.4% 1.3%
Total interest-earning assets	316,321	\$	25,475	8.1%	_	245,600	\$	17,336	7.1%	n-	175,027	\$	11,766	6.7%
Allowance for Ioan losses Other assets Total assets	16,267				\$	(3,009) 15,322 257,913				\$	(2,280) 14,802 187,549			
Liabilities and Stockholders' Equity: Interest-bearing deposits: Regular savings deposits NOW & money market savings Time deposits Total interest-bearing deposits	26,568 188,040	\$	1,012 751 8,469 10,232	3.5% 2.8% 4.5% 4.2%	\$	29,200 23,729 138,587 191,516	\$	797 416 4,599 5,812	2.7% 1.8% 3.3% 3.0%	\$	22,160 28,511 91,104 141,775	\$	464 477 2,584 3,525	2.1% 1.7% 2.8% 2.5%
Borrowed funds	34,321		1,790	5.2%		22,376		872	3.9%		10,272		221	2.2%
Total interest-bearing liabilities		\$	12,022	4.3%	_	213,892	\$	6,684	3.1%		152,047	\$	3,746	2.5%
Non-interest-bearing demand deposits Other liabilities Stockholders' equity Total liabilities and stockholders' equity	2,957				<u>\$</u>	16,946 1,948 25,127 257,913				<u> </u>	13,422 1,520 20,559 187,549			
Interest rate spread (average yield less average rate) Net interest income (interest income less interest expense)		\$_	13,453	3.8%			\$	10,652	4.0%			\$	8,020	4.2%
Net interest margin (net interest income/average interest-earning assets)				4.3%					4.3%					4.6%

⁽¹⁾ Non-accrual loans and loan fees, which are not material, are included in the calculation of average balances.

Return on Equity and Assets

		December 31,		
	2006	2005	2004	
Return on average assets	1.41%	1.35%	1.45%	
Return on average equity	15.68%	13.91%	13.24%	
Dividend payout ratio	12.2%	0	0	
Average equity to average assets ratio	8.97%	9.74%	10.96%	

Rate/Volume Analysis. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by the old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

			Year's Ended	December 31,		
		2006 vs. 2005			2005 vs. 2004	
	Variat	ice Due to Cha	nges In	Varia	ice Due to Chai	nges In
			Net			Net
	Average Volume	Average Rate	Increase/ (Decrease)	Average Volume	Average Rate	Increase/ (Decrease)
Interest Income:						
Loans (net of deferred						
costs/fees)	\$ 4,957,960	\$ 2,926,537	\$ 7,884,497	\$ 4,576,187	\$ 554,203	\$ 5,130,390
Investment securities	119,245	62,843	182,088	310,506	98,651	409,157
Federal funds sold	24,494	48,352	72,846	(12,182)	42,891	30,709
Total interest income	5,101,699	3,037,732	8,139,431	4,874,512	695,744	5,570,256
Interest Expense:						
Deposits	1,580,733	2,838,798	4,419,530	1,243,516	1,044,265	2,287,781
Borrowed funds	465,230	453,813	919,044	266,290	383,751	650,041
Total interest expense	2,045,963	3,292,611	5,338,574	1,509,806	1,428,016	2,937,822
Net interest income	\$ 3,055,736	\$ (254,879)	\$ 2,800,857	\$ 3,364,706	\$ (732,272)	\$ 2,632,434

Critical Accounting Policies

Allowance for Losses on Loans. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses. Loans that are determined to be uncollectible are charged against the allowance account, and subsequent recoveries, if any, are credited to the allowance. When evaluating the adequacy of the allowance, an assessment of the loan portfolio will typically include changes in the composition and volume of the loan portfolio, overall portfolio quality and past loss experience, review of specific problem loans, current economic conditions which may affect borrowers' ability to repay, and other factors which may warrant current recognition. Such periodic assessments may, in management's judgment, require the Company to recognize additions or reductions to the allowance.

Operating Results for the Years Ended December 31, 2006, 2005 and 2004

Net Interest Income/Margins. The Company's primary source of earnings is net interest income, which is the difference between income carned on interest-earning assets, such as loans and investment securities, and interest expense incurred on interest-bearing liabilities, such as deposits and borrowings, The level of net interest income is determined primarily by the average level of balances ("volume") and the market rates associated with the interest-earning assets and interest-bearing liabilities.

Net interest income amounted to \$13.5 million for 2006, which represented an increase of \$2.8 million, or 26.3%, above the level of \$10.7 million in 2005. The 2005 results reflected an increase of \$2.6 million, or 32.8%, above the level of \$8.0 million in 2004. The increases for both years were mainly related to the growth in average interest-earning assets, primarily loans.

Interest income in 2006, which amounted to \$25.5 million, increased by \$8.1 million, or 47.0%, due to an increase in average interest-earning assets of \$70.7 million year-over-year coupled with an increase in the level of market interest rates during 2006. Average loans, which represented the largest component of the change in average interest-earning assets, increased by \$67.4 million, or 30.8%, during 2006 and increased by \$64.5 million, or 41.7%, during 2005. Interest expense for 2006 amounted to \$12.0 million and increased \$5.3 million, or 79.9%, resulting from increased average interest-bearing liabilities of \$64.0 million year-over-year coupled with an increase in the interest rates paid for both deposits and borrowed funds and a greater concentration of higher cost time deposits within the retail deposit base. Average interest-bearing deposits amounted to \$243.6 million in 2006 and increased by \$52.1 million, or 27.2%, from the average in 2005 of \$191.5 million. The change in average interest-bearing deposits in 2005 amounted to \$49.7 million, which resulted in an increase of 35.1% from the average in 2004.

The key performance measure for net interest income is the "net interest margin", which represents net interest income divided by interest-earning assets. The Company's net interest income is affected by loan and deposit pricing, the mix of earning assets and deposit products and the impact of market interest rates on borrowings. The net interest margin was 4.25% for 2006, as compared to 4.34% for 2005 and 4.60% for 2004. During 2006, the yield on interest-earning assets increased 100 basis points to 8.1%, while the rates paid for interest-bearing liabilities increased by 120 basis points to 4.3%. During 2005, the yield on average interest-earning assets increased to 7.1% from 6.7% in 2004, while the cost of interest-bearing liabilities increased by 60 basis points to 3.1% from 2.5%.

The provision for loan losses is a charge to earnings in the current year to maintain an allowance at a level management has determined to be adequate based upon the risk of the loan portfolio, current charge-off experience and other factors related to credit quality. The provision for loan losses amounted to \$940,000, \$1.2 million and \$825,000 for 2006, 2005 and 2004, respectively. Loan charge-offs amounted to \$2,500 for 2006 and reflected a decline from \$227,000 in 2005 and \$461,000 in 2004.

Noninterest Income. Noninterest income is principally derived from fee income from loan services, service fees on deposits, BOLI (Bank-Owned Life Insurance) income and gains/losses on the sale of investment securities. Noninterest income was \$856,644 in 2006 as compared to \$896,367 in 2005 and \$860,986 in 2004.

Service charges on deposit accounts, which amounted to \$146,209 in 2006, declined \$38,516, or 20.9%, from \$184,725 in 2005. Service charges on deposit accounts amounted to \$243,501 in 2004. The decline in 2006 was primarily attributed to the loss of a large commercial lockbox customer.

Other fee income of \$710,435 in 2006 declined slightly from \$720,882 in 2005 and increased from \$609,596 in 2004. This decline was mainly attributable to a reduction of \$14,285 in BOLI income which amounted to \$172,211 in 2006, due to the surrender of a life insurance policy. The major

component of other income is loan fees, which consist of "exit fees" that are charged on construction loans if the builder sells the property prior to the completion of the construction project. Exit fees are intended to discourage construction borrowers from starting projects and "flipping out" of the project or selling before it is completed.

There were no gains or losses on the sale of securities during 2006, while the sale of securities amounted to a loss of \$9,240 in 2005 and a gain of \$7,889 in 2004.

Noninterest Expense. Noninterest expense of \$5.8 million reflected an increase of \$1.3 million, or 28.2%, above the level of \$4.5 million in 2005. The year over year change was comprised of increases in compensation and benefits, occupancy and other operating expenses, which were primarily related to the continued growth of the Company. Noninterest expense for 2004 amounted to \$3.6 million.

Compensation and benefits expense for 2006 of \$2.8 million increased \$686,912, or 32.9%, during 2006 and \$518,030, or 33.1%, during 2004. This increase was comprised of higher benefits expense, routine salary increases coupled with increased staffing associated with the opening of a new branch in center city Philadelphia in 2006 and a new loan production office in Millville, New Jersey. Occupancy, equipment and data processing expense amounted to \$1.1 million in 2006 versus \$960,059 in 2005 and \$957,588 in 2004. The resulting \$125,643 year over year increase was primarily related to incremental occupancy costs associated with the new branch facility and loan production office and increased costs for data processing related to pricing and higher activity levels.

Professional services amounted to \$680,750, \$738,307 and \$290,226 in 2006, 2005 and 2004, respectively. The decline during 2006 was mainly due to the absence of the holding company reorganization expenses, which occurred in 2005. The nonrecurring holding company reorganization expenses in 2005 coupled with additional legal expenses contributed to the increase in professional services expense above 2004's level.

Other operating expense of \$1.0 million increased \$554,732 during 2006. The increase was comprised of office supplies, shareholder expenses, and travel and entertainment, which were all related to the Company's expansion and growth. In addition an accrual for the anticipated settlement of litigation and a normalized level of loan servicing costs relative to 2005 accounted for the balance of the increase. The litigation accrual related to loans participated with other banks in previous years that were subsequently impaired and resulted in loan charge-offs. Other operating expense of \$473,244 in 2005 declined from \$599,116 in 2004 primarily due mainly to a decline in loan servicing costs from the previous year.

Income Taxes. Income tax expense amounted to \$2.9 million, \$2.3 million and \$1.7 million for 2006, 2005 and 2004, respectively, resulting in effective tax rates of 38.7%, 40.0% and 39.1% for the respective years.

Financial Condition at December 31, 2006 and December 31, 2005

Total assets at December 31, 2006 amounted to \$360.0 million, compared to \$297.8 million at December 31, 2005, resulting in an increase of \$62.2 million, or 20.9%. This increase was driven primarily by loan growth as the Company continued to expand through business development of new and existing business relationships.

Total loans at December 31, 2006 were \$310.6 million, which represented an increase of \$51.5 million, or 19.9% above the level of \$259.0 million at December 31, 2005. Growth occurred in all loan categories with commercial loan growth of \$45.9 million, or 19.5%, representing the majority of the loan growth for 2006. Investment securities amounted to \$26.5 million at December 31, 2006 versus \$24.4

million at December 31, 2005. The allowance for loan losses amounted to \$4.5 million at December 31, 2006 compared to \$3.6 million at December 31, 2005. The year over year increase of \$937,192 primarily corresponded to the loan growth in 2006.

At December 31, 2006, total deposits amounted to \$289.9 million, resulting in deposit growth of \$57.9 million, or 24.9% from the December 31, 2005 level of \$232.1 million. All deposit categories experienced growth in 2006 except savings accounts and there was a greater concentration of time deposits due to attractive rates paid on certificates of deposit.

Borrowings, which included Federal Home Loan Bank Advances, repurchase agreements and subordinated debentures amounted to \$34.9 million at December 31, 2006 and declined slightly from \$36.0 million at December 31, 2005.

Shareholders' equity was \$30.7 million at December 31, 2006 an increase of \$3.5 million, or 12.9%, from \$27.2 million at December 31, 2005. Earnings of \$4.6 million and the exercise of warrants and stock options accounted for the increase and were partially offset by the purchase of treasury stock and investment portfolio losses included in other comprehensive income.

Loan Quality

The Company attempts manage to the risk characteristics of its loan portfolio through various control processes, such as credit evaluation of borrowers, establishment of lending limits and application of lending procedures, including the holding of adequate collateral and the maintenance of compensating balances. However, the Company seeks to rely primarily on the cash flow of its borrowers as the principal source of repayment. Although credit policies are designed to minimize risk, management recognizes that loan losses will occur and the amount of these losses will fluctuate depending on the risk characteristics of the loan portfolio as well as general and regional economic conditions.

The allowance for loan losses represents a reserve for losses in the loan portfolio. The adequacy of the allowance for loan loss is evaluated periodically based on a review of all significant loans, with a particular emphasis on non-accruing loans; past due and other loans that management believes require special attention.

For significant problem loans, management's review consists of evaluation of the financial strengths of the borrower and the guarantor, the related collateral, and the effects of economic conditions. General reserves against the remaining loan portfolio are based on analysis of historical loan loss ratios, loan charge-offs, delinquency trends, previous collection experience, and the risk rating on each individual loan along with an assessment of the effects of external economic conditions.

The Company had approximately \$788,000 in non-accruing loans at December 31, 2006 as compared to \$1.9 million at December 31, 2005 and \$241,000 at December 31, 2004. The decline in non-accruing loans was mainly attributable to two large loans no longer being carried as loans on the Company's balance sheet but rather as Real-Estate Owned (REO). This change in balance sheet classification was the result of the foreclosure in 2006 of these two large delinquent loans from the previous year and the Bank ultimately owning the collateral associated with these two loans, which is currently valued at \$1.7 million. Nonperforming loans, expressed as a percentage of total loans, declined to 0.3% at December 31, 2006, compared to 0.8% at December 31, 2005 and 0.1% at December 31, 2004.

The provision for loan losses is a charge to earnings in the current year to maintain an allowance at a level management has determined to be adequate based upon the factors noted above. The provision for loan losses amounted to \$940,000, \$1.2 million and \$825,000 for 2006, 2005 and 2004, respectively. Loan charge-offs amounted to \$2,500 for 2006 and reflected a decline from \$227,000 in 2005 and \$461,000 in 2004.

At December 31, 2006, the allowance for loan losses was \$4.5 million, compared to \$3.6 million at December 31, 2005 and \$2.6 million at December 31, 2004, which represents an increase of \$937,000, or 26.2%, during 2006 and a net increase of \$953,000, or 36.4%, during 2005. The growth in the allowance was primarily driven by the growth in the loan portfolio.

The following table summarizes the allowance activities:

	Years Ended December 31,					
		2006		2005	_	2004
Allowance for loan losses, beginning of year	\$	3,573,812	\$	2,620,651	\$	2,256,070
Loans charged off		(2,500)		(227,001)		(460,743
Recoveries		-		-		-
Provision for loan losses		939,692		1,180,162		825,324
Allowance for loan losses, end of year	\$	4,511,004	\$	3,573,812	\$	2,620,651
Loans (net of deferred costs/fees) period-end balance	\$ 3	310,555,306	\$ 2	259,035,088	\$	188,606,990
Allowance as percentage of period-end loan balance	-	1,45%	_	1.38%		1.39%

Management's judgment as to the level of losses on existing loans is based upon its internal review of the loan portfolio, including an analysis of the borrowers' current financial position, the consideration of current and anticipated economic conditions and their potential effects on specific borrowers. In determining the collectability of certain loans, management also considers the fair value of any underlying collateral. There can be no assurances that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the allowance will not be required. In addition a separate analysis of the loan loss reserve is conducted quarterly by an independent third party vendor.

Interest Rate Sensitivity and Liquidity

Interest rate sensitivity is an important factor in the management of the composition and maturity configurations of earning assets and funding sources. The primary objective of asset/liability management is to ensure the steady growth of our primary earnings component, net interest income. Net interest income can fluctuate with significant interest rate movements. To lessen the impact of interest rate movements, management endeavors to structure the statement of financial condition so that re-pricing opportunities exist for both assets and liabilities in roughly equivalent amounts at approximately the same time intervals. Imbalances in these re-pricing opportunities at any point in time constitute interest rate sensitivity.

The measurement of our interest rate sensitivity, or "gap," is one of the principal techniques used in asset/liability management. Interest sensitive gap is the dollar difference between assets and liabilities that are subject to interest-rate pricing within a given time period, including both floating rate or adjustable rate instruments and instruments that are approaching maturity.

Our management and the Board of Directors oversee the asset/liability management function through the asset/liability committee of the Board and meeting periodically to monitor and manage the statement of financial condition, control interest rate exposure, and evaluate our pricing strategies. The asset mix of the statement of financial condition is continually evaluated in terms of several variables: yield, credit quality, appropriate funding sources and liquidity. Management of the liability mix of the balance sheet focuses on expanding the various funding sources.

In theory, interest rate risk can be diminished by maintaining a nominal level of interest rate sensitivity. In practice, this is made difficult by a number of factors including cyclical variation in loan demand, different impacts on interest-sensitive assets and liabilities when interest rates change, and the availability of funding sources. Accordingly, we undertake to manage the interest-rate sensitivity gap by adjusting the maturity of and establishing rates on the earning asset portfolio and certain interest-bearing liabilities commensurate with management's expectations relative to market interest rates. Management generally attempts to maintain a balance between rate-sensitive assets and liabilities as the exposure period is lengthened to minimize our overall interest rate risk.

Rate Sensitivity Analysis. The interest rate sensitivity position as of December 31, 2006 is presented in the table below. Assets and liabilities are scheduled based on maturity or re-pricing data except for mortgage loans and mortgage-backed securities that are based on prevailing prepayment assumptions and core deposits which are based on core deposits exhibiting general stability and being spread fairly evenly over a seven year time horizon. The difference between rate-sensitive assets and rate-sensitive liabilities or the interest rate sensitivity gap, is shown at the bottom of the table. As of December 31, 2006, our interest sensitive assets exceeded interest sensitive liabilities within a one year period by \$3.9 million, or 0.19% of total assets.

	As of December 31, 2006										
	Months or Less		Over 3 Months Through 2 Months	-	ver 1 Year Through 3 Years		ver 3 Years Through 5 Years	Т	Over 5 Years hrough 0 Years		Total
Interest-carning assets:					(Dollars in	1 thou	usands)				
Loans	\$ 152,937 5,402 5,077	\$	22,257 3,081	\$	68,110 8,110	\$	61,494 2,654	\$	5,757 7,714	\$	310,555 26,961 5,077
Total interest-earning assets	\$ 163,416	\$	25,338	\$_	76,220	\$	64,148	\$	13,471	\$	342,593
Interest-bearing liabilities: Regular savings deposits(1) NOW & money market	\$ 7,201	\$	7,995		\$ 21,307	\$	4,434	\$	4,434	\$	45,371
savings deposits Time deposits Borrowed funds	1,426 42,534 2,928		1,326 117,248 4,204		3,542 43,214 9,520		1,770 13,440 17,507		1,770		9,834 216,436 34,851
Total interest-bearing liabilities	\$ 54,089	\$	130,773	\$	77,583	\$	37,151	\$	6,896	<u>\$</u>	306,492
Interest rate sensitive gap.	\$ 109,327	\$	(105,435)	\$	(1,363)	\$	26,997	\$	6,575	\$	36,101
Cumulative interest rate gap	\$ 109,327	\$	3,892	\$	2,529	\$	29,526	\$	36,101	\$	-
Ratio of rate sensitive assets to rate-sensitive liabilities	3.02%		0.19%		0.98%		1.73%		1.95%		1.12%

Liquidity describes our 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 earning-assets. Our loan to deposit ratio was 107.1%, 111.6% and 105.0% at December 31, 2006, December 31, 2005 and December 31, 2004, respectively. Funds received from new and existing depositors provided a large source of liquidity during 2006 and 2005. The Company seeks to rely primarily on core deposits from customers to provide stable and cost-effective sources of funding to support local growth. The Bank 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. Longer term funding requirements can be obtained through advances from the Federal Home Loan Bank ("FHLB"). As of December 31, 2006, the Bank maintained lines of credit with the FHLB totaling \$35.5 million, of which \$24.4 million was outstanding at December 31,2006.

As of December 31, 2006, the Bank's investment securities portfolio included \$10.1 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 readily marketable, and is available to meet liquidity needs. The Bank's residential real estate portfolio includes loans, which are underwritten to secondary market criteria, and provide an additional source of liquidity. Presently the mortgage portfolio is pledged to the FHLB as collateral. Management is not aware of any known trends, demands, commitments or uncertainties that are reasonably likely to result in material changes in liquidity.

Off-Balance Sheet Arrangements

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties. As of December 31, 2006, 2005 and 2004, commitments to extend credit amounted to approximately \$117.3 million, \$101.8 million and \$70.4 million, respectively.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. As of December 31, 2006, 2005 and 2004, standby letters of credit with customers were \$7.2 million, \$4.5 million and \$2.5 million, respectively.

The Bank does not issue or hold derivative instruments with the exception of loan commitments and standby letters of credit. These instruments are issued in the ordinary course of business to meet customer needs. Commitments to fund fixed-rate loans were immaterial at December 31, 2006. Variable-rate commitments are generally issued for less than one year and carry market rates of interest. Such instruments are not likely to be affected by annual rate caps triggered by rising interest rates. Management believes that off-balance sheet risk is not material to the results of operations or financial condition.

Impact of Inflation and Changing Prices

The consolidated financial statements and notes presented elsewhere in this Annual Report have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time and due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike most industrial companies, nearly all of our assets are monetary in nature. As a result, market interest rates have a greater impact on our performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Recent Accounting Pronouncements

In June 2006, the FASB issued Interpretation ("FIN") No.48, Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect that the adoption of this interpretation will have a material impact on its financial position, results of operation and cash flows.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ("SFAS No. 157"). This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, but provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The Company is currently evaluating the impact of SFAS No. 157 on its financial statements.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R) ("SFAS No.158"). This Statement requires an employer to recognize the overfunded or underfunded status of a defined postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 also requires measurement of the funded status of a plan as of the date of the fiscal year-end statement of financial position. Requirements for the recognition of the funded status of a defined postretirement plan and to provide the required disclosures were effective for the Company as of December 31, 2006. The requirement to measure plan assets and benefit obligations as of the date of the fiscal year-end financial statements is effective for fiscal years ending after December 15, 2008. The Company's adoption of the recognition and disclosure requirements as of December 31, 2006 did not have a material impact on its financial position, results of operation and cash flows.

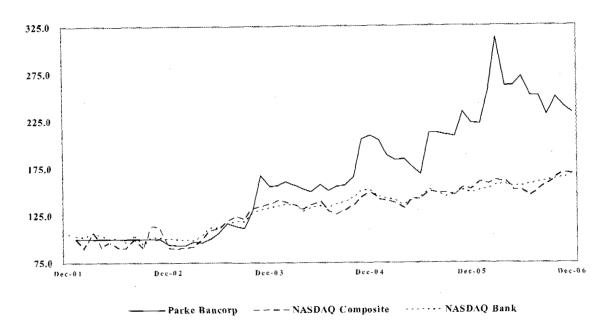
In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115 ("SFAS No. 159" or "Standard"). SFAS No. 159 provides all entities with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in earnings caused by measuring related assets and liabilities differently without having to apply the complex provisions of hedge accounting. The Standard also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 does not eliminate disclosure requirements included in other accounting standards. The Standard is effective for the Company on January 1, 2008. Early adoption is permitted under certain conditions. The Company is currently evaluating the impact of SFAS No. 159 on its financial statements.

STOCK PERFORMANCE GRAPH

Set forth below is a performance graph for the Common Stock for the five fiscal years ended December 31, 2006. The performance graph compares the cumulative total return on the Company's Common Stock with (i) the cumulative total return on stocks listed on the Nasdaq Capital Market, and (ii) the cumulative total return of Nasdaq Stocks-Commercial Banks (banks with the same SIC code as the Company) listed on the Nasdaq Capital Market. Comparisons assume the investment of \$100 as of November 21, 2002, the date the Company's common stock became listed for quotation on Nasdaq. The respective cumulative total returns are computed with the reinvestment of dividends at the frequency with which dividends, if applicable, were paid during the period.

There can be no assurance that the Company's future stock performance will be the same or similar to the historical stock performance shown in the graph below. The Company neither makes nor endorses any predictions as to stock price performance. The Stock Price Performance Graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed "filed" under such Acts.

Parke Bancorp Inc Stock Price Performance



	<u>Nov-02</u>	<u>Dec-02</u>	<u>Dec-03</u>	<u>Dec-04</u>	<u>Dec-05</u>	<u>Dec-06</u>
Parke Bancorp	0,001	94.4	155.5	209.0	222.4	233.0
NASDAQ Composite	100.0	90.4	136.2	148.7	151.9	167.6

132.6

150.7

147.8

168.2

MARKET PRICES AND DIVIDENDS

99.7

100.0

General

NASDAQ Bank

The Company's or the Bank's common stock has been traded in the over the counter market and listed on the Nasdaq Capital Market under the trading symbol of "PKBK" since it commenced trading upon completion of the Bank's public offering on November 26, 2002. The following table reflects high and low sales prices as reported on www.nasdaq.com during each quarter of the last two fiscal years. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions. Prices reflect a 20% stock dividend paid in April 2006.

2005	High	Low
I st Quarter	\$16.17	\$13.88
2 nd Quarter	\$14.04	\$12.42
3 rd Quarter	\$16.66	\$12.71
4 th Quarter	\$18.09	\$15.00
2006	High	Low
1 st Quarter	\$24.10	\$16.00
2 nd Quarter	\$24.98	\$19.55
3 rd Quarter	\$20.82	\$17.30
4 th Quarter	\$19.59	\$16.59

The number of stockholders of record of common stock as of March 22, 2007, was approximately 410. This does not reflect the number of persons or entities who held stock in nominee or "street" name through various brokerage firms. At March 22, 2007, there were 2,873,860 shares of our common stock outstanding. The Company paid a one-time special cash dividend of \$0.20 per share on December 22, 2006 to shareholders of record on December 12, 2006.

Holders of the Company's common stock are entitled to receive dividends when, and if declared by the Board of Directors of out of funds legally available therefor. The timing and amount of future dividends will be within the discretion of the Board of Directors and will depend on the consolidated earnings, financial condition, liquidity, and capital requirements of the Company and its subsidiaries, applicable governmental regulations and policies, and other factors deemed relevant by the Board. The Company paid a one-time special cash dividend of \$0.20 per share on December 22, 2006 to shareholders of record on December 12, 2006.

The Company's ability to pay dividends is substantially dependent upon the dividends it receives from the Bank. Under current regulations, the Bank's ability to pay dividends is restricted as follows.

Under the New Jersey Banking Act of 1948, a bank may declare and pay dividends only if after payment of the dividend the capital stock of the bank will be unimpaired and either the bank will have a surplus of not less than 50% of its capital stock or the payment of the dividend will not reduce the bank's surplus.

The Federal Deposit Insurance Act generally prohibits all payments of dividends by any insured bank that is in default of any assessment to the FDIC. Additionally, because the FDIC may prohibit a bank from engaging in unsafe or unsound practices, it is possible that under certain circumstances the FDIC could claim that a dividend payment constitutes an unsafe or unsound practice. The New Jersey Department of Banking and Insurance has similar power to issue cease and desist orders to prohibit what might constitute unsafe or unsound practices. The payment of dividends may also be affected by other factors (e.g., the need to maintain adequate capital or to meet loan loss reserve requirements).

McGladrey & Pullen

Certified Public Accountants

Parke Bancorp, Inc. and Subsidiaries

Consolidated Financial Report December 31, 2006

McGladrey & Pullen

Certified Public Accountants

Report of Independent Registered Public Accounting Firm

Directors and Shareholders Parke Bancorp, Inc. Sewell, New Jersey

We have audited the consolidated balance sheets of Parke Bancorp, Inc. and Subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ending December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Parke Bancorp, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payment," effective January 1, 2006 and Statement of Financial Accounting Standards No. 158, "Employer's Accounting for Defined Benefit Pension and other Postretirement Plans" in 2006.

McGladrey of Pullen, LCP

Blue Bell, Pennsylvania March 28, 2007

Consolidated Balance Sheets December 31, 2006 and 2005

	2006	2005
Assets		
Cash and due from banks Federal funds sold	\$ 6,183,916	\$ 4,377,196
	5,076,895	2,840
Cash and cash equivalents	11,260,811	4,380,036
Investment securities available for sale, at market value Investment securities held to maturity, at amortized cost	24,530,067	22,022,944
(market value 2006 - \$2,425,629; 2005 - \$2,322,985)	2,430,958	2,405,841
Total investment securities	26,961,025	
Restricted stock, at cost	1,492,800	1,348,900_
Loans	310,555,306	. 259,035,088
Less: allowance for loan losses	(4,511,004)	-, -,-,-+-
Total net loans	306,044,302	(3,573,812) 255,461,276
Bank premises and equipment, net	0.404.504	
Accrued interest receivable and other assets	3,431,794	3,079,876
The state of the s	10,806,039	9,111,571
	\$ 359,996,771	<u>\$ 297,810,444</u>

(Continued)

Consolidated Balance Sheets (Continued) December 31, 2006 and 2005

	2006	 2005
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing demand	\$ 18,287,577	\$ 17,918,339
Interest-bearing	271,641,283	214,137,969
Total deposits	 289,928,860	232,056,308
Borrowed funds	100,000	5,082,500
Federal Home Loan Bank advances	24,441,370	20,574,360
Subordinated debentures	10,310,000	10,310,000
Accrued interest payable and other accrued liabilities	4,507,381	2,593,949
Total liabilities	329,287,611	270,617,117
Commitments and Contingencies (Notes 7 and 15)		
Shareholders' Equity		
Common stock,		
\$.10 par value, 10,000,000 shares authorized;		
2,884,937 and 2,317,364 shares issued		
at December 31, 2006 and 2005, respectively	288,494	231,736
Preferred stock,		
1,000,000 shares authorized; no shares issued and outstanding	-	-
Additional paid-in capital	21,153,220	20,511,410
Retained earnings	10,847,763	6,787,118
Accumulated other comprehensive loss	(420,250)	(286,296)
Treasury stock (61,842 shares in 2006 and 2,380 shares in 2005), at cost	(1,160,067)	(50,641)
Total shareholders' equity	 30,709,160	 27,193,327
	\$ 359,996,771	\$ 297,810,444

Consolidated Statements of Income Years Ended December 31, 2006, 2005 and 2004

		2006		2005		2004
Interest and Dividend Income						
Interest and fees on loans	\$	23,992,705	\$	16,108,210	\$	10,977,820
Interest and dividends on securities		1,341,093		1,159,004		749,847
Interest on federal funds sold		141,677		68,830		38,121
Total interest and dividend income		25,475,475		17,336,044		11,765,788
Interest Expense						
Interest on deposits		10,232,017		5,812,487		3,524,706
Interest on borrowings		1,790,512		871,468		221,427
Total interest expense		12,022,529	_	6,683,955		3,746,133
Net interest income		13,452,946		10,652,089		8,019,655
Provision for Loan Losses		939,692		1,180,162		825,324
Net interest income after provision for loan losses		12,513,254		9,471,927		7,194,331
Noninterest Income						
Service charges on deposit accounts		146,209		184,725		243,501
Other fee income		710,435		720,882		609,596
Net gain (loss) on the sale of securities				(9,240)		7,889
Total noninterest income		856,644		896,367		860,986
Noninterest Expenses						
Compensation and benefits		2,772,213	•	2,085,301		1,567,271
Occupancy, equipment and data processing		1,085,702		960,059		957,588
Marketing and business development		260,517		287,318		175,258
Professional services		680,750		738,307		290,226
Other operating expenses	 .	1,027,976		473,244		599,116
Total noninterest expenses		5,827,158		4,544,229		3,589,459
Income Before Income Tax Expense		7,542,740		5,824,065		4,465,858
Income Tax Expense		2,919,060		2,329,644		1,744,100
Net income	\$	4,623,680	\$	3,494,421	\$_	2,721,758
Net Income Per Common Share:						
Basic	\$	1.64	\$	1.30	\$	1.05
Diluted	\$	1.40	\$	1.10	\$	0.87
Weighted Average Shares Outstanding:						
Basic		2,813,464		2,697,514		2,582,483
Diluted	===	3,304,612	==	3,173,107	_	3,118,637
	===				=	,

Parke Bancorp, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity Years Ended December 31, 2006, 2005 and 2004

		,	Additional		Accumulated Other		Total
,	Common		Paid-In	Retained	Comprehensive	Treasury	Shareholders'
	Stock		Capital	Earnings	Income (Loss)	Stock	Equity
Balance, December 31, 2003	\$ 178,623	\$	19,185,352	\$ 570,939	\$ 57,693	\$ -	\$ 19,992,607
Stock options and warrants exercised	2,696		241,490	-	-	-	244,186
20% common stock dividend	36,237		(36,740)	-	-	-	(503)
Comprehensive income:							
Net income	-		-	2,721,758	-	-	2,721,758
Change in net unrealized gain on securities available for sale, net of reclassification adjustment and tax effects	_		_	_	(128,897)		(128,897)
Total comprehensive income						 	2,592,861
Balance, December 31, 2004	 217,556		19,390,102	3,292,697	(71,204)	-	22,829,151
Stock options and warrants exercised	14,180		1,121,308	-	-	-	1,135,488
Treasury stock purchased (2,380 shares)	-		-	-	-	(50,641)	(50,641)
Comprehensive income:							
Net income	-			3,494,421	-	-	3,494,421
Change in net unrealized loss on securities available for sale, net of reclassification adjustment and tax effects			_	· -	(215,092)		(215,092)
Total comprehensive income							3,279,329
Balance, December 31, 2005	231,736		20,511,410	6,787,118	(286,296)	(50,641)	27,193,327
Stock options and warrants exercised	9,515		656,432	-	-	-	665,947
Stock compensation	-		37,350	-	-	-	37,350
20% common stock dividend	47,243		(51,972)	-	-	-	(4,729)
Treasury stock purchased (59,462 shares)	_				-	(1,109,426)	(1,109,426)
Cash dividends paid (\$0.20 per share)	-		-	(563,035)	-	-	(563,035)
Net income	-		-	4,623,680	-	-	4,623,680
Change in net unrealized loss on securities available for sale, net of reclassification adjustment and tax effects	_		-	_	72,653	-	72,653
Adjustment to initially apply FASB statement No. 158, net of tax					(206,607)	-	(206,607)
Total comprehensive income						 	4,489,726
Balance, December 31, 2006	\$ 288,494	\$	21,153,220	\$ 10,847,763	\$ {420,250}	\$ (1,160,067)	\$ 30,709,160

Parke Bancorp, Inc. and Subsidiaries Consolidated Statements of Cash Flows

Years Ended December 31, 2006, 2005 and 2004

·		2006		2005		2004
Cash Flows from Operating Activities						
Net income	\$	4,623,680	\$	3,494,421	\$	2,721,758
Adjustments to reconcile net income to						
net cash provided by operating activities:						
Depreciation and amortization		279,319		264,105		251,482
Provision for loan losses		939,692		1,180,162		825,324
Stock compensation		37,350		-		-
Realized losses (gains) on sales of securities		•		9,240		(7,889)
Net (accretion) amortization of purchase premiums						
and discounts on securities		(19,614)		(72,795)		2,995
Deferred income tax benefit		(531,591)		(387,382)		(45,972)
Changes in operating assets and liabilities:		, , ,		, ,		, ,
Increase in accrued interest receivable and other assets		(573,579)		(932,172)		(717,345)
Increase in accrued interest payable and other accrued liabilities		1,569,091		1,048,274		321,277
Net cash provided by operating activities	_	6,324,348		4,603,853		3,351,630
Cash Flows from Investing Activities			-			<u> </u>
Purchases of investment securities held to maturity		_		(1,854,018)		-
Purchases of investment securities available for sale		(5,063,958)		(5,559,000)		(15,054,401)
Purchases of restricted stock		(143,900)		(284,700)		(566,900)
Proceeds from sales of investment securities available for sale		1,000,000		5,092,055		1,071,509
Proceeds from maturities of investment securities available for sale		1,000,000		5,052,055		2,000,000
Principal payments on mortgage-backed securities		1,172,421		2,187,681		2,304,558
Net increase in loans		(51,522,718)				
Purchases of bank premises and equipment				(70,655,099)		(42,733,402)
Net cash used in investing activities		(631,237)		(96,802)		(259,248)
•		(55,189,392)		(71,169,883)		(53,237,884)
Cash Flows from Financing Activities		****				
Proceeds from exercise of stock options and warrants		665,947		1,135,488		243,683
Purchase of treasury stock		(1,109,426)		(50,641)		-
Cash dividends paid		(567,764)		-		-
Proceeds from borrowings		27,934,835		27,652,500		18,850,000
Repayment of borrowings		(29,050,325)		(12,064,366)		(8,811,397)
Net increase in interest-bearing deposits		57,503,314		50,513,402		33,923,365
Net increase in noninterest-bearing deposits		369,238		1,957,895		3, <u>2</u> 15,135
Net cash provided by financing activities		55,745,819		69,144,278		47,420,786
Increase (decrease) in cash and cash equivalents		6,880,775		2,578,248		(2,465,468)
Cash and Cash Equivalents, January 1,		4,380,036		1,801,788		4,267,256
Cash and Cash Equivalents, December 31,	_\$	11,260,811	\$	4,380,036	\$	1,801,788
Supplemental Disclosure of Cash Flow Information: Cash paid during the year for: Interest on deposits and borrowed funds	<u> </u>	44 247 007	•			
	<u>\$</u>	11,247,627	<u>\$</u>	<u>5,</u> 99 <u>2,8</u> 26	<u>\$</u>	3,681,682
Income taxes	\$	3,510,000	\$	2,466,000	-\$	2,179,000

Notes to Consolidated Financial Statements

Note 1. Description of Business and Summary of Significant Accounting Policies

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

Parke Bank (the "Bank") is a commercial bank, which was incorporated on August 25, 1998, and commenced operations on January 28, 1999. The Bank is chartered by the New Jersey Department of Banking and Insurance and insured by the Federal Deposit Insurance Corporation. The Bank maintains its principal office at 601 Delsea Drive, Washington Township, New Jersey, and three additional branch office locations, one at 501 Tilton Road, Northfield, New Jersey, one at 567 Egg Harbor Road, Washington Township, New Jersey, and one at 1610 Spruce Street in Philadelphia, Pennsylvania. In addition, the Bank has a loan production office in Millville, New Jersey.

The accounting and financial reporting policies of Parke Bancorp and Subsidiaries (the "Company") conform to accounting principles generally accepted in the United States of America ("GAAP") and to general practices within the banking industry. The policies that materially affect the determination of financial position, results of operations and cash flows are summarized below.

<u>Principles of Consolidation</u>: The accompanying consolidated financial statements include the accounts of Parke Bancorp, Inc. and its wholly-owned subsidiaries Parke Bank, Parke Capital Markets and Farm Folly, Inc. Parke Capital Trust I and Parke Capital Trust II are wholly-owned subsidiaries but are not consolidated because they do not meet the requirements. All significant inter-company balances and transactions have been eliminated.

<u>Investment Securities</u>: Investment securities are classified under one of the following categories: "held to maturity" and accounted for at historical cost, adjusted for accretion of discounts and amortization of premiums; "available for sale" and accounted for at fair market value, with unrealized gains and losses reported as a separate component of shareholders' equity; or "trading" and accounted for at fair market value, with unrealized gains and losses reported as a component of net income. The Company does not hold trading securities.

At December 31, 2006 and 2005, the Company held investment securities that would be held for indefinite periods of time, including securities that would be used as part of the Company's asset/liability management strategy and possibly sold in response to changes in interest rates, prepayments and similar factors. These securities are classified as "available for sale" and are carried at fair value, with any temporary unrealized gains or losses reported as a separate component of other comprehensive income, net of the related income tax effect.

Also, at December 31, 2006 and 2005, the Company reported investments in securities that were carried at cost, adjusted for amortization of premium and accretion of discount. The Company has the intent and ability to hold these investment securities to maturity considering all reasonably foreseeable events or conditions. These securities are classified as "held to maturity."

Declines in the fair value of individual available for sale and held to maturity securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value, and the losses are included in noninterest income in the statements of operations. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a downgrading of the security by rating agency, a significant deterioration in the financial condition of the issuer, the length of time a security has been in a loss position, or that management would not have the intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value.

Notes to Consolidated Financial Statements

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

<u>Investment Securities (Continued)</u>: The amortization of premiums and accretion of discounts over the contractual lives of the related securities, are recognized in interest income using the interest method. Gains and losses on the sale of such securities are accounted for using the specific identification method.

Restricted Stock: Restricted stock includes investments in the common stock of the Federal Home Loan Bank of New York ("FHLBNY") and the Atlantic Central Bankers Bank for which no market exists and, accordingly, is carried at cost.

Loans: The Company makes commercial, real estate and consumer loans to customers. A substantial portion of the loan portfolio is represented by loans in the Southern New Jersey and Philadelphia, Pennsylvania markets. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal amount, adjusted for charge-offs, the allowance for loan losses and any deferred fees or costs on originated loans. Interest income on loans is recognized as earned based on contractual interest rates applied to daily principal amounts outstanding.

<u>Loans-Nonaccrual</u>: Loans are placed on nonaccrual status and the accrual of interest income ceases when a default of principal or interest exists for a period of ninety days except when, in management's judgment, the collection of principal and interest is reasonably anticipated (i.e. the loan is well secured and in the process of collection). Interest receivable on nonaccrual loans previously credited to income is reversed, and subsequently recognized as income only as received if the collection of principal is reasonably assured. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

<u>Loans-Restructured</u>: Restructured loans are those loans whose terms have been modified because of deterioration in the financial condition of the borrower to provide for a reduction of either interest or principal or an extension of the payment period.

Concentration of Credit Risk: The Company's loans are generally to diversified customers in Southern New Jersey and the Philadelphia area of Pennsylvania. Loans to general building contractors, general merchandise stores, restaurants, motels, warehouse space, and real estate ventures (including construction loans) constitute a majority of commercial loans. The concentrations of credit by type of loan are set forth in Note 4. Generally, loans are collateralized by assets of the borrower and are expected to be repaid from the borrower's cash flow or proceeds from the sale of selected assets of the borrower.

<u>Loan Fees</u>: Loan fees and direct costs associated with loan originations are netted and deferred. The deferred amount is recognized as an adjustment to loan interest over the term of the related loans using the interest method. Loan brokerage fees, which represent commissions earned for facilitating loans between borrowers and other Company's, are recorded in income as earned.

Allowance for Loan Losses: The allowance for loan losses is maintained through charges to the provision for loan losses in the Statement of Income as losses are estimated to have occurred through a provision for loan losses. Loans that are determined to be uncollectible are charged against the allowance, and subsequent recoveries, if any, are credited to the allowance. The allowance is an amount that management believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses in the balance of the loan portfolio, based on an evaluation of collectability of existing loans and prior loss experience. When evaluating the adequacy of the allowance, an assessment of the loan portfolio will typically include changes in the composition and volume of the loan portfolio, overall portfolio quality and past loss experience, review of specific problem loans, current economic conditions which may affect borrowers' ability to repay, and other factors which may warrant current recognition. Such periodic assessments may, in management's judgment, require the Company to recognize additions or reductions to the allowance.

Notes to Consolidated Financial Statements

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued): Various regulatory agencies periodically review the adequacy of the Company's allowance for loan losses as an integral part of their examination process. Such agencies may require the Company to recognize additions or reductions to the allowance based on their evaluation of information available to them at the time of their examination. It is reasonably possible that the above factors may change significantly and, therefore, affect management's determination of the allowance for loan losses in the near term.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial loans by either the present value of expected future cash flows discounted at the loans effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures.

Interest Rate Risk: The Company is principally engaged in the business of attracting deposits from the general public and using these deposits, together with other borrowed and brokered funds, to make commercial, commercial mortgage, residential mortgage, and consumer loans, and to invest in overnight and term investment securities. Inherent in such activities is interest rate risk that results from differences in the maturities and re-pricing characteristics of these assets and liabilities. For this reason, management regularly monitors the level of interest rate risk and the potential impact on net income.

Bank Premises and Equipment: Bank premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed and charged to expense using the straight-line method over the estimated useful lives of the assets, generally three to seven years. Leasehold improvements are amortized to expense over the shorter of the term of the respective lease or the estimated useful life of the improvements, generally terms ranging from ten to forty years.

<u>Income Taxes</u>: The amount provided for federal income taxes is based on income reported for consolidated financial statement purposes.

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

Notes to Consolidated Financial Statements

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

<u>Use of Estimates</u>: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term include the allowance for loan losses and the valuation of deferred income taxes.

Comprehensive Income: Comprehensive income consists of net income and other gains and losses affecting shareholders' equity that, under GAAP, are excluded from net income, including unrealized gains and losses on available for sale securities and gains or losses, prior service costs or credits, and transition assets or obligations associated with pension or other postretirement benefits that have not been recognized as components of net periodic benefit cost.

At December 31, 2006, 2005 and 2004, accumulated other comprehensive loss consisted of the following:

	2006	2005	2004
Unrealized gains (losses) on available for sale securities (net of tax of \$142,428, \$190,857, and \$47,470) Minimum pension liability (net of tax of \$137,737)	\$ (213,643) (206,607)	\$ (286,296) -	\$ (71,204)
	\$ (420,250)	\$ (286,296)	\$ (71,204)

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," which amends Statement No. 87, "Employers' Accounting for Pensions," Statement No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," Statement No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," and other related accounting literature.

Statement No. 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or a liability in the statement of financial position and to recognize changes in that funded status through comprehensive income in the year the changes occur. This Statement also requires an employer to measure the funded status of a plan as of the date of the employer's year-end statement of financial position. The Company adopted the funded status recognition and related disclosure requirements of Statement No. 158 as of December 31, 2006, and measured the funded status of their defined benefit plans as of that date, which resulted in the Company recording a liability of \$344,344 as of December 31, 2006, relating to a Supplemental Executive Retirement Plan ("SERP") (Note 11). The adoption of Statement No. 158 did not materially affect the Company's financial position or results of operations.

Notes to Consolidated Financial Statements

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

<u>Comprehensive Income (Continued)</u>: The components of other comprehensive income and related tax effects relating to the unrealized gains and losses on available for sale securities is as follows:

	 2006	 2005	 2004
Unrealized holding gains (losses) on available for sale securities Reclassification adjustment for net losses (gains) realized in income	\$ 121,082	\$ (367,719) _9,240	\$ (206,939) (7,889)
Net unrealized gains (losses)	121,082	(358,479)	(214,828)
Tax effect	(48,429)	143,387	85,931
. Net-of-tax amount	\$ 72,653	\$ (215,092)	\$ (128,897)

<u>Earnings Per Common Share</u>: Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share considers common stock equivalents (when dilutive) outstanding during the period such as options and warrants outstanding. Both basic and diluted earnings per share computations give retroactive effect to stock dividends declared in 2006 (Note 13). Earnings per common share have been computed based on the following for 2006, 2005 and 2004:

	2006	2005	2004
Net income	\$ 4,623,680	\$ 3,494,421	\$ 2,721,758
Average number of common shares outstanding Effect of dilutive options	2,813,464 491,148	2,697,514 475,593	2,582,483 536,154
Average number of common shares outstanding used to calculate diluted earnings per common share	3,304,612	3,173,107	3,118,637

Statement of Cash Flows: Cash and cash equivalents include cash on hand, balances due from banks and federal funds sold. For the purposes of the statement of cash flows, changes in loans and deposits are shown on a net basis

Stock-Based Employee Compensation: At December 31, 2006 the Company had stock-based employee compensation plans, which are described more fully in Note 13. Prior to January 1, 2006 the Company accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, as permitted by the Financial Accounting Standards Board ("FASB") Statement No. 123, Accounting for Stock-Based Compensation. No stock-based employee compensation cost was recognized in the Statement of Income during the years ended December 31, 2005 and 2004 as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of FASB Statement No. 123(R), Share-Based Payment, using the modified-prospective-transition method. The following table illustrates the effect on net income and earnings per share for 2005 and 2004 if the Company had applied the fair value recognition provisions of Statement 123 to stock-based employee compensation. For purposes of this proforma disclosure, the value of the options is estimated using Black-Scholes option-pricing model. Both basic and diluted calculations give retroactive effect to stock dividends declared in 2006.

Notes to Consolidated Financial Statements

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

Stock-Based Employee Compensation (Continued):

	2005	2004
Net income, as reported	\$ 3,494,421	\$ 2,721,758
Deduct total stock-based compensation expense determined under the fair value method for all		
awards, net of related tax effects	(670,000)	(41,000)
Pro forma net income	\$ 2,824,421	\$ 2,680,758
Earnings per share: Basic:		
As reported	\$1.30	\$1.05
Pro forma	\$1.05	\$1.04
Diluted:		
As reported	\$1.10	\$0.87
Pro forma	\$0.89	\$0.86

All outstanding stock options as of January 1, 2006 were fully vested (in prior years, all options vested upon issuance), thus no compensation expense was recognized during the year ended December 31, 2006 for such options. The Company uses the Black-Scholes option pricing model to estimate the fair value of any stock-based awards in 2006.

Under the modified prospective transition method, the Company is required to recognize compensation cost for 1) all share-based payments granted prior to, but not vested as of, January 1, 2006 based on the grant date fair value estimated in accordance with the original provisions of SFAS 123; and 2) for all share-based payments granted on or after January 1, 2006 based on the grant date fair value estimated in accordance with SFAS 123R. In accordance with the modified prospective method, the Company has not restated prior period results.

Recent Issued Accounting Pronouncements: In July 2006, FASB published FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes and Related Interpretation Issues" ("FIN 48"). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction.) According to the terms of FIN 48, the financials will reflect expected future tax consequences of such positions presuming the taxing authorities full knowledge of the position and all relevant facts, but without time values. The Company will be required to adopt the provisions of FIN 48 as of the beginning of its first annual period that begins after December 15, 2006, which will be the year ending December 31, 2007. The adoption of FIN 48 is not expected to have a material impact on the Company.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements." Statement No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measures. Statement No. 157 is effective for fiscal years beginning after November 15, 2007, with early adoption encouraged. The provisions of Statement No. 157 are to be applied on a prospective basis, with the exception of certain financial instruments for which retrospective application id required. The adoption of Statement No. 157 is not expected to materially affect the Company's financial position or results of operations.

Notes to Consolidated Financial Statements

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

Recent Issued Accounting Pronouncements (Continued): In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." Statement No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Statement No. 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted provided the entity also elects to apply the provisions of Statement No. 157. The Company is currently evaluating the impact, if any, of Statement No. 159 on the Company's financial position and results of operations.

Note 2. Cash and Due from Banks

The Company maintains various deposit accounts with other banks to meet normal funds transaction requirements, to satisfy deposit reserve requirements, and to compensate other banks for certain correspondent services. Management is responsible for assessing the credit risk of its correspondent banks. The withdrawal or usage restrictions of these balances did not have a significant impact on the operations of the Company as of December 31, 2006, because reserve requirements were covered by vault cash.

Note 3. Investment Securities

The Company's investment securities as of December 31, 2006 were as follows:

		Amortized Cost		Gross Unrealized Gains	 Gross Unrealized Losses		Market Value
Available For Sale				_			
U.S. Government sponsored entities	\$	6,484,892	\$	_	\$ 69,112	\$	6,415,780
Corporates		8,348,575		34,667	177,792		8,205,450
Mortgage-backed securities		10,052,671		34,629	178,463		9,908,837
Total securities available for sale	\$	24,886,138	\$	69,296	\$ 425,367	\$	24,530,067
Held to Maturity						•	
Municipals	_\$	2,430,958	_\$	36,783	\$ 42,112	\$	2,425,629

Notes to Consolidated Financial Statements

Note 3. Investment Securities (Continued)

The Company's investment securities as of December 31, 2005 were as follows:

		Amortized Cost	U	Gross nrealized Gains	Į	Gross Inrealized Losses	Market Value
Available For Sale							
U.S. Government sponsored entities	\$	6,533,381	\$	60	\$	331,051	\$ 6,202,390
Corporates		6,317,394		13,047		14,143	6,316,298
Stock		500,000		-		-	500,000
Mortgage-backed securities	_	9,149,322		13 <u>,6</u> 71		<u>158,737</u>	 9,004,256
Total securities available for sale	\$	22,500,097	\$	26,778	\$	503,931	\$ 22,022,944
Held to Maturity							
Municipals	<u>\$</u>	<u>2,405,841</u>	\$		\$	82,856	\$ 2,322,985

The amortized cost and estimated market value of investment securities at December 31, 2006 by contractual maturities are shown below. Expected maturities may differ from contractual maturities for mortgage-backed securities because the mortgages underlying the securities may be called or prepaid without any penalties; therefore, these securities are not included in the maturity categories in the following maturity summary.

	Available For Sale		Held to Maturi			urity	
		Amortized	Market		Amortized		Market
		Cost	Value		Cost		Value
Maturing within one year	\$	1,000,000	\$ 999,060	\$	-	\$	
Maturing after one year but within five years		3,019,048	2,988,920		544,898		523,957
Maturing after five years, but within ten years		1,000,000	1,000,000		-		-
Maturing after ten years		9,814,419	9,633,250		1,886,060		1,901,672
		14,833,467	14,621,230		2,430,958		2,425,629
Mortgage-backed securities		10,052,671	9,908,837		_		-
Total securities	\$	24,886,138	\$ 24,530,067	\$	2,430,958	\$	2,425,629

Gross realized gains on the sale of investment securities were \$53,770 in 2005 and \$8,044 in 2004. Gross realized losses on the sale of investment securities were \$63,010 in 2005 and \$155 in 2004. There were no sales of investment securities in 2006.

As of December 31, 2006, approximately \$14,272,000 of investment securities are pledged as collateral for borrowed funds (Note 9). In addition, securities with a carrying value of \$461,000 were pledged to secure public deposits at December 31, 2006.

As of December 31, 2005, approximately \$13,273,000 of investment securities are pledged as collateral for borrowed funds (Note 9). In addition, securities with a carrying value of \$478,595 were pledged to secure public deposits at December 31, 2005.

Notes to Consolidated Financial Statements

Note 3. Investment Securities (Continued)

The fair value of securities with unrealized losses by length of time that the individual securities have been in a continuous loss position at December 31, 2006, are as follows:

	Continuous Unrealized Losses Existing for Less Than 12 Months			Continuous Unrealized Losses Existing for More Than 12 Mont				
			ī	Inrealized			Ū	Inrealized
	M	larket Value		Losses	Ν	farket Value		Losses
Available For Sale								
U.S. Government sponsored entities	\$	1,497,550	\$	2,450	\$	3,918,230	\$	66,662
Corporates		746,250		2,344		836,000		175,448
Mortgage-backed securities		190,765		10,095		4,636,105		168,368
		2,434,565		14,889		9,390,335		410,478
Held to Maturity								
Municipals		-				1,760,444		42,112
Total temporarily impaired securities	\$	2,434,565	\$	14,889	\$	11,150,779	\$	452,590

Management does not believe any individual unrealized loss as of December 31, 2006 represents an other-than-temporary impairment. A total of 23 securities are included in the continuous unrealized portion, of which 21 are in the available for sale category. The unrealized losses on these securities are primarily due to changes in general market interest rates. The Company believes it will collect all amounts contractually due on these securities as it has the ability to hold these securities until the fair value is at least equal to the carrying value. Should the impairment become other-than-temporary, the carrying value of the investment will be reduced and the unrealized loss be recorded in the statement of income.

The fair value of securities with unrealized losses by length of time that the individual securities have been in a continuous loss position at December 31, 2005 are as follows:

		nrealized Losses is Than 12 Months		realized Losses Than 12 Months
		Unrealized		Unrealized
Available For Sale	Market Value	Losses	Market Value	Losses
U.S. Government sponsored entities	\$ 3,427,330	\$ 56,051	\$ 2,275,000	\$ 275,000
Corporates	513,200	12,991	746,318	1,152
Mortgage-backed securities	6,225,181	158,132	153,736	605_
Held to Maturity	10,165,711	227,174	3,175,054	276,757
Municipals	1,799,287	68,499	523,698	14,357
Total temporarily impaired securities	\$ 11,964,998	\$ 295,673	\$ 3,698,752	\$ 291,114

Notes to Consolidated Financial Statements

Note 4. Loans

The composition of net loans as of December 31, 2006 and 2005 are as follows:

	2006	2005
Commercial	\$ 281,819,002	\$ 236,013,459
Residential real estate	22,192,502	18,482,968
Consumer	7,004,513	5,053,908
Total loans	311,016,017	259,550,335
Less: allowance for loan losses	(4,511,004)	(3,573,812)
Less: net deferred loan fees	(460,711)	(515,247)
Net loans	\$ 306,044,302	\$ 255,461,276

At December 31, 2006 and 2005, approximately \$22,896,000 and \$16,358,000, respectively, of residential real estate and consumer loans were pledged to the FHLBNY on borrowings (Note 9).

Note 5. Loans to Related Parties

In the normal course of business, the Company has granted loans to officers, directors and their affiliates (related parties). In the opinion of management, the terms of these loans, including interest rates and collateral, are similar to those prevailing for comparable transactions with other customers and do not involve more than a normal risk of collectability.

An analysis of the activity of such related party loans for 2006 and 2005 is as follows:

	2006			2005
Balance, beginning of year	\$	12,347,626	\$	10,325,629
Advances		10,175,662		5,619,948
Less: repayments		(2,242,004)		(3,597,951)
Balance, end of year	\$	20,281,284	\$	12,347,626

Notes to Consolidated Financial Statements

Note 6. Allowance for Loan Losses

An analysis of the allowance for loan losses for 2006 and 2005 is as follows:

	 2006	 2005	 2004
Balance, beginning of year Provision for loan losses Charge offs Recoveries	\$ 3,573,812 939,692 (2,500)	\$ 2,620,651 1,180,162 (227,001)	\$ 2,256,070 825,324 (460,743)
Balance, end of year	\$ 4,511,004	\$ 3,573,812	\$ 2,620,651

Information about impaired loans and nonaccrual loans as of and for the years ended December 31, 2006 and 2005 is as follows:

	 2006		2005
Impaired loans with a valuation allowance	\$ 2,207,817	\$	511,211
Impaired loans without a valuation allowance	 161,733		
Total impaired loans	\$ 2,369,550	\$	511,211
Related allowance for loan losses for impaired loans	\$ 403,997	\$	60,181
Nonaccrual loans	\$ 788,804	\$_	1,935,000
Loans past due ninety days or more and still accruing interest	\$ 267,150	\$	665,000
Average monthly balance of impaired loans (based on month-end balances)	\$ 1,255,000	\$	457,000
Interest income recognized on cash basis on impaired loans	\$ 71,791	\$	36,914

Interest income of \$51,000, \$66,000 and \$64,000 would have been recorded on non-accrual loans had those loans paid in accordance with their original terms in 2006, 2005 and 2004, respectively.

Notes to Consolidated Financial Statements

Note 7. Bank Premises and Equipment

A summary of the cost and accumulated depreciation of Bank premises and equipment as of December 31, 2006 and 2005 is as follows:

	2006			2005
Land	\$	470,000	\$	470,000
Building and improvements		3,006,764		2,587,564
Furniture and equipment		986,213		873,017
Total premises and equipment		4,462,977		3,930,581
Less: accumulated depreciation				
and amortization		(1,031,183)	_	(850,705)
Premises and equipment, net	\$	3,431,794	\$	3,079,876

Depreciation expense was \$279,319 in 2006, \$264,105 in 2005 and \$251,482 in 2004.

The Company has non-cancelable operating lease agreements related to its Northfield and Philadelphia branch offices. The term of the Northfield lease is for 10 years through March 2011 with two 5-year renewal options. The term of the Philadelphia lease is for 10 years through June 2016. The Company is responsible for its pro-rata share of real estate taxes, and all insurance, utilities, maintenance and repair costs for the benefit of the branch offices. The Company also has a month to month lease for a loan production office in Millville, New Jersey. In addition, the Company leases certain computer software under an operating lease expiring 2008. At December 31, 2006, the required future rental payments under these leases are as follows:

Years Ending December 31,	
2007	\$ 251,000
2008	248,000
2009	113,000
2010	114,000
2011	125,000
Thereafter	326,000
Total minimum lease payments	\$ 1,177,000

Rent expense was approximately \$225,000 in 2006, \$176,000 in 2005 and \$165,000 in 2004.

Notes to Consolidated Financial Statements

Note 8. Deposits

Deposits at December 31, 2006 and 2005 consisted of the following:

	2006	2005
Demand deposits, noninterest-bearing	\$ 18,287,577	\$ 17,918,339
Demand deposits, interest-bearing Savings deposits	9,834,053 45,371,156	22,371,195 38,823,726
Time deposits of \$100,000 or more	130,555,474	95,282,066
Other time deposits	85,880,600	57,660,982
Total deposits	\$ 289,928,860	\$ 232,056,308

Time deposits included brokered deposits totaling approximately \$87,585,000 and \$67,159,000 at December 31, 2006 and 2005, respectively.

Scheduled maturities of certificates of deposit at December 31, 2006 are as follows:

Years Ending December 31,	
2007	\$ 159,782,005
2008	27,994,857
2009	15,218,886
2010	9,548,833
2011	3,891,493
	\$ 216,436,074

Deposits from related parties totaled approximately \$8,229,000 and \$5,740,000 at December 31, 2006 and 2005, respectively.

Note 9. Borrowings

An analysis of borrowings as of December 31, 2006 and 2005 is as follows:

		2006			2005	
Maturity Date		Amount	Rate		Amount	Rate
January 2007	\$	100,000	5.39%	\$	1,000,000	3.05%
December 2006		-	-		1,100,000	3.33%
January 2006		-	_		982,500	3.99%
February 2006		-	-		1,000,000	4.33%
March 2006		-	-		1,000,000	4.49%
	\$	100,000		\$	5,082,500	
	January 2007 December 2006 January 2006 February 2006	January 2007 \$ December 2006 January 2006 February 2006	Maturity Date Amount January 2007 \$ 100,000 December 2006 - January 2006 - February 2006 - March 2006 -	Maturity Date Amount Rate January 2007 \$ 100,000 5.39% December 2006 - - January 2006 - - February 2006 - - March 2006 - -	Maturity Date Amount Rate January 2007 \$ 100,000 5.39% \$ December 2006 - - - January 2006 - - - February 2006 - - - March 2006 - - -	Maturity Date Amount Rate Amount January 2007 \$ 100,000 5.39% \$ 1,000,000 December 2006 - - 1,100,000 January 2006 - - 982,500 February 2006 - - 1,000,000 March 2006 - - 1,000,000

Notes to Consolidated Financial Statements

Note 9. Borrowings (Continued)

		2006		2005	
	Maturity Date	Amount	Rate	Amount	Rate
Federal Home Loan Bank Advances					
	January 2006	\$ -	_ (\$ 6,610,000	4.08%
	February 2006	-	-	250,000	4.52%
	March 2006	-	-	250,000	4.61%
	April 2006	-	-	1,000,000	4.46%
	June 2006	-	-	250,000	4.78%
	October 2006	-	-	1,000,000	4.70%
	December 2006	-	-	1,750,000	4.05%
	January 2007	2,296,883	5.42%	464,360	4.73%
	March 2007	500,000	5.40%	-	-
	April 2007	1,000,000	5.43%	-	-
	May 2007	1,862,000	5.44%	-	-
	August 2007	500,000	5.38%	_	-
•	December 2007	750,000	4.92%	750,000	4.92%
	April 2008	500,000	5.36%	-	-
	June 2008	750,000	3.89%	750,000	3.89%
	December 2008	1,000,000	5.14%	-	-
	December 2008	1,000,000	4.97%	1,000,000	4.97%
	April 2009	500,000	5.36%	-	-
	June 2009	4,000,000	4.07%	4,000,000	4.07%
	July 2009	1,500,000	5.75%	-	-
	April 2010	500,000	5.41%	-	-
	December 2010	1,000,000	5.05%	1,000,000	5.05%
	September 2011	5,400,000	5.10%	-	-
	December 2015	1,382,487	5.19%	1,500,000	5.19%
		\$ 24,441,370	=	\$ 20,574,360	:
Subordinated debentures - capital trusts	November 2035	\$ 5,155,000	7.03%	\$ 5,155,000	6.04%
•	November 2035	5,155,000	6.25%	5,155,000	6.25%
		\$ 10,310,000		\$ 10,310,000	

At December 31, 2006, the Company had a \$35,474,000 line of credit from the FHLBNY, of which \$24,441,370 was outstanding at December 31, 2006.

Certain investment securities (Note 3), loans (Note 4), and FHLBNY stock are pledged as collateral for borrowings.

Notes to Consolidated Financial Statements

Note 9. Borrowings (Continued)

Subordinated Debentures – Capital Trusts: On August 23, 2005, Parke Capital Trust I, a Delaware statutory business trust and a wholly-owned Subsidiary of the Company, issued \$5,000,000 of variable rate capital trust pass-through securities to investors. The variable interest rate re-prices quarterly at the three-month LIBOR plus 1.66% and was 7.03% at December 31, 2006. Parke Capital Trust I purchased \$5,155,000 of variable rate junior subordinated deferrable interest debentures from the Company. The debentures are the sole asset of the Trust. The terms of the junior subordinated debentures are the same as the terms of the capital securities. The Company has also fully and unconditionally guaranteed the obligations of the Trust under the capital securities. The capital securities are redeemable by the Company on or after November 23, 2010, at par, or earlier if the deduction of related interest for federal income taxes is prohibited, classification as Tier 1 Capital is no longer allowed, or certain other contingencies arise. The capital securities must be redeemed upon final maturity of the subordinated debentures on November 23, 2035. Proceeds of approximately \$4,200,000 were contributed to paid-in capital at the Bank. The remaining \$800,000 was retained at the Company for future use.

On August 23, 2005, Parke Capital Trust II, a Delaware statutory business trust and a wholly-owned Subsidiary of the Company, issued \$5,000,000 of fixed/variable rate capital trust pass-through securities to investors. Currently, the interest rate is fixed at 6.25%. The fixed/variable interest rate re-prices quarterly at the three-month LIBOR plus 1.66% beginning November 23, 2010. Parke Capital Trust II purchased \$5,155,000 of variable rate junior subordinated deferrable interest debentures from the Company. The debentures are the sole asset of the Trust. The terms of the junior subordinated debentures are the same as the terms of the capital securities. The Company has also fully and unconditionally guaranteed the obligations of the Trust under the capital securities. The capital securities are redeemable by the Company on or after November 23, 2010, at par, or earlier if the deduction of related interest for federal income taxes is prohibited, classification as Tier 1 Capital is no longer allowed, or certain other contingencies arise. The capital securities must be redeemed upon final maturity of the subordinated debentures on November 23, 2035. Proceeds of approximately \$4,200,000 were contributed to paid-in capital at the Bank. The remaining \$800,000 was retained at the Company for future use.

The subordinates debentures are classified as liabilities in the Company's consolidated balance sheet at December 31, 2006 but a majority was allowed as Tier I Capital for regulatory capital purposes (Note 12).

Note 10. Income Taxes

The net deferred tax asset, which is included in "accrued interest receivable and other assets" at December 31, 2006 and 2005, includes the following:

2006

2005

	 2000	 2005
Deferred tax assets Deferred tax liabilities	\$ 2,278,528 (451,664)	\$ 1,676,004 (470,039)
Net deferred tax asset	\$ 1,826,864	\$ 1,205,965

Notes to Consolidated Financial Statements

Note 10. Income Taxes (Continued)

Income tax expense for 2006, 2005 and 2004 consisted of the following:

	2006			2005	2004	
Current tax expense: Federal	\$	2,599,297	\$	2,092,771 \$	1,357,072	
State		851,354		624,255	433,000	
	<u> </u>	3,450,651		2,717,026	1,790,072	
Deferred tax (benefit)		(531,591)		(387,382)	(45,972)	
Income tax expense	\$	2,919,060	\$	2,329,644 \$	1,744,100	

The components of the net deferred tax asset, which is included in other assets, are as follows:

		2006	2005
Allowance for loan losses	\$	1,745,393	\$ 1,354,558
Deferred loan costs		(167,614)	(213,276)
Securities available for sale		142,428	190,857
Minimum pension liability		137,737	-
Other	_	(31,080)	(126,174)
	\$	1,826,864	\$ 1,205,965

A reconciliation of the Company's effective income tax rate with the statutory Federal rate for 2006, 2005 and 2004 is as follows:

	 _2006	2005	2004
Tax expense at statutory rate (35%)	\$ 2,639,959 \$	2,038,423 \$	1,563,050
Permanent differences and other, net	(93,511)	3,513	(39,564)
State income taxes, net of Federal tax benefit	448,039	345,949	265,272
Benefit of income taxed at lower rates	 (75,427)	(58,241)	(44,658)
	\$ 2,919,060 \$	2,329,644 \$	1,744,100

Note 11. Retirement Plans

Supplemental Executive Retirement Plan: The Company has a Supplemental Executive Retirement Plan ("SERP") covering certain members of management. The net periodic SERP pension cost was approximately \$230,000 in 2006, \$246,000 in 2005 and \$207,000 in 2004. The unfunded benefit obligation, which was included in "accrued interest payable and other liabilities", was approximately \$1,179,000 at December 31, 2006 and \$894,000 at December 31, 2005.

Notes to Consolidated Financial Statements

Note 11. Retirement Plans (Continued)

<u>Supplemental Executive Retirement Plan (Continued)</u>: The benefit obligation at December 31, 2006 was calculated as follows:

Benefit obligation, December 31, 2005	\$ 894,235
Service cost	152,730
Interest cost	53,495
(Gain) loss	 78,395
Benefit obligation, December 31, 2006	\$ 1,178,855

The net periodic pension cost for 2006 was calculated as follows:

Service cost	\$ 152,730
Interest cost	53,495
Prior service cost recognized	24,176
	\$ 230,401

Simple IRA Plan: The Company has a simple IRA Plan (the "Plan") covering substantially all employees. The Company is required to contribute 2% of the employees' eligible salary to the Plan. All Company contributions are immediately vested. Plan expense amounted to approximately \$38,000 in 2006, \$33,000 in 2005 and \$22,000 in 2004.

Note 12. Regulatory Matters

<u>Capital Ratios</u>: Parke Bancorp and the Bank are subject to various regulatory capital requirements administered by the federal 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, Parke Bancorp and the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Parke Bancorp and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require Parke Bancorp 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). Management believes, as of December 31, 2006 and 2005, that Parke Bancorp and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2006 and 2005, Parke Bancorp and the Bank were categorized as "well-capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since December 31, 2006 that management believes have changed Parke Bancorp and Parke Bank's capital category.

Notes to Consolidated Financial Statements

Note 12. Regulatory Matters (Continued)

<u>Capital Ratios (Continued)</u>: Parke Bancorp and the Bank's actual capital amounts and ratios as of December 31, 2006 and 2005 are presented in the following tables:

		Actu	ıal		For Capital Adequacy Purposes		To Be Well-Capitalize Prompt Under Correct Action Provisions		Corrective
Parke Bancorp, Inc.		Amount	Ratio		Amount	Ratio		Amount	Ratio
As of December 31, 2006 (amounts in thousands)					*				
Total Risk Based Capital (to Risk Weighted Assets)	\$	45,347	14.8%	\$	24,499	8%	\$	30,624	10%
Tier I Capital (to Risk Weighted Assets)	\$	39,599	12.9%	\$	12,249	4%	\$	18,374	6%
Tier I Capital (to Average Assets)	\$	39,599	11.0%	\$	14,054	4%	\$	17,568	5%
		For Capital Actual Adequacy Purpose		•	To Be Well-Capita Prompt Under Corre Action Provision		ler Corrective		
Parke Bancorp, Inc.	-	Amount	Ratio	_	Amount	Ratio		Amount	Ratio
As of December 31, 2005 (amounts in thousands)									
Total Risk Based Capital (to Risk Weighted Assets)		\$ 40,737	15.6%		\$ 20,856	8%		\$ 26,070	10%
Tier I Capital (to Risk Weighted Assets)		\$ 34,349	13.2%		\$ 10,428	4%		\$ 15,642	6%
Tier I Capital (to Average Assets)		\$ 34,349	12.1%		\$ 11,370	4%		\$ 14,212	5%

Notes to Consolidated Financial Statements

Note 12. Regulatory Matters (Continued)

Capital Ratios (Continued):					To Be Well-0	Capitalized
			For Ca	pital	Prompt Under Corrective	
	Actu	ual	Adequacy I	Purposes	Action Pro	ovisions
Parke Bank	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2006 (amounts in thousands)						
Total Risk Based Capital (to Risk Weighted Assets)	\$ 44,405	14.5%	\$ 24,499	8%	\$ 30,624	10%
Tier I Capital (to Risk Weighted Assets)	\$ 40,569	13.3%	\$ 12,249	4%	\$ 18,374	6%
Tier I Capital (to Average Assets)	\$ 40,569	11.6%	\$ 14,054	4%	\$ 17,568	5%
					To Be Well-	Capitalized
			For Ca	apital	Prompt Under Corrective	
	Act		Adequacy		Action Pr	
Parke Bank	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2005 (amounts in thousands)						
Total Risk Based Capital (to Risk Weighted Assets)	\$ 39,416	15.1%	\$ 20,825	8%	\$ 26,031	10%
Tier I Capital (to Risk Weighted Assets)	\$ 36,158	13.9%	\$ 10,413	4%	\$ 15,618	6%
Tier I Capital	\$ 36,158	12.7%	\$ 11,370	4%	\$ 14,213	5%

Note 13. Shareholders' Equity

(to Average Assets)

Reorganization: Parke Bancorp was incorporated in 2005 for the sole purpose of becoming the holding company of the Bank. Parke Bancorp recognized the assets and liabilities transferred at the carrying amounts in the accounts of the Bank as of June 1, 2005, the effective date of the reorganization. The accompanying consolidated financial statements are presented as if the exchange of shares occurred as of January 1, 2004. Pursuant to the Plan of Acquisition, each outstanding share of Parke Bank was converted automatically by operation of law into one share of Parke Bancorp. Parke Bancorp had no activity prior to the competition of this reorganization. Parke Bancorp is authorized to issue 10,000,000 shares of common stock, par value \$0.10 per share and 1,000,000 shares of serial preferred stock, par value \$0.10 per share. Options and warrants outstanding under the Bank's various Plans were converted automatically by operation of law into options and warrants to purchase shares of Parke Bancorp on the same terms and conditions.

<u>Common Stock Dividend</u>: In April 2006 and December 2004 the Company paid a 20% common stock dividend to shareholders (2006 - 472,430 shares and 2004 – 362,363 shares). All share and per share information have been retroactively adjusted. In December 2006, the Company paid a \$.20 cash dividend to shareholders.

Notes to Consolidated Financial Statements

Note 13. Shareholders' Equity (Continued)

<u>Treasury Stock:</u> During 2006 and 2005, the Company repurchased 59,462 and 2,380 shares of the Company's common stock.

Stock Options and Warrants: In 1999, 2002 and 2003, the shareholders approved the Company's Employee Stock Option Plans and in 2005 the shareholders approved the Company's Directors and Employee Stock Option Plan (the "Plans") The Plans are "non-qualified" stock option plans. Reserved for issuance upon the exercise of options granted or to be granted by the Board of Directors is an aggregate of 524,466 shares of common stock. All options issued under the Plans through December 31, 2005 were fully vested upon issuance. All directors and certain officers and employees of the Company have been granted options under the Plans. All stock option amounts and prices included in the following discussions have been adjusted for stock dividends.

Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of the grant. Options awarded prior to December 31, 2006 vested upon issuance and options issued in 2006 generally vest over four to five years. All options issued have 10 year contractual terms.

At December 31, 2006, there were 147,688 shares available for grant under the Plans.

Prior to January 1, 2006, the Company accounted for its Plans in accordance with Accounting Principles Board Opinion No. 25 and related interpretations and the disclosure-only provisions of FASB No. 123. Accordingly, no compensation cost has been recognized for the Plan in 2005 or 2004. Compensation cost that would have been recognized using the fair value method pursuant to FASB No. 123, if the Bank had so elected, would have been approximately \$1,117,000 in 2005 and \$68,000 in 2004. Effective January 1, 2006, the Company adopted FAS 123R. The method of determining pro-forma compensation cost for 2005 and 2004 and compensation expense in 2006 was based on certain assumptions, including the past trading ranges of the Bank's stock, volatility of 25-33%, expected option lives of 5-7 years, risk-free interest rate of 4-5%, and no expected payment of dividends. Compensation expense recognized during 2006 amounted to \$37,000.

A summary of option activity under the Plan as of December 31, 2006, and changes during the year ended December 31, 2006, is presented below:

Options	Shares	 Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2006	330,968	\$ 13.23		
Granted	18,000	\$ 19.00		
Exercised	(720)	\$ 16.04		
Expired/terminated		\$ -		
Outstanding at December 31, 2006	348,248	\$ 13.52	7.2	<u>\$ 1,365,000</u>
Exercisable at December 31, 2006	334,348	\$ 13.32	7.4	\$ 1,378,000

Notes to Consolidated Financial Statements

Note 13. Shareholders' Equity (Continued)

Stock Options and Warrants (Continued): The weighted-average grant-date fair value of options granted during the years 2006, 2005 and 2004 was \$7.16, \$5.69 and \$4.56, respectively. The total intrinsic value of options exercised during the years 2006, 2005 and 2004 was \$3,000, \$140,000 and \$10,000, respectively.

A summary of the status of the Company's nonvested shares as of December 31, 2006 and changes during the year ended December 31, 2006 is as follows:

Nonvested Shares	Shares	Weighted- Average Grant-Date Fair Value		
Nonvested at January 1, 2006	_	\$	-	
Granted	18,000	\$	7.34	
Vested	(4,500)	\$	7.34	
Forfeited		\$	-	
Nonvested at December 31, 2006	13,500	\$	7.34	

At December 31, 2006, there was \$92,000 of total unrecognized compensation cost relating to nonvested share-based compensation arrangements granted under the Plans. That cost is expected to be recognized over a weighted-average period of 3 years. The total fair value of shares vested during 2006 was \$30,000.

In connection with the Company's initial stock offering in 1998, warrants were issued. These warrants have an exercise price of \$6.32 per share and expire in 2008. During 2006, 2005 and 2004, warrants exercised were 94,419, 122,156 and 25,586, respectively. At December 31, 2006, 541,000 warrants remained unexercised.

Note 14. Other Related Party Transactions

A member of the Board of Directors is a principal of a commercial insurance agency that provides all the insurance coverage for the Company. The cost of the insurance was approximately \$88,000 in 2006, \$98,000 in 2005 and \$102,000 in 2004. An insurance agency owned by another Board Member provides employee benefits (medical insurance, life insurance, and disability insurance). The cost of these employee benefits totaled \$286,000 in 2006, \$284,000 in 2005 and \$197,000 in 2004.

Notes to Consolidated Financial Statements

Note 15. Commitments and Contingencies

The Company has entered into an employment contract with the President of the Company, which provides for continued payment of certain employment salaries and benefits in the event of a change in control, as defined.

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties. As of December 31, 2006 and 2005, commitments to extend credit amounted to approximately \$117,266,000 and \$101,815,000, respectively.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. As of December 31, 2006 and 2005, standby letters of credit with customers were \$7,158,000 and \$4,536,000, respectively.

The Company does not issue or hold derivative instruments with the exception of loan commitments and standby letters of credit. These instruments are issued in the ordinary course of business to meet customer needs. Commitments to fund fixed-rate loans were immaterial at December 31, 2006. Variable-rate commitments are generally issued for less than one year and carry market rates of interest. Such instruments are not likely to be affected by annual rate caps triggered by rising interest rates. Management believes that off-balance sheet risk is not material to the results of operations or financial condition.

In the normal course of business, there are outstanding various contingent liabilities such as claims and legal action, which are not reflected in the financial statements. In the opinion of management, no material losses are anticipated as a result of these actions or claims.

Note 16. Fair Value of Financial Instruments

The Company discloses estimated fair values for its significant financial instruments. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Notes to Consolidated Financial Statements

Note 16. Fair Value of Financial Instruments (Continued)

The following fair value estimates, methods and assumptions were used to estimate the fair value of each class of significant financial instruments, for which it is practical to estimate that value:

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

Investment Securities: The fair value of investment securities is based upon quoted market prices or dealer quotes.

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

<u>Loans</u>: 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.

Fair value for nonperforming loans is based on the discounted value of expected future cash flows, discounted using a rate commensurate with the risk associated with the likelihood of repayment and/or the fair value of collateral (if repayment of the loan is collateral dependent).

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.

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

<u>Deposits</u>: 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 rates currently offered for deposits of similar remaining maturities.

<u>Borrowings</u>: The fair value of borrowings is based on the discounted value of estimated cash flows. The discounted rate is estimated using the rates currently offered for similar advances.

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.

Notes to Consolidated Financial Statements

Note 16. Fair Value of Financial Instruments (Continued)

Off-Balance Sheet Instruments (Continued): The following table summarizes carrying amounts and fair values for financial instruments at December 31, 2006:

Carrying Value		Fair Value	
Financial Assets:		***************************************	
Cash and cash equivalents	\$ 11,260,811	\$ 11,260,811	
Investment securities	26,961,025	26,955,780	
Restricted stock	1,492,800	1,492,800	
Loans, net	306,044,302	304,778,644	
Accrued interest receivable	2,095,179	2,095,179	
Financial Liabilities:			
Demand deposits and savings deposits	\$ 73,492,786	\$ 73,492,786	
Time deposits	216,436,074	219,133,994	
Borrowings	34,851,370	34,235,825	
Accrued interest payable	1,848,612	1,848,612	

The following table summarizes carrying amounts and fair values for financial instruments at December 31, 2005:

	Carrying Value	Fair Value	
Financial Assets:			
Cash and cash equivalents	\$ 4,380,036	\$ 4,380,036	
Investment securities	24,428,785	24,345,929	
Restricted stock	1,348,900	1,348,900	
Loans, net	255,461,276	252,907,849	
Accrued interest receivable	1,545,443	1,545,443	
Financial Liabilities:			
Demand deposits and savings deposits	\$ 79,113,260	\$ 79,113,260	
Time deposits	152,943,048	154,935,630	
Borrowings	35,966,860	35,966,860	
Accrued interest payable	1,073,713	1,073,713	

Notes to Consolidated Financial Statements

Note 17. Quarterly Financial Data (unaudited)

The following represents summarized unaudited quarterly financial data of the Company which, in the opinion of management, reflects adjustments (comprising only normal recurring accruals) necessary for fair presentation.

	Three Months Ended								
	D	ecember 31,	Se	eptember 30,		June 30,		March 31,	
<u>2006</u>									
Interest income Interest expense Net interest income Provision for loan losses Income before income tax expense Income tax expense Net income	\$	6,994,565 3,541,705 3,452,860 165,692 1,859,565 649,240 1,210,325	\$	6,752,958 3,240,908 3,512,050 211,000 2,022,282 805,600 1,216,682	\$	6,158,455 2,825,928 3,332,527 328,000 1,861,210 740,000 1,121,210	\$	5,569,497 2,413,988 3,155,509 235,000 1,799,683 724,220 1,075,463	
Net income per common share: Basic Diluted	\$ \$	0.43 0.37	\$ \$	0.43 0.37	\$ \$	0.40 0.33	\$ \$	0.39 0.33	
<u>2005</u>									
Interest income Interest expense Net interest income Provision for loan losses Income before income tax expense Income tax expense Net income	\$	5,098,380 2,092,613 3,005,767 374,000 1,624,981 655,994 968,987	\$	4,434,368 1,810,909 2,623,459 298,005 1,481,502 592,100 889,402	\$	4,106,809 1,515,232 2,591,577 276,023 1,499,565 595,550 904,015	\$	3,696,487 1,265,201 2,431,286 232,134 1,218,017 486,000 732,017	
Net income per common share: Basic Diluted	\$ \$	0.35 0.30	\$ \$	0.33 0.28	\$ \$	0.34 0.29	\$ \$	0.28 0.23	

CORPORATE INFORMATION

PARKE BANCORP, INC 601 Delsea Drive Washington Township, NJ 08080 (856) 256-2500 www.parkebank.com

Board of Directors (Parke Bank and Parke Bancorp, Inc.)

Celestino R. ("Chuck") Pennoni Chairman of the Board of Directors Thomas Hedenberg
Vice Chairman of the Board of Directors

Vito S. Pantilione
President, Chief Executive Officer and Director

Fred G. Choate Director Daniel J. Dalton Director Arret F. Dobson Director

Edward Infantolino Director Anthony J. Jannetti Director Jeffrey H. Kripitz Director

Richard Phalines Director Jack C. Sheppard, Jr. Director Ray H. Tresch Director

Victor Fabietti CPA/Special Consultant to the Board of Directors

Parke Bancorp Officers

Vito S. Pantilione President and Chief Executive Officer Robert A. Kuchl Senior Vice President and Chief Financial Officer David O. Middlebrook Senior Vice President and Corporate Secretary

Transfer Agent & Registrar Registrar and Transfer Company 10 Commerce Dr. Cranford, NJ 07016 Independent Auditors McGladrey & Pullen, LLP 512 Township Line Road One Valley Square, Suite 250 Blue Bell, PA 19422 Special Counsel
Malizia Spidi & Fisch
901 New York Avenue, N.W.
Suite 210 East
Washington, D.C. 20001

PARKE BANK

Officers

Vito S. Pantilione President and Chief Executive Officer Robert A. Kuchl Senior Vice President and Chief Financial Officer

David O. Middlebrook Senior Vice President, Scnior Loan Officer Elizabeth A. Milavsky Senior Vice President

Paul E. Palmieri Senior Vice President, Philadelphia Region James S. Talarico Vice President

John J. Murphy Treasurer Milton II. Witte Vice President

Allen M. Bachman Assistant Vice President Kathleen A. Conover Assistant Vice President

Dolores M. Calvello Assistant Vice President Claire R. Piccini Assistant Treasurer

Mark A. Prater Assistant Vice President Mary Ann Seal Assistant Vice President

Evette M. Snyder Assistant Vice President

Branches

Northfield Office 501 Tilton Road Northfield, NJ 08225 (609) 646-6677 Main Office 601 Delsea Drive Washington Township, NJ 08080 (856) 256-2500 Kennedy Office 567 Egg Harbor Road Washington Township, NJ 08080 (856) 582-6900

Philadelphia Office 1610 Spruce Street Philadelphia, PA 19103 (215) 772-1113 Millville Loan Production Office 411 North High Street Millville, NJ 08332 (856) 825-9111

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