

MALVERN FEDERAL BANCORP INC  
Form 10-Q  
May 14, 2009

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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FORM 10-Q

(Mark  
One)

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

For the quarterly period ended March 31, 2009

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-34051

Malvern Federal Bancorp, Inc.  
(Exact Name of Registrant as Specified in Its Charter)

United States  
(State or Other Jurisdiction of Incorporation or  
Organization)

38-3783478  
(I.R.S. Employer Identification  
No.)

42 East Lancaster Avenue  
Paoli, Pennsylvania  
(Address of Principal Executive Offices)

19301  
(Zip Code)

(610) 644-9400  
(Registrant's Telephone Number, Including Area Code)

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

Yes

No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller reporting company)

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

Yes

No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: As of May 14, 2009, 6,152,500 shares of the Registrant’s common stock were issued and outstanding.

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Malvern Federal Bancorp, Inc. and Subsidiaries  
Consolidated Statements of Financial Condition (Unaudited)

	March 31, 2009	September 30, 2008
Assets		
Cash and due from depository institutions	\$ 6,341,967	\$ 5,727,820
Interest bearing deposits in depository institutions	15,155,902	7,194,477
Cash and Cash Equivalents	21,497,869	12,922,297
Investment securities available for sale	22,814,617	21,968,607
Investment securities held to maturity (fair value of \$2,816,925 and \$2,830,221, respectively)	2,721,247	2,869,837
Restricted stock, at cost	6,566,973	6,895,673
Loans receivable, net of allowance for loan losses of \$4,847,142 and \$5,504,512, respectively	594,904,726	571,536,460
Accrued interest receivable	2,202,427	2,452,694
Property and equipment, net	8,803,986	9,018,484
Deferred income taxes, net	2,491,644	2,257,575
Bank-owned life insurance	13,371,790	8,135,630
Real estate owned	4,829,012	230,262
Other assets	1,272,024	1,221,188
Total Assets	\$ 681,476,315	\$ 639,508,707
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Deposits-noninterest-bearing	\$ 21,644,571	\$ 18,470,229
Deposits-interest-bearing	479,905,890	435,022,907
Total Deposits	501,550,461	453,493,136
FHLB line of credit	—	8,500,000
FHLB advances	105,289,747	105,298,447
Advances from borrowers for taxes and insurance	2,903,754	1,579,203
Accrued interest payable	1,138,711	894,061
Other liabilities	1,002,526	908,161
Total Liabilities	611,885,199	570,673,008
Commitments and Contingencies	—	—
Shareholders' Equity		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, none issued	—	—

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Common stock, \$0.01 par value, 40,000,000 shares authorized, issued and outstanding: 6,152,500 shares	61,525	61,525
Additional paid-in capital	25,948,725	25,959,169
Retained earnings	46,329,290	45,663,389
Unearned Employee Stock Ownership Plan (ESOP) shares	(2,498,265)	(2,571,028)
Accumulated other comprehensive loss	(250,159)	(277,356)
Total Shareholders' Equity	69,591,116	68,835,699
Total Liabilities and Shareholders' Equity	\$ 681,476,315	\$ 639,508,707

See notes to unaudited consolidated financial statements.

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Malvern Federal Bancorp, Inc. and Subsidiaries  
Consolidated Statements of Income (Unaudited)

	For The Three Months Ended		For the Six Months Ended	
	March 31,		March 31,	
	2009	2008	2009	2008
<b>Interest and Dividend Income</b>				
Loans, including fees	\$ 8,243,278	\$ 7,890,232	\$ 16,921,765	\$ 15,669,696
Investment securities, taxable	205,642	193,998	416,088	475,926
Investment securities, tax-exempt	21,207	23,452	42,089	49,900
Dividends, restricted stock	—	52,976	—	118,115
Interest-bearing cash accounts	19,451	43,083	24,957	113,912
<b>Total Interest and Dividend Income</b>	<b>8,489,578</b>	<b>8,203,741</b>	<b>17,404,899</b>	<b>16,427,549</b>
<b>Interest Expense</b>				
Deposits	3,398,075	3,822,313	6,911,934	7,833,591
Short-term borrowings	7,418	32,223	8,699	77,374
Long-term borrowings	1,280,316	1,004,941	2,612,269	1,962,385
<b>Total Interest Expense</b>	<b>4,685,809</b>	<b>4,859,477</b>	<b>9,532,902</b>	<b>9,873,350</b>
<b>Net Interest Income</b>	<b>3,803,769</b>	<b>3,344,264</b>	<b>7,871,997</b>	<b>6,554,199</b>
<b>Provision for Loan Losses</b>	<b>462,423</b>	<b>335,000</b>	<b>907,423</b>	<b>463,000</b>
<b>Net Interest Income after Provision for Loan Losses</b>	<b>3,341,346</b>	<b>3,009,264</b>	<b>6,964,574</b>	<b>6,091,199</b>
<b>Other Income</b>				
Service charges and other fees	326,018	274,621	656,410	570,329
Rental income	63,580	66,943	126,966	129,738
Gain on sale of investment securities available for sale, net	9,410	—	27,206	—
Gain on disposal of fixed assets	8,200	—	8,200	—
Gain on sale of loans, net	—	—	—	42,788
Earnings on bank owned life insurance	149,690	86,811	236,160	174,372
<b>Total Other Income</b>	<b>556,898</b>	<b>428,375</b>	<b>1,054,942</b>	<b>917,227</b>
<b>Other Expenses</b>				
Salaries and employee benefits	1,525,717	1,372,263	3,084,017	2,763,873
Occupancy expense	513,584	519,305	956,489	985,122
Federal deposit insurance premiums	86,653	12,270	168,330	24,398
Advertising	209,386	189,074	362,262	300,319
Data processing	278,356	236,477	585,101	482,892
Professional fees	224,758	135,481	506,421	249,299
Other operating expenses	567,898	443,918	1,119,769	829,078
<b>Total Other Expenses</b>	<b>3,406,352</b>	<b>2,908,788</b>	<b>6,782,389</b>	<b>5,634,981</b>

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Income Before Income Taxes	491,892	528,851	1,237,127	1,373,445
Income Taxes	120,486	157,708	349,737	436,487
Net Income	\$ 371,406	\$ 371,143	\$ 887,390	\$ 936,958
Basic Earnings Per Share	\$ 0.06	N/A	\$ 0.15	N/A
Dividends Declared Per Share	\$ 0.04	N/A	\$ 0.08	N/A

See notes to unaudited consolidated financial statements.

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Malvern Federal Bancorp, Inc. and Subsidiaries  
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, October 1, 2007	\$ —	\$ —	\$ 44,321,829	\$ —	\$ (282,654)	\$ 44,039,175
Comprehensive Income:						
Net Income	—	—	936,958	—	—	936,958
Net change in unrealized loss on securities available for sale, net of tax effect	—	—	—	—	158,989	158,989
Total Comprehensive Income	—	—	—	—	—	1,095,947
Balance, March 31, 2008	\$ —	\$ —	\$ 45,258,787	\$ —	\$ (123,665)	\$ 45,135,122
Balance, October 1, 2008	\$ 61,525	\$ 25,959,169	\$ 45,663,389	\$ (2,571,028)	\$ (277,356)	\$ 68,835,699
Comprehensive Income:						
Net Income	—	—	887,390	—	—	887,390
Net change in unrealized loss on securities available for sale, net of tax effect	—	—	—	—	27,197	27,197
Total Comprehensive Income	—	—	—	—	—	914,587
Cash dividends declared (\$0.08 per share)	—	—	(221,489)	—	—	(221,489)
Committed to be released ESOP shares	—	(10,444)	—	72,763	—	62,319
Balance, March 31, 2009	\$ 61,525	\$ 25,948,725	\$ 46,329,290	\$ (2,498,265)	\$ (250,159)	\$ 69,591,116

See notes to unaudited consolidated financial statements.

Malvern Federal Bancorp, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended March 31,	
	2009	2008
Cash Flows from Operating Activities		
Net income	\$ 887,390	\$ 936,958
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	471,767	463,035
Provision for loan losses	907,423	463,000
Deferred income taxes	(244,916)	(422,882)
ESOP expenses	62,319	—
Amortization of premiums and (accretion) of discounts on investment securities, net	(76,451)	219,187
Amortization of mortgage servicing rights	45,163	63,154
Net gain on sale of investment securities available for sale	(27,206)	—
Net gain on disposal of fixed assets	(8,200)	—
Net gain on sale of loans	—	(42,788)
Decrease in accrued interest receivable	250,268	254,489
Increase in accrued interest payable	244,650	87,369
Increase (decrease) in other liabilities	94,364	(88,298)
Earnings on bank-owned life insurance	(236,160)	(174,372)
Increase in other assets	(93,999)	(751,534)
Amortization of loan origination fees and costs	(122,139)	(540,103)
Increase in income tax payable	—	14,867
<b>Net Cash Provided by Operating Activities</b>	<b>2,154,273</b>	<b>482,082</b>
Cash Flows from Investing Activities		
Proceeds from maturities and principal collections:		
Investment securities held to maturity	146,621	69,564
Investment securities available for sale	5,829,924	13,585,652
Proceeds from sales, investment securities available for sale	1,149,763	—
Purchases of investment securities available for sale	(7,682,027)	(1,000,000)
Proceeds from sale of loans	—	9,301,059
Purchase of other real estate owned	(780,281)	—
Loan purchases	(30,954,099)	(44,905,967)
Loan originations and principal collections, net	2,980,080	828,645
Purchases of bank-owned life insurance	(5,000,000)	—