

Magyar Bancorp, Inc.
Form 10-K
December 27, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

o ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 2012

OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-51726

Magyar Bancorp, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

20-4154978
(I.R.S. Employer Identification Number)

400 Somerset Street, New Brunswick, New Jersey
(Address of Principal Executive Office)

08901
(Zip Code)

(732) 342-7600

(Issuer's Telephone Number including area code)

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Securities Registered Pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange On Which Registered
Common Stock, par value \$0.01 per share	The NASDAQ Stock Market, LLC

Securities Registered Pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding twelve 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

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

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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

The aggregate value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price of the Common Stock as of March 31, 2012 was \$13.4 million. As of December 15, 2012, there were 5,923,742 shares issued and 5,807,344 outstanding of the registrant’s Common Stock, including 3,200,450 shares owned by Magyar Bancorp, MHC, the registrant’s mutual holding company.

DOCUMENTS INCORPORATED BY REFERENCE

1. Proxy Statement for the 2012 Annual Meeting of Stockholders (Part III)

Magyar Bancorp, Inc.

Annual Report On Form 10-K

For The Fiscal Year Ended

September 30, 2012

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PART I

ITEM 1. Business

Forward Looking Statements

We have included or incorporated by reference in this Annual Report on Form 10-K, and from time to time our management may make, statements that may constitute “forward-looking statement” within the meaning of the safe harbour provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition and may relate to our future plans and objectives and results, as well as statements about the objective and effectiveness of our risk management and liquidity policies, statements about trends in or growth opportunities for our business, statements about our future status, and activities or reporting under U.S. banking and financial regulation. Forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will likely result,” and similar expressions. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that could cause our actual results and financial condition to differ from those indicated in the forward-looking statements include, among others, those discussed below and under “Risk Factors” in Part 1, Item 1A of this Annual Report on Form 10-K.

Magyar Bancorp, MHC

Magyar Bancorp, MHC is the New Jersey-chartered mutual holding company of Magyar Bancorp, Inc. Magyar Bancorp, MHC’s only business is the ownership of 54.03% of the issued shares of common stock of Magyar Bancorp, Inc. So long as Magyar Bancorp, MHC exists, it will be required to own a majority of the voting stock of Magyar Bancorp, Inc. The executive office of Magyar Bancorp, MHC is located at 400 Somerset Street, New Brunswick, New Jersey 08901, and its telephone number is (732) 342-7600. Magyar Bancorp, MHC is subject to comprehensive regulation and examination by the Board of Governors of the Federal Reserve System and the New Jersey Department of Banking and Insurance.

Magyar Bancorp, Inc.

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Magyar Bancorp, Inc. is the mid-tier stock holding company of Magyar Bank. Magyar Bancorp, Inc. is a Delaware-chartered corporation and owns 100% of the outstanding shares of common stock of Magyar Bank. Magyar Bancorp, Inc. has not engaged in any significant business activity other than owning all of the shares of common stock of Magyar Bank. At September 30, 2012, Magyar Bancorp, Inc. had consolidated assets of \$508.8 million, total deposits of \$416.5 million and stockholders' equity of \$45.0 million. The executive offices of Magyar Bancorp, Inc. are located at 400 Somerset Street, New Brunswick, New Jersey 08901, and its telephone number is (732) 342-7600. Magyar Bancorp, Inc. is subject to comprehensive regulation and examination by the Board of Governors of the Federal Reserve System and the New Jersey Department of Banking and Insurance.

On January 23, 2006, Magyar Bancorp, Inc. sold 2,618,550 shares of its common stock at a price of \$10.00 per share, issued an additional 3,200,450 shares of its common stock to Magyar Bancorp, MHC, and contributed 104,742 shares to Magyar Bank Charitable Foundation.

Magyar Bank

Magyar Bank is a New Jersey-chartered savings bank headquartered in New Brunswick, New Jersey that was originally founded in 1922 as a New Jersey building and loan association. In 1954, Magyar Bank converted to a New Jersey savings and loan association, before converting to the New Jersey savings bank charter in 1993. We conduct business from our main office located at 400 Somerset Street, New Brunswick, New Jersey, and our six branch offices located in New Brunswick, North Brunswick, South Brunswick, Branchburg, Bridgewater, and North Edison, New Jersey. The telephone number at our main office is (732) 342-7600.

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General

Our principal business consists of attracting retail deposits from the general public in the areas surrounding our main office in New Brunswick, New Jersey and our branch offices located in Middlesex and Somerset Counties, New Jersey, and investing those deposits, together with funds generated from operations and wholesale funding, in residential mortgage loans, home equity loans, home equity lines of credit, commercial real estate loans, commercial business loans, Small Business Administration (“SBA”) loans, construction loans and investment securities. We also originate consumer loans, which consist primarily of secured demand loans. We originate loans primarily for our loan portfolio. However, from time to time we have sold some of our long-term fixed-rate residential mortgage loans into the secondary market, while retaining the servicing rights for such loans. Our revenues are derived principally from interest on loans and securities. Our investment securities consist primarily of mortgage-backed securities and U.S. Government and government-sponsored enterprise obligations. We also generate revenues from fees and service charges. Our primary sources of funds are deposits, borrowings and principal and interest payments on loans and securities. We are subject to comprehensive regulation and examination by the New Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation.

Market Area

We are headquartered in New Brunswick, New Jersey, and our primary deposit market area is concentrated in the communities surrounding our headquarters branch and our branch offices located in Middlesex and Somerset Counties, New Jersey. Our primary lending market area is broader than our deposit market area and includes all of New Jersey.

The economy of our primary market area is largely urban and suburban with a broad economic base that is typical for counties surrounding the New York metropolitan area. The median household income in Middlesex and Somerset county rank among the highest in the nation.

Competition

We face intense competition within our market area both in making loans and attracting deposits. Our market area has a high concentration of financial institutions including large money center and regional banks, community banks and credit unions. Some of our competitors offer products and services that we currently do not offer, such as trust services and private banking. According to the Federal Deposit Insurance Corporation’s annual *Summary of Deposit* report, at June 30, 2012 our market share of deposits was 1.51% and 0.58% in Middlesex and Somerset Counties, respectively. Our market share of deposits was 1.60% and 0.48%, respectively, at June 30, 2011.

Our competition for loans and deposits comes principally from commercial banks, savings institutions, mortgage banking firms and credit unions. We face additional competition for deposits from short-term money market funds, brokerage firms, mutual funds and insurance companies. Our primary focus is to build and develop profitable customer relationships across all lines of business while maintaining our role as a community bank.

Lending Activities

We originate residential mortgage loans to purchase or refinance residential real property. Residential mortgage loans represented \$157.5 million, or 40.5% of our total loans at September 30, 2012. Historically, we have not originated a significant number of loans for the purpose of reselling them in the secondary market. In the future, however, to help manage interest rate risk and to increase fee income, we may increase our origination and sale of residential mortgage loans. No loans were held for sale at September 30, 2012. We also originate commercial real estate, commercial business and construction loans. At September 30, 2012, these loans totaled \$148.8 million, \$29.9 million and \$18.0 million, respectively. We also offer consumer loans, which consist primarily of home equity lines of credit and stock-secured demand loans. At September 30, 2012, home equity lines of credit and stock-secured demand loans totaled \$23.4 million and \$11.3 million, respectively.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan, at the dates indicated.

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	September 30, 2012		2011		2010		2009		2008	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
One-to four-family residential	\$ 157,536	40.50 %	\$ 159,228	41.37 %	\$ 165,462	40.50 %	\$ 172,415	38.76 %	\$ 172,415	38.76 %
Commercial real estate	148,806	38.30 %	120,994	31.44 %	116,222	28.45 %	105,764	23.78 %	105,764	23.78 %
Construction	17,952	4.60 %	34,144	8.87 %	57,086	13.97 %	93,217	20.96 %	93,217	20.96 %
Home equity lines of credit	23,435	6.00 %	22,352	5.81 %	22,823	5.59 %	22,528	5.07 %	22,528	5.07 %
Commercial business	29,930	7.70 %	36,195	9.41 %	33,676	8.24 %	37,372	8.40 %	37,372	8.40 %
Other	11,265	2.90 %	11,945	3.10 %	13,277	3.25 %	13,484	3.03 %	13,484	3.03 %
Total loans receivable	\$388,924	100.00 %	\$384,858	100.00 %	\$408,546	100.00 %	\$444,780	100.00 %	\$444,780	100.00 %
Net deferred loan costs	204		208		106		24		24	
Allowance for loan losses	(3,858)		(3,812)		(4,766)		(5,807)		(5,807)	
Total loans receivable, net	\$385,270		\$381,254		\$403,886		\$438,997		\$438,997	

Loan Portfolio Maturities and Yields. The following table summarizes the scheduled repayments of our loan portfolio at September 30, 2012. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less.

Due During the Fiscal Years Ending September 30,	One-to-Four Family Residential		Commercial Real Estate		Construction		Home Equity Lines of Credit	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)							
2013	\$5,250	5.51 %	\$18,027	5.23 %	\$16,900	5.99 %	\$5,735	4.49 %
2014	7,811	4.60 %	5,734	5.04 %	254	4.25 %	8	5.00 %
2015	126	5.96 %	3,568	5.84 %	—	—	—	—
2016 to 2017	2,526	5.16 %	5,663	5.53 %	—	—	—	—
2018 to 2022	14,802	4.84 %	14,915	4.51 %	—	—	844	5.15 %
2023 to 2027	15,643	4.17 %	11,484	6.20 %	—	—	807	3.28 %
2028 and beyond	111,378	4.98 %	89,415	5.59 %	798	6.00 %	16,041	3.66 %
Total	\$157,536	4.89 %	\$148,806	5.47 %	\$17,952	5.96 %	\$23,435	3.91 %

Due During the Fiscal Years Ending September 30,	Commercial Business		Other		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)					

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2013	\$21,163	4.23	%	\$10,862	2.29	%	\$77,937	4.68	%
2014	3,146	5.05	%	31	6.03	%	16,984	4.83	%
2015	1,032	6.07	%	40	8.99	%	4,766	5.92	%
2016 to 2017	1,376	5.89	%	109	7.56	%	9,674	5.51	%
2018 to 2022	2,241	5.86	%	63	5.00	%	32,865	4.77	%
2023 to 2027	972	4.04	%	—	—		28,906	4.95	%
2028 and beyond	—	—		160	3.55	%	217,792	5.13	%
Total	\$29,930	4.57	%	\$11,265	2.41	%	\$388,924	5.00	%

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The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at September 30, 2012 that are contractually due after September 30, 2013.

	Due After September 30, 2013		
	Fixed	Adjustable	Total
	(Dollars in thousands)		
One-to four-family residential	\$ 104,873	\$ 47,413	\$ 152,286
Commercial real estate	18,023	112,756	130,779
Construction	—	1,052	1,052
Home equity lines of credit	11	17,689	17,700
Commercial business	2,140	6,627	8,767
Other	63	340	403