MALVERN FEDERAL BANCORP INC
Form S-1
December 19, 2007

As filed with the Securities and Exchange Commission on December 19, 2007

Registration No. 333-__________

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MALVERN FEDERAL BANCORP, INC.
(In Organization)

(Exact name of registrant as specified in its articles of incorporation)

United States	6036	(To be applied for)
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

42 East Lancaster Avenue
Paoli, Pennsylvania 19301
(610) 644-9400

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Ronald Anderson
President and Chief Executive Officer
Malvern Federal Bancorp, Inc.
42 East Lancaster Avenue
Paoli, Pennsylvania 19301
(610) 644-9400

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:
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734 15th Street, N.W., 12th Floor
Washington, D.C. 20005

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	**Amount to be Registered**	**Purchase Price Per Share**	**Aggregate Offering Price**	**Registration Fee**
Common Stock, $.01 par value per share	4,165,875 shares (1)(2)	$10.00	$41,658,750 (1)	$1,279

(1) Estimated solely for the purpose of calculating the registration fee.
(2) Includes shares to be zaissued to the Malvern Federal Charitable Foundation.

The Registrant hereby amends this Registration Statement on such date as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that the Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

MALVERN FEDERAL BANCORP, INC.
(Proposed holding company for Malvern Federal Savings Bank)

Up to 3,461,500 Shares of Common Stock
(Anticipated Maximum)

Malvern Federal Bancorp, Inc. is offering shares of common stock in an initial public offering. Malvern Federal Bancorp is being organized by Malvern Federal Savings Bank in connection with its reorganization into the mutual holding company form of organization. The shares we are offering will represent 43.0% of our outstanding common stock. Malvern Federal Mutual Holding Company, a mutual holding company being formed by Malvern Federal Savings Bank in connection with its reorganization, will own 55% of our outstanding common stock. The remaining 2.0% of our common stock will be contributed to the Malvern Federal Charitable Foundation, a charitable foundation to be formed by Malvern Federal Savings Bank as part of the reorganization. We expect that the common stock of Malvern Federal Bancorp, Inc. will be quoted on the Nasdaq Global Market under the symbol "____."

Stifel, Nicolaus & Company, Incorporated will use its best efforts to assist us in our selling efforts, but is not required to purchase any of the common stock that is being offered for sale. All shares offered for sale are being offered at a price of $10.00 per share. Purchasers will not pay a commission to purchase shares of common stock in the offering.

We are offering up to 3,461,500 shares of common stock for sale on a best efforts basis, subject to certain conditions. We must sell a minimum of 2,558,500 shares to complete the offering. If, as a result of regulatory considerations, demand for the shares or changes in market or financial conditions, the independent appraiser determines our pro forma market value has increased, we may sell up to 3,980,725 shares without giving you further notice or the opportunity to change or cancel your order. The offering is expected to expire at 12:00 noon, Eastern time, on ____________________ __, 2008. We may extend this expiration date without notice to you until ____________________ __, 2008.

Certain current and former depositors and certain borrowers of Malvern Federal Savings Bank have priority rights to purchase shares before shares are available for sale to the public. The minimum purchase is 25 shares. Once submitted, orders are irrevocable unless the offering is terminated or extended beyond ____________________ __, 2008. If the offering is extended beyond ____________________ __, 2008, subscribers will be notified and will be given the right to confirm, change or cancel their orders, and funds will be returned promptly to subscribers who do not respond to this notice. Funds received before completion of the offering up to the minimum of the offering range will be maintained at Malvern Federal Savings Bank. Funds received in excess of the minimum of the offering range may be held in a segregated account at Malvern Federal Savings Bank, or at our discretion, in an escrow account at an independent insured depository institution. In either case, we will pay interest on all funds received, at a rate equal to Malvern Federal Savings Bank's passbook rate, which is currently _____% per annum. If we do not sell the minimum number of shares or if we terminate the offering for any other reason, we will promptly return your funds, with interest calculated at Malvern Federal Savings Bank's passbook rate.

The Office of Thrift Supervision has conditionally approved our plans of reorganization and stock issuance. However, such approval does not constitute a recommendation or endorsement of this offering.

This investment involves a degree of risk, including the possible loss of principal. Please read "Risk Factors" beginning on page __.

OFFERING SUMMARY
Price per Share: $10.00

	Minimum	Maximum	Maximum, as Adjusted
Number of shares	2,558,500	3,461,500	3,980,725
Gross offering proceeds	$ 25,585,000	$ 34,615,000	$ 39,807,250
Estimated offering expenses[1]	$ 1,045,000	$ 1,045,000	$ 1,045,000
Selling agent fees	$ 228,000	$ 310,000	$ 357,000
Estimated net proceeds	$ 24,312,000	$ 33,260,000	$ 38,405,250
Estimated net proceeds per share	$ 9.50	$ 9.61	$ 9.65

(1) Excludes selling agent fees and expenses payable to Stifel, Nicolaus & Company, Incorporated in connection with the offering.

These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Neither the Securities and Exchange Commission, the Office of Thrift Supervision, nor any state securities regulator has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

For assistance, please contact our Stock Information Center toll-free at (800) _____-__________.

STIFEL NICOLAUS

The date of this prospectus is ____________________ __, 2008

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**[Map of the Commonwealth of Pennsylvania,
with a highlight of Malvern Federal Savings Bank offices to be inserted.]**

SUMMARY

This summary highlights selected information from this document and may not contain all the information that is important to you. To fully understand the reorganization and offering, you should read this entire document carefully, including the consolidated financial statements and the notes to consolidated financial statements of Malvern Federal Savings Bank.

Malvern Federal Mutual Holding Company

Upon completion of the reorganization, Malvern Federal Mutual Holding Company, a to-be-formed federally chartered mutual holding company, will become the mutual holding company parent of Malvern Federal Bancorp, Inc. Malvern Federal Mutual Holding Company is not currently an operating company and has not engaged in any business to date. Initially, Malvern Federal Mutual Holding Company will own 55.0% of Malvern Federal Bancorp's outstanding common stock after the reorganization and offering. So long as Malvern Federal Mutual Holding Company is our mutual holding company, it must always own at least a majority of the voting stock of Malvern Federal Bancorp. Presently, it is expected that the only business activity of Malvern Federal Mutual Holding Company will be to own a majority of Malvern Federal Bancorp's common stock. The directors and officers who manage Malvern Federal Savings Bank also will manage Malvern Federal Bancorp and Malvern Federal Mutual Holding Company.

Malvern Federal Bancorp, Inc.

Malvern Federal Bancorp, Inc. will be formed as a federal corporation and will be the mid-tier holding company for Malvern Federal Savings Bank following the reorganization. A federal corporation is generally not subject to state business organization laws. We are not currently an operating company and have not engaged in any business to date. Immediately upon completion of the reorganization and offering, it is expected that the business activities of Malvern Federal Bancorp will be to hold all of the issued and outstanding shares of common stock of Malvern Federal Savings Bank. Our executive offices will be located at the current headquarters of Malvern Federal Savings Bank at 42 East Lancaster Avenue, Paoli, Pennsylvania 19301, and our telephone number will be (610) 644-9400.

Malvern Federal Savings Bank

Malvern Federal Savings Bank is a federally chartered mutual savings bank which was originally organized in 1887. As of September 30, 2007, the bank had $551.9 million in total assets, $433.5 million in total deposits and $44.0 million in equity. We operate out of our headquarters in Paoli, Pennsylvania, approximately 25 miles from downtown Philadelphia, and six additional financial centers located throughout Chester County, Pennsylvania. Malvern Federal Savings Bank is a community oriented savings bank offering a variety of deposit products and services as well as providing single-family residential loans, commercial real estate and construction loans and, to a lesser degree, consumer loans, primarily to individuals, families and small to mid-sized businesses located in the Chester County market area as well as contiguous counties in southeastern Pennsylvania. As of September 30, 2007, $193.5 million or 40.4% of the bank's total loans (including loans held for sale) consisted of one-to four-family residential mortgage loans and $108.5 million or 22.7% consisted of commercial real estate loans.

Our Business Strategy

Malvern Federal Savings Bank's mission is to operate and grow a profitable community focused financial institution while protecting its franchise through prudent operating standards. We plan to achieve this by executing our strategy of:

- Growing and diversifying our loan portfolio by, among other things, increasing our origination of commercial real estate loans;
- growing our franchise by expanding our financial center network in our market area and contiguous communities;
- increasing our market share in our current markets;

- increasing our core deposits;
- maintaining high asset quality; and
- continuing to provide exceptional service to attract and retain customers.

We believe our mutual holding company reorganization and the offering will assist us in implementing our business strategy by increasing our capital base which will support continuing growth in our lending operations and facilitate the expansion of our franchise through the opening of additional *de novo* branch offices or possible acquisitions of other financial institutions. After our reorganization and offering, we will also be able to use stock-related incentive programs to attract and retain executive and other personnel, which we expect will permit us to expand our lending capabilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Business Strategy" on page __.

Our Market Area

We conduct business from our headquarters in Paoli, Pennsylvania, approximately 25 miles west of Philadelphia, and seven financial centers located throughout Chester County, Pennsylvania. Our primary lending efforts are focused in Chester County and Delaware and Montgomery Counties, which are contiguous to Chester County and also are within the greater Philadelphia market area. The economy within our market area is relatively diverse, with a variety of operating sectors. Chester County, Pennsylvania is relatively affluent, and its population has grown at a faster rate than national and Pennsylvania growth rates. See "Business of Malvern Federal Savings Bank—Our Market Area."

Reorganization to the Mutual Holding Company Structure and Stock Issuance

The reorganization involves a series of transactions by which Malvern Federal Savings Bank will reorganize from its current structure as a mutual savings bank to the mutual holding company structure. Following the reorganization, Malvern Federal Savings Bank will become a wholly owned subsidiary of Malvern Federal Bancorp. Malvern Federal Mutual Holding Company will own more than a majority of the to-be outstanding shares of Malvern Federal Bancorp, and will be entitled to vote on matters required to be put to a vote of stockholders of Malvern Federal Bancorp. As a stock savings bank, Malvern Federal Savings Bank intends to continue to follow its existing business strategies and will remain subject to the regulation and supervision of the Office of Thrift Supervision and the Federal Deposit Insurance Corporation.

As part of the reorganization, we are offering between 2,558,500 and 3,461,500 shares of our common stock for sale at $10.00 per share, which corresponds to the offering range based on our independent appraisal. Subject to regulatory approval, we may increase the amount of stock to be sold to 3,980,725 shares or $39.8 million without any further notice to you if market or financial conditions change before we complete the reorganization and stock offering. In addition, we propose to contribute an amount equal to 2.0% of the to-be outstanding shares of our common stock to the Malvern Federal Charitable Foundation. The $10.00 per share price was selected primarily because it is the price most commonly used in mutual holding company reorganizations and offerings. RP Financial, LC's appraisal is based in part on our financial condition and results of operations, the effect of the additional capital raised by the sale of shares of common stock in the offering and an analysis of a peer group of ten publicly traded mutual holding company subsidiaries that RP Financial, LC. considered comparable to us.

In the mutual holding company structure, we will be able to develop long-term growth opportunities and access the capital markets more easily in the future. The offering will increase the amount of funds available to us for lending and investment. This will provide greater flexibility to diversify and expand operations in our current market area and neighboring communities. In addition, we will be able to provide stock based incentives to our directors, officers and employees.

Unlike a standard mutual to stock conversion where all of the common stock of the holding company is sold to the public, a mutual holding company reorganization requires that a majority of the stock holding company's (*i.e.*, Malvern Federal Bancorp) common stock be held by a mutual holding company (*i.e.*, Malvern Federal Mutual Holding Company). The common stock we are offering represents a minority interest in Malvern Federal Bancorp.

This chart shows our proposed new structure after the reorganization and offering:

The Reorganization and Offering

We are offering between 2,558,500 shares and 3,461,500 shares of our common stock for sale at a purchase price of $10.00 per share on a priority basis to depositors and certain borrowers of Malvern Federal Savings Bank, our employee stock ownership plan and the public. No commission will be charged to investors during the offering period. All purchasers of our common stock in the offering will pay the same cash price per share in the offering. Subject to regulatory approval, we may increase the amount of stock to be sold to 3,980,725 shares without any further notice to you if, as a result of regulatory conditions, demand for the shares or changes in market or financial conditions, the independent appraiser determines that the market value has increased. We also intend to make a charitable contribution of 2.0% of our to-be outstanding shares of common stock to the Malvern Federal Charitable Foundation.

Reasons for the Reorganization and Offering

We are pursuing the reorganization and offering for the following reasons:

- The additional funds resulting from the offering will support future growth and geographic expansion of our banking operations, as well as provide increased lending capability.
- To enhance our future earnings and profitability through reinvesting and leveraging the net proceeds, primarily through traditional lending and investing activities.
- To enhance our current compensation programs through the addition of stock-based benefit plans, which we expect will help us to attract and retain qualified directors, officers and employees.
- The offering will facilitate our ability to make acquisitions of other institutions in the future (although we do not currently have any plans, agreements or understandings regarding any acquisition transactions).
- To form a charitable foundation to benefit the communities we serve.
- To structure our organization in a form that will enable us to access the capital markets.

We believe that this is the right time for Malvern Federal Savings Bank to reorganize into the mutual holding company form and issue stock in the offering. We believe that we can continue to grow our loan portfolio, particularly in the commercial real estate and construction and development areas. The increased capital from the offering proceeds will enable us to have the flexibility to make larger loans than we have been able to in the past. In addition, we believe that there may be opportunities to make acquisitions of other financial institutions in the future as consolidation continues in the financial sector. The proceeds from the offering as well as the stock form of ownership will facilitate our ability to consider acquisitions in the future.

Conditions to Completion of the Reorganization and Offering

We cannot complete the offering unless:

- Our members approve the plan of reorganization at the special meeting to be held on ___________ __, 2008;
- We sell at least the minimum number of shares offered; and
- We receive the final approval of the Office of Thrift Supervision to complete the reorganization and the offering.

How We Determined the Price Per Share and the Offering Range

The offering range is based on an independent appraisal of Malvern Federal Savings Bank's pro forma market value following the reorganization and offering by RP Financial, LC., an appraisal firm experienced in appraisals of savings institutions. The pro forma market value is the estimated market value of Malvern Federal Bancorp assuming the sale of shares in this offering. RP Financial has estimated that in its opinion as of December 7, 2007, our estimated pro forma market value on a fully converted basis (meaning an assumed issuance of 100% of our shares to the public, rather than 45%) was between $59.5 million and $80.5 million, with a midpoint of $70.0 million (this is sometimes referred to as the valuation range). The appraisal was based in part upon Malvern Federal Savings Bank's financial condition and operations and the effect of the additional capital which will be raised in this offering.

The following shows the number of shares that will be issued to our mutual holding company, sold in the offering and contributed to the Malvern Federal Charitable Foundation based on the valuation range and $10.00 per share offering price.

	Shares At the Minimum of the Offering Range	Percentage of To-Be Outstanding Shares	Shares At the Maximum of the Offering Range	Percentage of To-Be Outstanding Shares
Shares issued to Malvern Federal Mutual Holding Company	3,272,500	55%	4,427,500	55%
Shares sold in offering	2,558,500	43%	3,461,500	43%
Shares contributed to charitable foundation	119,000	2%	161,000	2%
Total	5,950,000	100.0%	8,050,000	100.0%

RP Financial's appraisal incorporates an analysis of a peer group of publicly traded mutual holding company institutions that RP Financial considers to be comparable to Malvern Federal Bancorp, including an evaluation of the average and median price-to-earnings and price-to-book value ratios indicated by the market prices of the peer companies, with such ratios adjusted to their fully converted equivalent basis. RP Financial applied the peer group's fully converted pricing ratios, as adjusted for certain qualitative valuation adjustments to account for differences between us and the peer group, to our pro forma earnings and book value to derive our estimated pro forma market value. As is customary with appraisals for proposed initial public offerings by companies with a mutual holding company structure, RP Financial's primary methodology was to value our common stock assuming we were issuing 100% of our stock to the public rather than 45.0% to the public (including 2.0% to be contributed to the Malvern Federal Charitable Foundation) and 55.0% to the mutual holding company and to further assume that the companies in the peer group had completed a second-step conversion and that 100% of their stock also was held by the public. In addition, RP Financial's appraisal included limited information comparing certain publicly reported pricing ratios of the peer group (without adjusting them based on the assumption that they had completed a second-step conversion) with the pro forma value of the proposed 45.0% minority stock issuance by Malvern Federal Bancorp (including 2.0% of the to-be outstanding shares to be contributed to the Malvern Federal Charitable Foundation).

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The following table reflects the pricing ratios on a reported basis for the peer group (based upon publicly reported earnings and book value per share) and on a pro forma basis for the proposed 45.0% minority stock issuance by Malvern Federal Bancorp in the offering and the contribution to the Malvern Federal Charitable Foundation.

	Pro Forma Reported Basis		
	Price-to-Earnings Multiple	Price-to-Book Value Ratio	Price-to-Tangible Book Value
Malvern Federal Bancorp (pro forma)			
Maximum, as adjusted	37.04x	119.19%	119.19%
Maximum	32.26	110.13	110.13
Midpoint	27.78	101.21	101.21
Minimum	23.26	91.24	91.24
Valuation of peer group companies as of December 7, 2007(1)			
Averages	33.01x	156.75%	167.32%
Medians	34.50	138.65	152.19

(1) Reflects earnings for the then-most recent trailing twelve month period for which data was publicly available.

Compared to the average pricing of the peer group on a reported basis, Malvern Federal Bancorp's pro forma pricing ratios for the 45.0% minority stock issuance at the maximum of the offering range indicated a discount of 2.3% on a price-to-earnings basis and a discount of 29.7% on a price-to-book basis and 34.2% on a price-to-tangible book basis. At the midpoint of the offering range, our pro forma pricing ratios reflect a 15.8% discount on a price-to-earnings basis and discounts of 35.4% on a price-to-book basis and 39.5% on a price-to-tangible book basis compared to the averages for the peer group on an as reported basis. The estimated appraised value and the resulting premium/discount took into consideration the potential financial impact of the stock offering.

The following table presents a summary of selected pricing ratios for the peer group companies and the resulting pricing ratios for Malvern Federal Bancorp adjusted to their fully converted equivalent values.

	Fully Converted Equivalent Pro Forma		
	Price-to-Earnings Multiple	Price-to-Book Value Ratio	Price-to-Tangible Book Value
Malvern Federal Bancorp (pro forma)			
Maximum, as adjusted	31.56x	75.82%	75.82%
Maximum	28.09	71.94	71.94
Midpoint	24.94	67.93	67.93
Minimum	21.66	63.17	63.17
Valuation of peer group companies as of December 7, 2007(1)			
Averages	28.33x	86.51%	89.49%
Medians	28.72	83.58	88.89

(1) Reflects earnings for the then-most recent trailing twelve month period for which data was publicly available.

Compared to the average pricing of the peer group, Malvern Federal Bancorp's pro forma pricing ratios at the maximum of the offering range on a fully converted basis indicated a discount of 0.8% on a price-to-earnings basis and discounts of 16.8% on a price-to-book basis and

19.6% on a price-to-tangible book basis. The term "fully-converted" means that RP Financial assumed that all of our common stock had been sold to the public, rather than the 45% minority position to be issued in this offering. At the midpoint of the offering range, our pricing ratios on a fully converted basis reflect a discount of 12.0% on a price-to-earnings basis and discounts of 21.5% on a price-to-book basis and 24.1% on a price-to-tangible book basis compared to the averages for our peer group.

It is customary that stock offerings of newly converting savings institutions are offered at some discount to their pro forma book value per share. This is due in part to the fact that federal regulations require that the shares be offered and sold at their independently appraised fair value and that such institutions usually already have significant equity. In addition, as the offering price approaches 100% of the pro forma book value per share, it is more likely to substantially exceed the price-to-earnings ratios of comparable peer group institutions.

RP Financial's calculation of the fully converted pricing multiples for the peer group companies assumed the pro forma impact of selling the mutual holding company shares of each of the peer group companies at their respective trading prices as of the December 7, 2007 valuation date.

In accordance with the regulations and policies of the Office of Thrift Supervision, the offering range is based upon the appraised pro forma market value of our common stock, as determined on the basis of an independent valuation. We retained RP Financial to provide us with such valuation. Our board of directors carefully reviewed the information contained in the appraisal prepared by RP Financial, including the price-to-earnings and price-to-book and price-to-tangible book information summarized in the tables above, and approved the appraisal of RP Financial and the 45.0% minority stock issuance (including the shares to be contributed to the Malvern Federal Charitable Foundation). The appraisal report of RP Financial indicated that, in comparing Malvern Federal Bancorp to the peer group, certain adjustments to their pricing multiples should be made including an upward adjustment for market area. RP Financial made a downward adjustment due to stock market conditions for thrift stocks. The board did not consider one valuation approach to be more important than any other, but approved the valuation upon consideration of the totality of the information included in RP Financial's report.

The $10.00 per share was selected primarily because $10.00 is the price per share most commonly used in stock offerings involving mutual holding company reorganizations of banking institutions. Subject to regulatory approval, we may increase the amount of common stock offered by up to 15%. We are offering 43% of our shares of common stock for sale to the public in the offering and we are contributing 2% of the to-be outstanding shares to the Malvern Federal Charitable Foundation. Accordingly, at the minimum of the offering range, we are offering 2,558,500 shares, and at the maximum, as adjusted, of the offering range we are offering 3,980,725 shares in the subscription offering. The appraisal will be updated before the reorganization is completed. If the pro forma market value of the 43% minority interest in the common stock to be sold in the offering at that time is either below $25.6 million or above $39.8 million, we will notify subscribers, return the subscription amounts and subscribers will have the opportunity to modify or cancel their order. See "The Reorganization and Offering - How We Determined the Price Per Share and the Offering Range" for a description of the factors and assumptions used in determining the stock price and offering range.

The independent appraisal does not indicate market value. Do not assume or expect that our valuation discussed above means that the common stock will trade at or above the $10.00 purchase price after the reorganization.

After-Market Stock Price Performance of Mutual Holding Company Offerings

The following table provides information regarding the after-market performance of the "first-step" mutual holding company offerings completed from January 1, 2007 through December 7, 2007. "First-step" mutual holding company offerings are initial public offerings by companies in the mutual holding company form of organization.

Issuer (Market/Symbol)	Date of IPO	Gross Proceeds (In millions)	Appreciation (Depreciation) From Initial Offering Price			
			One Day	After 1 Week	After 1 Month	Through 12/07/07
Northfield Bancorp, Inc. (Nasdaq: NFBK)	11/08/2007	$ 192.7	4.5%	16.7%	4.9%	4.9%
LaPorte Bancorp, Inc. (Nasdaq: LPSB)	11/15/2007	13.0	(8.1)	(17.2)	(18.7)	(22.7)
FSB Community Bancshares, Inc. (Nasdaq: FSBC)	08/15/2007	8.4	—	—	(5.0)	(13.8)
Beneficial Mutual Bancorp, Inc. (Nasdaq: BNCL)	07/16/2007	236.1	(7.9)	(6.2)	(13.0)	(1.0)
Hometown Bancorp, Inc (OTCBB: HTWC)	06/29/2007	10.7	—	—	(5.0)	(22.0)
TFS Financial Corporation (Nasdaq: TFSL)	04/23/2007	1,002.0	17.9	17.2	23.3	27.0
Sugar Creek Financial Corp. (OTCBB: SUGR)	04/04/2007	4.1	—	5.0	6.0	(7.5)
Delanco Bancorp, Inc. (OTCBB: DLNO)	04/02/2007	7.4	—	—	(5.0)	(27.5)
Oritani Financial Corp. (Nasdaq: ORIT)	01/24/2007	121.7	59.7	53.5	55.0	30.6
Polonia Bancorp (OTCBB: PBCP)	01/16/2007	14.9	1.0	0.1	0.6	(17.0)
MSB Financial Corp. (Nasdaq: MSBF)	01/05/2007	25.3	23.0	21.2	19.3	(4.0)
Average—all transactions		148.8	8.2	8.6	5.7	(4.8)
Median		14.9	—	0.1	0.6	(7.5)

This table is not intended to be indicative of how our stock may perform. Furthermore, this table presents only short-term price performance with respect to several companies that only recently completed their initial public offerings and may not be indicative of the longer-term stock price performance of these companies. Stock price appreciation is affected by many factors, including, but not limited to: general market and economic conditions; the interest rate environment; the amount of proceeds a company raises in its offering; and numerous factors relating to the specific company, including the experience and ability of management, historical and anticipated operating results, the nature and quality of the company's assets, and the company's market area. The companies listed in the table above may not be similar to Malvern Federal Bancorp, the pricing ratios for their offerings were in some cases different from the pricing ratios for Malvern Federal Bancorp's common stock and the market conditions in which these offerings were completed were, in some cases, different from current market conditions. Any or all of these differences may cause our stock to perform differently from these other offerings. Before you make an investment decision, we urge you to carefully read this prospectus, including, but not limited to, the "Risk Factors" section.

You should be aware that, in certain market conditions, stock prices of thrift initial public offerings have decreased. For example, as the above table illustrates, the stock of several companies traded at or below their initial offering price at various times through December 7, 2007. We can give you no assurance that our stock will not trade below the $10.00 purchase price or that our stock will perform similarly to other recent mutual holding company reorganizations.

You should bear in mind that stock price appreciation or depreciation is affected by many factors. **There can be no assurance that our stock price will not trade below $10.00 per share, as has been the case for some recent mutual holding company offerings. Before you make an investment decision, we urge you to carefully read this prospectus, including, but not limited to, the section entitled "Risk Factors" beginning on page __.**

We Will Form the Malvern Federal Charitable Foundation

We intend to establish a charitable foundation, to be named the Malvern Federal Charitable Foundation, as part of the reorganization. Subject to approval by at least a majority of the votes eligible to be cast by members of Malvern Federal Savings Bank, we intend to make a contribution of shares of Malvern Federal Bancorp equal to 2.0% of the to-be outstanding shares. The number of shares to be contributed to the charitable foundation will range from 119,000 shares to 161,000 shares, based upon the minimum and maximum of offering range, respectively, or 185,150 shares in the event we sell shares at the maximum, as adjusted, of the offering range. The charitable foundation will continue the commitment of Malvern Federal Savings Bank to the communities we serve and will provide funding to support charitable causes and community development activities. Our contribution to the charitable foundation at the maximum of the offering range will reduce our net income by $990,150, after tax, in the year in which the charitable foundation is established, which is expected to be fiscal 2008. The amount of common stock that we are offering for sale would be greater if the reorganization did not include the formation of, and contribution to, the Malvern Federal Charitable Foundation. If the members approve the plan of reorganization but not the establishment of, and contribution to, the Malvern Federal Charitable Foundation, Malvern Federal Savings Bank intends to complete the reorganization without establishing the foundation. For a further discussion of the financial impact of the foundation, see "Comparison of Independent Valuation and Pro Forma Financial Information With and Without The Foundation."

Benefits to Management from the Offering

Our employees, officers and directors will benefit from the offering due to the implementation of various stock-based benefit plans either adopted in connection with the offering or subsequent to its completion.

- Full-time employees, including officers, will be participants in our employee stock ownership plan which will purchase shares of common stock in the offering;
- Subsequent to completion of the reorganization, we intend to implement a:
  - stock recognition and retention plan; and
  - stock option plan

  which will benefit our employees and directors.

Our employee stock ownership plan will buy 3.92% of the total shares of common stock to-be outstanding with a loan from Malvern Federal Bancorp using a portion of the net proceeds received in the offering. The shares will be allocated to the employee participants in the employee stock ownership plan over a period of time at no cost to the employees.

Applicable regulations of the Office of Thrift Supervision require that the stock recognition and retention and stock option plans adopted after completion of the reorganization be approved by a majority of the total votes cast by stockholders other than Malvern Federal Mutual Holding Company. Such shareholder approval cannot be obtained earlier than six months after the reorganization.If the stock recognition and retention and stock option plans are approved by our shareholders, we intend to grant stock awards and options to our employees and directors. The stock awards will consist of shares of Malvern Federal Bancorp common stock which will be issued at no cost to the recipients. The options will likewise be issued to directors and employees without cost to them but they will be required to pay the applicable exercise price at the time of exercise to receive the shares of common stock covered by the options. Malvern Federal Bancorp intends that such plans will comply with all then applicable regulations of the Office of Thrift Supervision.

You will find more information about our employee stock ownership plan and the stock recognition and retention and stock option plans by reading the section of this document entitled "Our Management - New Stock Benefit Plans" on page __.

The following table summarizes the stock benefits that our directors, officers and employees may receive at the midpoint of the offering range.

Plan	Individuals Eligible To Receive Awards	Percentage of Shares Issued(1)	Number of Shares Based on Midpoint of Offering Range(2)	Value of Shares Based on Midpoint of Offering Range
Employee stock ownership plan	All full-time employees	3.92%	274,400	$ 2,744,000(2)
Stock recognition and retention plan	Directors, officers and selected employees	1.96	137,200	1,372,000(2)
Stock option plan(4)	Directors, officers and selected employees	4.90	343,000	1,323,980(3)

(1) Based on the total shares to-be outstanding, including shares issued to Malvern Federal Mutual Holding Company and to the Malvern Federal Charitable Foundation.
(2) Based on the $10.00 per share offering price.
(3) Stock options will be granted with a per share exercise price at least equal to the market price of our common stock on the date of grant. The value reflected for stock options is assumed to be $3.86 per share, which was determined using the Black-Scholes option-pricing formula. See "Unaudited Pro Forma Data."

The following table presents the total value of all shares available for award and issuance under the restricted stock plan assuming the shares for the plan are issued in a range of market prices from $8.00 per share to $14.00 per share.

Share Price	116,620 Shares Awarded at Minimum of Range	137,200 Shares Awarded at Midpoint of Range	157,780 Shares Awarded at Maximum of Range	181,447 Shares Awarded at Maximum of Range, as Adjusted
$ 8.00	$ 932,960	$ 1,097,600	$ 1,262,240	$ 1,451,576
10.00	1,166,200	1,372,000	1,577,800	1,814,470
12.00	1,399,440	1,646,400	1,893,360	2,177,364
14.00	1,632,680	1,920,800	2,208,920	2,540,258

The following table presents the total value of all stock options expected to be made available for grant under the proposed stock option plan, based on a range of market prices from $8.00 per share to $14.00 per share. For purposes of this table, the value of the stock options was determined using the Black-Scholes option-pricing formula. See "Unaudited Pro Forma Data." Ultimately, financial gains can be realized on a stock option only if the market price of the common stock increases above the price at which the option is granted.

Exercise Price	Option Value	291,550 Options Awarded at Minimum of Range	343,000 Options Awarded at Midpoint of Range	394,450 Options Awarded at Maximum of Range	453,618 Options Awarded at Maximum of Range, as Adjusted
$ 8.00	$ 3.09	$ 900,890	$ 1,059,870	$ 1,218,851	$ 1,401,680
10.00	3.86	1,125,383	1,323,980	1,522,577	1,750,965
12.00	4.63	1,349,877	1,588,090	1,826,304	2,100,251
14.00	5.40	1,574,370	1,852,200	2,130,030	2,449,537

The Board of Directors of Malvern Federal Savings Bank may enter into an employment agreement with our President and Chief Executive Officer and the other named executive officers. It is anticipated that such agreements, if they are entered into, would provide certain severance and other benefits in the event that the officer's employment is terminated. Such severance payment and benefits would in no event exceed 2.99 times the terminated officer's prior five year average taxable compensation. The terms of the potential agreements have not yet been determined.

The Amount of Stock You May Purchase

Purchases in the subscription offering may be made by certain depositors and borrowers of Malvern Federal Savings Bank. The minimum purchase is 25 shares. Generally, subscribers may purchase no more than $200,000 (20,000 shares) of common stock. The maximum amount of shares that a subscriber, together with any "associate" or person that he or she is acting in concert with, may purchase is $400,000 of common stock (40,000 shares) in all categories of the offering, combined. For this purpose, an "associate" of a person includes:

- your spouse or relatives of you or your spouse living in your house;
- companies, trusts or other entities in which you are a trustee, have a substantial financial interest or hold a senior management position; or
- other persons who may be acting in concert with you.

Unless we determine otherwise, persons having the same address and persons exercising subscription rights through deposit accounts registered to the same address will be aggregated and subject to this overall purchase limitation. We have the right to determine, in our sole discretion, whether prospective purchases are associates or acting in concert.

Subject to approval by the Office of Thrift Supervision, we may decrease or increase the maximum purchase limitation without notifying you. See "The Reorganization and Offering – Limitations on Common Stock Purchases" on page ____.

Persons Who May Order Stock in the Offering

We are offering shares of our common stock in what is called a "subscription offering" in the following order of priority:

(1) Depositors with a minimum of $50 on deposit at Malvern Federal Savings Bank as of September 30, 2006;

(2) Our tax-qualified employee stock ownership plan;

(3) Depositors with a minimum of $50 on deposit at Malvern Federal Savings Bank as of December 31, 2007; and

(4) Depositors with accounts at Malvern Federal Savings Bank on _______ __, 2008 and borrowers with a loan from Malvern Federal Savings Bank at December 31, 1990 that remains outstanding at ______ __, 2008.

If we receive subscriptions for more shares than are to be sold in this offering, we may be unable to fill or may only partially fill your order. Shares will be allocated in order of the priorities described above under a formula outlined in the plan of stock issuance. If we increase the number of shares to be sold above 3,461,500 shares, Malvern Federal Bancorp's employee stock ownership plan will have the first priority right to purchase any shares exceeding that amount to the extent that its subscription has not previously been filled. Any shares remaining will be allocated in the order of priorities described above. See "The Reorganization and Offering – Subscription Offering and Subscription Rights" for a description of the allocation procedure.

In the event that the persons indicated above with priority purchase rights do not subscribe for all of our shares of common stock, we may offer shares not sold in the subscription offering to the general public in a community offering, with preference given to natural persons residing in Chester County, Pennsylvania. The community offering, if any, may begin concurrently with, during or immediately after the subscription offering. We may also offer shares of common stock not purchased in the subscription offering or community offering through a syndicate of broker-dealers in a syndicated community offering. The syndicated community offering, if any, would be managed by Stifel, Nicolaus & Company, Incorporated. We will have the right to accept or reject, in our sole discretion, any order received in the community offering or syndicated community offering.

How You May Purchase Shares of Common Stock

If you want to place an order for shares of common stock in the subscription or community offering, you must complete and sign a stock order form and submit it to us, together with full payment. Once we receive your order, you cannot cancel or change it. You may pay for shares in the subscription offering or the community offering in the following ways:

- by personal check, bank check or money order made payable to Malvern Federal Bancorp, Inc. Funds submitted by personal check must be available in your account when the stock order is received; or

- by authorizing us to withdraw funds from your deposit account(s) maintained at Malvern Federal Savings Bank. On the stock order form, you may not authorize direct withdrawal from Malvern Federal Savings Bank individual retirement accounts or accounts with check-writing privileges. You may, however, authorize withdrawal from all types of savings accounts and certificate of deposit accounts. To use funds in accounts with check-writing privileges, you must submit a check with your stock order form. To use funds in individual retirement accounts, see the section entitled "Using Individual Retirement Account Funds."

Checks and money orders received by Malvern Federal Bancorp will be cashed immediately and placed in a segregated account at Malvern Federal Savings Bank, or, at our discretion, at another insured depository institution. We will pay interest on your funds submitted by check or money order at the rate we pay on our passbook savings accounts, from the date we receive your funds until the offering is completed or terminated. All funds authorized for withdrawal from deposit accounts must be available in the account when the stock order form is received. Funds will remain in the account and continue to earn interest at the applicable contract rate, and subscription funds will be withdrawn upon completion of the offering. A hold will be placed on those funds when your stock order is received, making the designated funds otherwise unavailable to you during the offering period. If, upon a withdrawal from a certificate account, the balance falls below the minimum balance requirement, the remaining funds will earn interest at our passbook savings rate. There will be no early withdrawal penalty for withdrawals from certificate of deposit accounts used to pay for stock.

Federal law prohibits us from knowingly loaning funds to anyone for the purpose of purchasing shares in the offering. You may not use a Malvern Federal Savings Bank line of credit check to purchase stock in the offering. Cash, wire transfers and third party checks may not be remitted.

For a further discussion regarding the stock ordering procedures, see "The Reorganization and Offering– Procedure for Purchasing Shares."

Using Individual Retirement Account Funds

On your stock order form, you may not authorize direct withdrawal of funds from a Malvern Federal Savings Bank individual retirement account. Please be aware that federal law requires that such funds first be transferred to a self-directed retirement account with an independent trustee such as a brokerage account. The transfer of such funds to a new trustee takes time. If you would like to use your individual retirement account funds held at Malvern Federal Savings Bank or elsewhere, we recommend that you contact our Stock Information Center promptly, preferably at least two weeks before _______ __, 2008, for assistance. We cannot guarantee that you will be able to use your individual retirement account funds held at Malvern Federal Savings Bank or elsewhere to purchase shares of common stock in the offering. Your ability to use your individual retirement account funds will depend on timing constraints and, possibly, limitations imposed by the individual retirement account trustee.

Your Subscription Rights Are Not Transferable

You may not assign or sell your subscription rights. Any transfer of subscription rights is prohibited by law. If you exercise subscription rights, you will be required to certify that you are purchasing shares solely for your own account and that you have no agreement or understanding regarding the sale or transfer of shares. Any attempt to transfer subscription rights or to enter into an agreement to transfer your subscription rights to another investor may violate federal law and may be subject to civil enforcement actions or criminal penalties. We intend to pursue any and all legal and equitable remedies if we learn of the transfer of any subscription rights. We will reject orders that we believe to involve the transfer of subscription rights.

Deadline for Placing Orders of Common Stock

If you wish to purchase shares of our common stock, a properly completed and signed original stock order form, together with payment for the shares, must be received (not postmarked) no later than 12:00 noon, Eastern time, on ______ __, 2008. You may submit your order form in one of three ways: by mail using the order reply return envelope provided, by overnight courier to the address indicated on the stock order form or by bringing the stock order form and payment to our Stock Information Center located at Malvern Federal Savings Bank's corporate office, 42 East Lancaster Avenue, Paoli, Pennsylvania. The Stock Information Center is open weekdays, except bank holidays, from 10:00 a.m. until 4:00 p.m., Eastern Time. Once submitted, your order is irrevocable unless the offering is terminated or extended or the number of shares to be issued increases to more than 3,980,725 shares or decreases to less than 2,558,500 shares. We may extend the ______ __, 2008 expiration date, without notice to you, until _______ __, 2008. If the offering is extended beyond _______ __, 2008, or if the offering range is increased or decreased, we will be required to resolicit subscriptions before proceeding with the offering. In either of these cases, subscribers will have the right to confirm, modify or rescind their purchase orders. If we do not receive a response from a subscriber to any resolicitation, the subscriber's order will be rescinded and all funds received will be returned promptly with interest, or withdrawal authorizations will be cancelled. All extensions, in the aggregate, may not last beyond _______ __, 2010.

Steps We May Take If We Do Not Receive Orders for the Minimum Number of Shares

If we do not receive orders for at least 2,558,500 shares of common stock, we may take several steps in order to sell the minimum number of shares of common stock in the offering range. Specifically, we may:

- increase the purchase limitations; and/or
- hold a community offering and/or syndicated community offering; and/or
- seek regulatory approval to extend the offering beyond ________ __, 2008, provided that any such extension will require us to resolicit subscriptions as described above. See "The Reorganization and Offering — Limitations on Common Stock Purchases."

If we fail to sell the minimum number of shares, we will return your funds to you with interest, or cancel your deposit account withdrawal authorization.

Delivery of Stock Certificates

Certificates representing shares of common stock sold in the subscription and community offering will be mailed to the certificate registration address noted on the stock order form as soon as practicable following completion of the reorganization and offering and receipt of all regulatory approvals. **It is possible that, until certificates for the common stock are delivered to purchasers, purchasers might not be able to sell the shares of common stock which they ordered, even though the common stock will have begun trading.**

Market for Common Stock

We expect that our common stock will be quoted on the Nasdaq Global Market. Stifel, Nicolaus & Company, Incorporated currently intends to become a market maker in the common stock, but is under no obligation to do so. After shares of the common stock begin trading, you may contact a firm offering investment services in order to buy or sell shares.

Use of Net Proceeds from the Sale of Our Common Stock

The net proceeds from the offering will be between $24.2 million at the minimum of the offering range, $33.2 million at the maximum of the offering range and $38.3 million at the maximum of the offering range as adjusted by 15%. Half of the net proceeds will be contributed to Malvern Federal Savings Bank.

The following table shows how we intend to use the net proceeds of the offering.

	Minimum of Offering Range 2,558,500 Shares at $10.00 Per Share	Midpoint of Offering Range 3,010,000 Shares at $10.00 Per Share	Maximum of Offering Range 3,461,500 Shares at $10.00 Per Share	15% Above Maximum of Offering Range 3,980,725 Shares at $10.00 Per Share
	(Dollars in thousands)			
Proceeds contributed to Malvern Federal Savings Bank	$ 12,156	$ 14,393	$ 16,630	$ 19,203
Proceeds contributed to Malvern Federal Mutual Holding Company	100	100	100	100
Proceeds used for loan to employee stock ownership plan	2,332	2,744	3,156	3,629
Proceeds used to repurchase shares for recognition and retention plan	1,166	1,372	1,578	1,814
Proceeds remaining for Malvern Federal Bancorp	8,558	10,177	11,796	13,659
Total	$ 24,312	$ 28,786	$ 33,260	$ 38,405

Malvern Federal Bancorp intends to invest 100% of the proceeds it retains from the offering initially in short-term, liquid investments. Although there can be no assurance that Malvern Federal Bancorp will invest the net proceeds in anything other than short-term, liquid investments, over time, Malvern Federal Bancorp may use the proceeds it retains from the offering:

- to invest in investment securities;
- to fund the payment of cash dividends to stockholders;
- to repurchase shares of its common stock, subject to regulatory restrictions;
- to finance the possible acquisition of financial institutions or other businesses related to banking, although we have no specific plans regarding any acquisitions at this time; and
- for general corporate purposes.

The proceeds to be invested in Malvern Federal Savings Bank will be available to fund new loan originations, to finance the possible expansion of its network of financial center offices, and for its general corporate purposes. For additional information, see “How Our Net Proceeds Will be Used” on page __.

Our Dividend Policy

We currently intend to adopt a policy of paying a regular cash dividend starting the first full quarter after we complete the reorganization. We do not guarantee that we will pay any dividends, nor do we guarantee the amount of any such dividends. If we do pay dividends, we do not guarantee that the amounts of any such dividends will not be reduced or eliminated in future periods.

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Federal and State Income Tax Consequences of the Reorganization

We have received an opinion from our federal income tax counsel, Elias, Matz, Tiernan & Herrick L.L.P., that, under federal income tax law and regulation, the tax basis to the shareholders of the common stock purchased in the offering will be the amount paid for the common stock, and that the reorganization will not be a taxable event for us. This opinion, however, is not binding on the Internal Revenue Service. We also have received an opinion from Beard Miller Company LLP that the reorganization will not be a taxable event under Pennsylvania income tax law, see “The Reorganization and Offering - Material Federal Income Tax Aspects of the Reorganization and Offering.” The full texts of the opinions are filed as exhibits to the registration statement of which this document is a part, and copies may be obtained from the Securities and Exchange Commission. See “Where You Can Find More Information” on page ___.

In its opinion, Elias, Matz, Tiernan & Herrick L.L.P. notes that the subscription rights will be granted at no cost to the recipients, will be legally nontransferable and of short duration, and will provide the recipients with the right only to purchase shares of common stock at the same price to be paid by members of the general public in any community offering. Elias, Matz, Tiernan & Herrick L.L.P. has also noted that RP Financial has issued a letter stating that the subscription rights will have no ascertainable market value. In addition, no cash or property will be given to recipients of the subscription rights in lieu of such rights or to those recipients who fail to exercise such rights. In addition, the IRS was requested in 1993 in a private letter ruling to address the federal tax treatment of the receipt and exercise of non-transferable subscription rights in another reorganization but declined to express any opinion. Elias, Matz, Tiernan & Herrick L.L.P. believes because of such factors that it is more likely than not that the nontransferable subscription rights to purchase common stock will have no ascertainable value at the time the rights are granted. In addition, neither we nor Elias, Matz, Tiernan & Herrick L.L.P. is aware of any instance where the IRS has determined that subscription rights of the type provided in our reorganization have any ascertainable value.

Restrictions on the Acquisition of Malvern Federal Bancorp and Malvern Federal Savings Bank

Federal regulation, as well as provisions contained in the charter and bylaws of Malvern Federal Bancorp, restrict the ability of any person, firm or entity to acquire Malvern Federal Bancorp or its capital stock. These restrictions include the requirement that a potential acquirer of common stock obtain the prior approval of the Office of Thrift Supervision before acquiring in excess of 10% of the stock of Malvern Federal Bancorp.

The mutual holding company structure also could impede the acquisition of Malvern Federal Bancorp and Malvern Federal Savings Bank. Malvern Federal Mutual Holding Company, as the majority stockholder of Malvern Federal Bancorp, will be able to control the outcome of most matters presented to stockholders for their approval. Consequently, Malvern Federal Mutual Holding Company will generally be able to prevent any challenge to the ownership or control of Malvern Federal Bancorp.

In addition, the charter and bylaws of Malvern Federal Bancorp include a provision that would, for a period of five years from the completion of the reorganization, restrict the ability of any person other than Malvern Federal Mutual Holding Company from acquiring or offering to acquire the beneficial ownership of more than 10% of any class of equity security of Malvern Federal Bancorp. Because a majority of the shares of outstanding common stock of Malvern Federal Bancorp must be owned by Malvern Federal Mutual Holding Company, any acquisition of Malvern Federal Bancorp must be approved by Malvern Federal Mutual Holding Company. Further, certain benefit plans adopted by us in connection with the reorganization may discourage hostile takeover attempts of us and Malvern Federal Savings Bank. For further information, see “Restrictions on Acquisition of Malvern Federal Bancorp and Malvern Federal Savings Bank and Related Anti-Takeover Provisions.”

Possible Conversion of Malvern Federal Mutual Holding Company to Stock Form

In the future, Malvern Federal Mutual Holding Company will have the ability to convert from the mutual to capital stock form, in a transaction commonly known as a “second-step conversion.” In a second-step conversion, members of Malvern Federal Mutual Holding Company would have subscription rights to purchase common stock of Malvern Federal Bancorp or its successor, and the public stockholders of Malvern Federal Bancorp would be entitled to exchange their shares of common stock for an equal percentage of shares of the converted Malvern Federal Mutual Holding Company. The percentage may be adjusted to reflect any assets owned by Malvern Federal

Mutual Holding Company. Our public stockholders, therefore, would own approximately the same percentage of the resulting entity as they owned prior to the second-step conversion. The board of directors has no current plan to undertake a “second-step conversion” transaction.

Stock Information Center

If you have any questions regarding the offering or the reorganization, please call the Stock Information Center at ___-___-____ (local) or 866-___-____ (toll-free). You may also visit our Stock Information Center, which is located at our corporate office, 42 East Lancaster Avenue, Paoli, Pennsylvania. Only this location will accept stock order forms and proxy cards, and will have supplies of offering materials. The Stock Information Center is open Monday through Friday, except for bank holidays, from 10:00 a.m. to 4:00 p.m., Eastern time.

To ensure that you receive a prospectus at least 48 hours before the offering deadline, we may not mail prospectuses any later than five days prior to the offering deadline or hand-deliver any prospectus later than two days prior to the offering deadline. Stock order forms may only be distributed with or preceded by a prospectus. We will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights. The subscription offering and all subscription rights are expected to expire at 12:00 noon, Eastern time, on ________ __, 2008, regardless of whether have been able to locate each person entitled to subscription rights.

RISK FACTORS

In addition to all other information in this document, you should consider carefully the following risk factors in deciding whether to purchase our common stock.

Risks Related to Our Business

Our Portfolio of Loans with a Higher Risk of Loss is Increasing

Our business strategy in recent years has included the increased originations of commercial real estate and construction and development loans. These loans have a higher risk of default and loss than single-family residential mortgage loans. The aggregate amount of our commercial real estate and construction and development loans has increased from $57.1 million, or 19.2% of our total loans, at September 30, 2003 to $167.4 million, or 35.0% of our total loans, at September 30, 2007. Commercial real estate and construction and development loans generally are considered to involve a higher degree of risk due to a variety of factors, including generally larger loan balances and loan terms which often do not require full amortization of the loan over its term and, instead, provide for a balloon payment at the stated maturity date. Repayment of commercial real estate loans generally is dependent on income being generated by the rental property or underlying business in amounts sufficient to cover operating expenses and debt service. Repayment of construction and development loans generally is dependent on the successful completion of the project and the ability of the borrower to repay the loan from the sale of the property or obtaining permanent financing.

Higher Interest Rates Would Hurt Our Profitability

Our ability to earn a profit depends on our net interest income, which is the difference between the interest income we earn on our interest-earning assets, such as mortgage loans and investment securities, and the interest expense we pay on our interest-bearing liabilities, such as deposits and borrowings. Our profitability depends on our ability to manage our assets and liabilities during periods of changing interest rates.

A sustained increase in market interest rates could adversely affect our earnings. A significant portion of our loans have fixed interest rates and longer terms than our deposits and borrowings and our net interest income could be adversely affected if the rates we pay on deposits and borrowings increase more rapidly than the rates we earn on loans. In addition, the market value of our fixed-rate assets would decline if interest rates increase. For example, we estimate that as of September 30, 2007, a 200 basis point increase in interest rates would have resulted in our net portfolio value declining by approximately $15.4 million or 30.0%. Net portfolio value is the difference between incoming and outgoing discounted cash flows from assets, liabilities and off-balance sheet contracts. See“Management’s Discussion and Analysis of Financial Condition and Results of Operations – How We Manage Market Risk.”

Increases in Market Rates of Interest Could Adversely Affect Our Equity

At September 30, 2007, we held approximately $29.1 million in available-for-sale securities, representing 5.3% of our total assets. Generally accepted accounting principles require that these securities be carried at fair value on our balance sheet. Unrealized holding gains or losses on these securities, that is, the difference between the fair value and the amortized cost of these securities, net of deferred taxes, is reflected in our equity. Movements in interest rates, either increasing or decreasing, can impact the value of our available-for-sale securities portfolio.

As of September 30, 2007, our available-for-sale securities portfolio had a net unrealized loss of approximately $460,000. The decrease in the fair value of our available-for-sale securities affects our equity because it causes an increase in accumulated other comprehensive loss, which is a component of total equity.

If Our Allowance for Loan Losses is Not Sufficient to Cover Actual Loan Losses, Our Earnings Could Decrease

Our loan customers may not repay their loans according to their terms, and the collateral securing the payment of these loans may be insufficient to pay any remaining loan balance. We may experience significant loan losses, which could have a material adverse effect on our operating results. We make various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. Since we must use assumptions regarding individual loans and the economy, our current allowance for loan losses may not be sufficient to cover actual loan losses, and increases in the allowance may be necessary. In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize loan charge-offs. At September 30, 2007, our allowance for loan losses was equal to 0.97% of our loans held in portfolio.

The Loss of Senior Management Could Hurt Our Operations

We rely heavily on our executive officers, Messrs. Anderson, Boyle, Hughes and McTear. The loss of one or more members of senior management could have an adverse effect on us because, as a relatively small community bank, our senior executive officers have more responsibility than would be typical at a larger financial institution with more employees. In addition, we have fewer management-level personnel who are in a position to assume the responsibilities of our senior executive officers. We intend to enter into employment agreements with Messrs. Anderson, Boyle, Hughes and McTear, although we currently do not have employment agreements with any of our executive officers. For further discussion, see"Our Management – Proposed Employment Agreements."

Strong Competition Within Our Market Area Could Hurt Our Profits and Slow Growth

We face intense competition in making loans, attracting deposits and hiring and retaining experienced employees. This competition has made it more difficult for us to make new loans and attract deposits. Price competition for loans and deposits sometimes results in us charging lower interest rates on our loans and paying higher interest rates on our deposits, which reduces our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. At June 30, 2007, which is the most recent date for which data is available from the FDIC, we held 4.7% of the deposits in Chester County, Pennsylvania. Some of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability depends upon our continued ability to compete successfully in our market area.

Our Loans are Concentrated to Borrowers in Our Market Area

The preponderance of our total loans are to individuals and/or secured by properties located in our market area in Chester County, Pennsylvania and neighboring areas in southeastern Pennsylvania. We have relatively few loans outside of our market. As a result, we have a greater risk of loan defaults and losses in the event of an economic downturn in our market area as adverse economic changes may have a negative effect on the ability of our borrowers to make timely repayment of their loans. Additionally, a decline in local property values could adversely affect the value of property used as collateral. If we are required to liquidate a significant amount of collateral during a period of reduced real estate values to satisfy the debt, our earnings and capital could be adversely affected.

Risks Related to an Investment in Our Common Stock

Malvern Federal Mutual Holding Company Will Own a Majority of Our Outstanding Common Stock and Will Be Able to Control the Result of Most Matters Put to a Vote of Our Stockholders

Purchasers of our common stock in the offering will be minority stockholders of Malvern Federal Bancorp. Malvern Federal Mutual Holding Company will own a majority of our common stock after the reorganization, and, through its board of directors, will be able to exercise voting control over most matters put to a vote of our stockholders. The same directors and officers who manage Malvern Federal Bancorp and Malvern Federal Savings Bank also will manage Malvern Federal Mutual Holding Company. No assurances can be given that we or Malvern Federal Mutual Holding Company will not take action which the minority stockholders believe to be contrary to their interests. For example, we or Malvern Federal Mutual Holding Company could revise Malvern Federal Savings Bank's dividend policy, prevent a sale or merger transaction or defeat a candidate for Malvern Federal Bancorp's board of directors or other proposals put forth by the minority stockholders. Moreover, Malvern Federal Mutual Holding Company's ownership of a majority of the outstanding shares of our common stock is likely to perpetuate existing management and directors.

Our Low Return on Equity May Cause Our Common Stock Price to Decline

Net income divided by average equity, known as "return on equity," is a ratio many investors use to compare the performance of a financial institution to its peers. Our return on average equity amounted to 5.7% and 8.1%, for fiscal 2007 and 2006, respectively. These returns are significantly lower than returns on equity for many comparable publicly traded companies. We expect our return on equity to decrease in view of our expected capital level upon completion of the reorganization unless and until we are able to increase significantly our interest-earning assets. The net proceeds from the reorganization and the offering, which may be as much as $38.4 million, will significantly increase our shareholders' equity. On a pro forma basis and based on net income for the year ended September 30, 2007, our return on equity, assuming shares are sold at the maximum of the offering range, would be approximately 3.45%. Based on trailing 12-month data for the most recent publicly available financial information, the ten companies comprising our peer group in the independent appraisal prepared by RP Financial and all publicly traded mutual holding companies had average returns on equity of 3.56% and 2.93%, respectively.

Our Stock Value May Suffer from Anti-Takeover Provisions That May Impede Potential Takeovers That Management Opposes

Provisions in our corporate documents, as well as certain federal regulations, may make it difficult and expensive to pursue a tender offer, change in control or takeover attempt that our board of directors opposes. As a result, our stockholders may not have an opportunity to participate in such a transaction, and the trading price of our stock may not rise to the level of other institutions that are more vulnerable to hostile takeovers. Anti-takeover provisions contained in our corporate documents include:

- restrictions on acquiring more than 10% of the aggregate shares of common stock held by persons other than Malvern Federal Mutual Holding Company for five years and limitations on voting rights;
- the election of members of the board of directors to staggered three-year terms;
- the absence of cumulative voting by stockholders in the election of directors;
- provisions restricting the calling of special meetings of stockholders; and
- our ability to issue preferred stock and additional shares of common stock without stockholder approval.

See “Restrictions on Acquisition of Malvern Federal Bancorp and Malvern Federal Savings Bank and Related Anti-Takeover Provisions” for a description of anti-takeover provisions in our corporate documents and federal regulations.

Our Stock Value May Suffer From Federal Regulations Restricting Takeovers

For three years following the reorganization, Office of Thrift Supervision regulations prohibit any person from acquiring or offering to acquire more than 10% of our common stock without the prior written approval of the Office of Thrift Supervision. In addition, the Federal stock charter of Malvern Federal Bancorp provides that, for a period of five years from completion of the reorganization and offering, no person may acquire a number of shares of common stock in excess of 10% of all shares held by stockholders other than Malvern Federal Mutual Holding Company. Accordingly, the range of potential acquirors for Malvern Federal Bancorp will be limited which will correspondingly reduce the likelihood that stockholders will be able to realize a gain on their investment through an acquisition of Malvern Federal Bancorp. See “Restrictions on Acquisition of Malvern Federal Bancorp and Malvern Federal Savings Bank and Related Anti-Takeover Provisions - Regulatory Restrictions” for a discussion of applicable Office of Thrift Supervision regulations regarding acquisitions.

Office of Thrift Supervision Policy on Remutualization Transactions Could Prohibit the Merger or an Acquisition of Us, Which may Lower Our Stock Price

Current Office of Thrift Supervision policies only permit a mutual holding company to be acquired by another mutual holding company or by a mutual institution in a process referred to as a remutualization. The possibility of a remutualization transaction has recently resulted in a degree of takeover speculation for mutual holding companies which is reflected in the stock prices of mutual holding companies. However, the Office of Thrift Supervision has issued a policy statement indicating that it views remutualization transactions as raising significant issues concerning disparate treatment of minority stockholders and mutual members of the target entity as well as the effect on the mutual members of the acquiring entity. Under certain circumstances, the Office of Thrift Supervision intends to give these issues special scrutiny and reject applications for the remutualization of a mutual holding company unless the applicant can clearly demonstrate that the Office of Thrift Supervision’s concerns are not warranted in the particular case. Should the Office of Thrift Supervision prohibit or otherwise restrict these transactions in the future, our stock price may be adversely affected. We have no current plans to undertake a remutualization transaction.

Our Employee Stock Benefit Plans Will Increase Our Costs

We anticipate that our employee stock ownership plan will purchase 3.92% of the common stock to be outstanding with funds borrowed from us. The cost of acquiring the employee stock ownership plan shares will be between $2.3 million at the minimum of the offering range and $3.6 million at the adjusted maximum of the offering range assuming the shares are purchased in the offering at a price of $10.00 per share. If the employee stock ownership plan acquires shares in the open market the price paid may be more than $10.00 per share. We will record annual employee stock ownership plan expenses in an amount equal to the fair value of shares committed to be released to employees in any given year. If shares of common stock appreciate in value over time, compensation expense relating to the employee stock ownership plan will increase. We also intend to submit a stock recognition and retention plan and a stock option plan to our stockholders for approval at least six months after completion of the reorganization. Our officers and directors could be awarded (at no cost to them) under the restricted stock plan up to an aggregate of 1.96% of the shares to be outstanding and options up to an aggregate of 4.9% of the shares to be outstanding. In the first year following the reorganization and offering, employee benefit expenses are expected to increase by $599,000 at the maximum of the offering range due to costs associated with the employee stock ownership plan, stock recognition and retention plan and stock option plan. See “Unaudited Pro Forma Data” for a discussion of the increased benefit costs we will incur after the reorganization and how these costs could decrease our return on equity.

Our Recognition and Retention Plan and Stock Option Plan May Be Dilutive

If the reorganization is completed and shareholders subsequently approve a stock recognition and retention plan and a stock option plan, we will allocate stock to our officers, employees and directors through these plans. If the shares for the stock recognition and retention plan are issued from our authorized but unissued stock, the ownership percentage of outstanding shares of Malvern Federal Bancorp could be diluted by approximately 1.9%. However, it is our intention to repurchase shares of our common stock in the open market to fund the stock recognition and retention plan. Assuming the shares of common stock to be awarded under the stock recognition and retention plan are repurchased at a price equal to the offering price in the offering, the reduction to shareholders' equity from the stock recognition and retention plan would be between (those shareholders other than Malvern Federal Mutual Holding Company) $1.2 million and $1.8 million at the minimum and the maximum, as adjusted, of the offering range. The ownership percentage of Malvern Federal Bancorp public shareholders (those shareholders other than Malvern Federal Mutual Holding Company) would also decrease by approximately 4.7% if all potential stock options under our proposed stock option plan are exercised and shares are issued from authorized but unissued stock, assuming the offering closes at the maximum of the offering range. On a combined basis, if authorized but unissued shares of our common stock was the source of shares for both the recognition and retention plan and the stock option plan, the interests of public shareholders would be diluted by approximately 6.4%. See "Unaudited Pro Forma Data" for data on the dilutive effect of the stock recognition and retention plan and the stock option plan and "Our Management - New Stock Benefit Plans" for a description of the plans.

Our $10.00 Per Share Offer Price, which is Based on An Independent Appraisal by RP Financial, May Not Be Indicative of the Market Price for Our Common Stock In the Future, Which May be Higher or Lower

There can be no assurance that shares of our common stock will be able to be sold in the market at or above the $10.00 per share initial offering price in the future. The final aggregate purchase price of the common stock in the offering will be based upon an independent appraisal. The appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. The valuation is based on estimates and projections of a number of matters, all of which are subject to change from time to time. See "The Reorganization and Offering - How We Determined the Price Per Share and the Offering Range" for the factors considered by RP Financial in determining the appraisal.

Our Stock Price May Decline When Trading Commences

We cannot guarantee that if you purchase shares in the offering that you will be able to sell them at or above the $10.00 purchase price. The trading price of the common stock will be determined by the marketplace, and will be influenced by many factors outside of our control, including prevailing interest rates, investor perceptions, securities analyst research reports and general industry, geopolitical and economic conditions. Publicly traded stock, including stocks of financial institutions, often experience substantial market price volatility. These market fluctuations might not be related to the operating performance of particular companies whose shares are traded.

There May Be a Limited Market For Our Common Stock, Which May Adversely Affect Our Stock Price

Although we have applied to have our shares of common stock traded on the Nasdaq Global Market, there is no guarantee that the shares will be actively traded. If an active trading market for our common stock does not develop, you may not be able to sell all of your shares of common stock in an efficient manner and the sale of a large number of shares at one time could temporarily depress the market price. There also may be a wide spread between the bid and asked price for our common stock. When there is a wide spread between the bid and asked price, the price at which you may be able to sell our common stock may be significantly lower than the price at which you could buy it at that time.

We Intend to Remain Independent Which May Mean You Will Not Receive a Premium for Your Common Stock

We intend to remain independent for the foreseeable future. Because we do not plan on seeking possible acquirors, it is unlikely that we will be acquired in the foreseeable future. Accordingly, you should not purchase our common stock with any expectation that a takeover premium will be paid to you in the near term.

Risks Related to the Formation of a Charitable Foundation

Our Contribution to the Malvern Federal Charitable Foundation May or May Not Be Tax Deductible, Which Could Reduce Our Profits

We believe that our contribution to Malvern Federal Charitable Foundation, valued at $1.6 million, pre-tax, at the maximum of the offering range, will be deductible for federal income tax purposes. However, the Internal Revenue Service may not grant tax-exempt status to the charitable foundation. If the contribution is not deductible, we would not receive any tax benefit from the contribution. In addition, even if the contribution is tax deductible, we may not have sufficient profits to be able to use the deduction fully. In the event it is more likely than not that we will be unable to use the entire deduction, we will be required to establish a valuation allowance related to any deferred tax asset that has been recorded for this contribution.

Our Contribution to the Malvern Federal Charitable Foundation Will Reduce Our Profits for Fiscal Year 2008

Malvern Federal Bancorp intends to contribute 161,000 shares of Malvern Federal Bancorp's common stock to Malvern Federal Charitable Foundation at the maximum of the offering range. This contribution will be an additional operating expense and will reduce net income during the fiscal year in which the foundation is established, which is expected to be the year ending September 30, 2008. Based on the pro forma assumptions, at the maximum of the offering range, the contribution to Malvern Federal Charitable Foundation would reduce net earnings by $990,150 after tax, in fiscal year 2008. See "Pro Forma Data."

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, which can be identified by the use of such words as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect" and similar expressions. These forward-looking statements include:

- statements of goals, intentions and expectations;
- statements regarding prospects and business strategy;
- statements regarding asset quality and market risk; and
- estimates of future costs, benefits and results.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the factors discussed under the heading "Risk Factors" beginning at page __ that could affect the actual outcome of future events.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. We have no obligation to update or revise any forward-looking statements to reflect any changed assumptions, any unanticipated events or any changes in the future.

SELECTED FINANCIAL AND OTHER DATA

Set forth below is selected financial and other data of Malvern Federal Savings Bank. You should read the consolidated financial statements and related notes contained at the end of this prospectus which provide more detailed information.

	At September 30,				
	2007	2006	2005	2004	2003
	(In thousands)				
Selected Financial Condition Data:					
Total assets	$ 551,932	$ 517,212	$ 487,209	$ 457,894	$ 459,849
Loans receivable, net	466,192	455,813	414,684	356,633	295,518
Securities held to maturity	1,479	1,733	2,078	2,717	1,997
Securities available for sale	29,098	28,024	40,142	64,579	98,812
FHLB borrowings	71,387	70,870	61,500	55,390	67,641
Deposits	433,488	402,078	385,045	364,910	355,627
Equity	44,039	41,419	38,254	35,949	34,960
Total Liabilities	507,893	475,793	448,955	421,945	424,889
Allowance for loan losses	4,541	3,393	3,222	3,034	3,045
Non-performing loans	2,388	2,725	4,003	2,662	3,006
Non-performing assets	2,615	2,725	4,003	2,662	3,006

	Year Ended September 30,				
	2007	2006	2005	2004	2003
	(In thousands)				
Selected Operating Data:					
Total interest and dividend income	$ 32,769	$ 30,159	$ 25,426	$ 22,629	$ 23,782
Total interest expense	19,235	16,503	13,710	13,184	14,506
Net interest income	13,534	13,656	11,716	9,445	9,276
Provision for loan losses	1,298	451	290	60	61
Net interest income after provision for loan losses	12,236	13,205	11,426	9,385	9,215
Total other income	1,453	1,551	1,385	1,019	1,178
Total other expenses	10,154	9,763	9,197	8,094	8,304
Income Tax	1,123	1,788	1,109	703	561
Net income	$ 2,412	$ 3,205	$ 2,505	$ 1,607	$ 1,528

	Year Ended September 30,				
	2007	2006	2005	2004	2003

Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on assets (ratio of net income to average total assets)	0.45%	0.64%	0.53%	0.35%	0.34%
Return on average equity (ratio of net income to average equity)	5.76	7.99	6.74	4.53	4.41
Interest rate spread[(1)]	2.25	2.43	2.25	2.00	1.92
Net interest margin[(2)]	2.65	2.80	2.55	2.14	2.11
Non-interest expenses to average total assets	1.92	1.94	1.95	1.76	1.83
Efficiency Ratio[(3)]	75.02	71.49	78.50	85.70	89.52
Asset Quality Ratios:					
Non-performing loans as a percent of gross loans	0.51	0.60	0.96	0.74	1.01
Non-performing assets as a percent of total assets	0.47	0.53	0.82	0.58	0.65
Allowance for loan losses as a percent of gross loans	0.50	0.74	0.78	0.85	1.03
Allowance for loan losses as a percent of non-performing loans	190.16	124.51	80.49	113.97	101.30
Capital Ratios:					
Total risk-based capital to risk weighted assets	11.43	11.18	11.34	12.79	13.60
Tier 1 risk-based capital to risk weighted assets	10.36	10.34	10.45	11.80	12.36
Tangible capital to tangible assets	8.03	8.10	7.79	7.92	7.54
Tier 1 leverage (core) capital to adjustable tangible assets	8.03	8.10	7.79	7.92	7.54
Equity to total assets	7.98	7.96	7.86	7.86	7.60
Other Data:					
Number of full service offices	7	7	7	7	6

(1) Represents the difference between the weighted average yield on interest earning assets and the weighted average cost of interest bearing liabilities.
(2) Net interest income divided by average interest earning assets.
(3) Represents non-interest expense divided by net interest income and dividend income.

HOW OUR NET PROCEEDS WILL BE USED

The following table shows how we intend to use the net proceeds of the offering. The actual net proceeds will depend on the number of shares of common stock sold in the offering and the expenses incurred in connection with the offering. Payments for shares made through withdrawals from deposit accounts at Malvern Federal Savings Bank will reduce deposits at the bank and will not result in the receipt of new funds for investment. See “Unaudited Pro Forma Data” for the assumptions used to arrive at these amounts.

	Minimum of Offering Range		Midpoint of Offering Range		Maximum of Offering Range		15% Above Maximum of Offering Range	
	2,558,500 Shares at $10.00 Per Share	Percent of Net Proceeds	3,010,000 Shares at $10.00 Per Share	Percent of Net Proceeds	3,461,500 Shares at $10.00 Per Share	Percent of Net Proceeds	3,908,725 Shares at $10.00 Per Share	Percent of Net Proceeds
	(Dollars in thousands)							
Offering proceeds	$ 25,585	105.2%	$ 30,100	104.6%	$ 34,615	104.1%	$ 39,807	103.9%
Less: offering expenses	1,273	5.2	1,314	4.6	1,355	4.1	1,402	3.7
Net offering proceeds	24,312	100.0%	28,786	100.0%	33,260	100.0%	38,405	100.0%
Less:								
Proceeds contributed to Malvern Federal Savings Bank	12,156	50.0%	14,393	50.0%	16,630	50.0%	19,203	50.0%
Proceeds contributed to Malvern Federal Mutual Holding Company	100	0.4	100	0.4	100	0.3	100	0.3
Proceeds used for loan to employee stock ownership plan	2,332	9.6	2,744	9.5	3,156	9.5	3,629	9.5
Proceeds used to repurchase shares for recognition and retention plan	1,166	4.8	1,372	4.8	1,578	4.8	1,814	4.7
Proceeds remaining for Malvern Federal Bancorp	$ 8,558	35.2%	$ 10,177	35.3%	$ 11,796	35.4%	$ 13,659	35.5

Malvern Federal Bancorp intends to invest 100% of the proceeds it retains from the offering initially in short-term, liquid investments. Although there can be no assurance that Malvern Federal Bancorp will invest the net proceeds in anything other than short-term, liquid investments, over time, Malvern Federal Bancorp may use the proceeds it retains from the offering:

- to invest in investment securities;
- to fund the payment of cash dividends to stockholders;
- to repurchase shares of its common stock, subject to regulatory restrictions;
- to finance the possible acquisition of financial institutions or other businesses related to banking, although we have no specific plans regarding any acquisitions at this time; and

- for general corporate purposes.

Under current applicable regulations, Malvern Federal Bancorp may not repurchase shares of its common stock during the first year following the reorganization, except to fund equity benefit plans or, with prior regulatory approval, when extraordinary circumstances exist. We do not anticipate making any stock repurchases during the first year after our reorganization, except to fund our recognition and retention plan upon approval by our shareholders.

Malvern Federal Savings Bank intends to initially use the net proceeds it receives to fund loans and make short term investments. In the future, Malvern Federal Savings Bank may use the proceeds that it receives from the offering, which is shown in the table above as the amount contributed to Malvern Federal Savings Bank:

- to fund new loans;

- to finance the possible expansion of its network of financial center offices; and

- for general corporate purposes.

We may need regulatory approvals to engage in some of the activities listed above.

Except as described above, neither Malvern Federal Bancorp nor Malvern Federal Savings Bank has any specific plans for the investment of the net proceeds of this offering and has not allocated a specific portion of the proceeds to any particular use. For a discussion of our business reasons for undertaking the offering see “The Reorganization and Offering – Purposes of Reorganization.”

OUR POLICY REGARDING DIVIDENDS

After we complete the reorganization and offering, our board of directors will have the authority to declare dividends on the common stock, subject to statutory and regulatory requirements. We intend to pay quarterly cash dividends on the common stock commencing with the first full quarter after the reorganization. However, the rate of such dividends and the initial or continued payment thereof will depend upon a number of factors, including the amount of net proceeds retained by us in the offering, investment opportunities available to us, capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, dividends paid to us by Malvern Federal Savings Bank and general economic conditions. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in future periods. Special cash dividends, stock dividends or tax-free returns of capital may be paid in addition to, or in lieu of, regular cash dividends. No dividend will be declared or paid, however, if it will be classified as a return of capital during the first three years after our reorganization.

If we pay dividends to our stockholders, we also will be required to pay dividends to Malvern Federal Mutual Holding Company, unless Malvern Federal Mutual Holding Company elects to waive such dividends. Any dividend waivers by Malvern Federal Mutual Holding Company are subject to prior notice to and non-objection from the Office of Thrift Supervision. We anticipate that Malvern Federal Mutual Holding Company will waive dividends. Under Office of Thrift Supervision regulations, if Malvern Federal Mutual Holding Company waives dividends, it will not result in dilution to public stockholders in the event Malvern Federal Mutual Holding Company converts to stock form. See “Regulation - Regulation of Malvern Federal Bancorp, Inc. and Malvern Federal Mutual Holding Company.”

Dividends from us may eventually depend, in part, upon receipt of dividends from Malvern Federal Savings Bank, because we initially will have no source of income other than dividends from Malvern Federal Savings Bank, earnings from the investment of proceeds from the sale of common stock retained by us, and principal and interest payments with respect to our loan to our employee stock ownership plan. The payment of dividends by Malvern Federal Savings Bank is subject to certain restrictions under Office of Thrift Supervision regulations. See “Regulation - Malvern Federal Savings Bank - Capital Distributions.”

Any payment of dividends by Malvern Federal Savings Bank to us which would be deemed to be drawn out of Malvern Federal Savings Bank’s bad debt reserves would require a payment of taxes at the then-current tax rate by Malvern Federal Savings Bank on the amount of earnings deemed to be removed from the reserves for such distribution. Malvern Federal Savings Bank does not intend to make any distribution to us that would create such a federal tax liability. See “Taxation.”

Unlike Malvern Federal Savings Bank, we are not subject to the above regulatory restrictions on the payment of dividends to our stockholders, although the source of such dividends may eventually depend, in part, upon dividends from Malvern Federal Savings Bank in addition to the net proceeds retained by us and earnings thereon.

POSSIBLE CONVERSION OF MALVERN FEDERAL MUTUAL HOLDING COMPANY TO STOCK FORM

Office of Thrift Supervision regulations specifically authorize mutual holding companies such as Malvern Federal Mutual Holding Company to (i) convert to stock form and (ii) exchange stock issued by the converted holding company (*e.g.*, Malvern Federal Mutual Holding Company) for stock issued by a subsidiary holding company (*e.g.*, Malvern Federal Bancorp). In the future, Malvern Federal Mutual Holding Company may convert from the mutual to stock form in a transaction commonly known as a "second-step conversion." In a second-step conversion, members of Malvern Federal Mutual Holding Company would have subscription rights to purchase common stock of Malvern Federal Bancorp, or its successor, and the public stockholders of Malvern Federal Bancorp would be entitled to exchange their shares of common stock for shares of the converted Malvern Federal Mutual Holding Company in a manner that is fair and reasonable to the stockholders. This exchange ratio may be adjusted to reflect any assets owned by Malvern Federal Mutual Holding Company. Malvern Federal Bancorp's public stockholders would own approximately the same percentage of the resulting entity as they owned prior to the second-step conversion. Our board of directors has no current plans to undertake a "second-step conversion" transaction. Although Malvern Federal Mutual Holding Company may convert to stock form in the future, Malvern Federal Mutual Holding Company has no current plans and there can be no assurance as to when, if ever, such a conversion will occur. Approval from the Office of Thrift Supervision is required for Malvern Federal Mutual Holding Company to convert. In addition, a decision by Malvern Federal Mutual Holding Company to convert to stock form would require the approval of its members prior to the transaction and approval of Malvern Federal Bancorp's stockholders.

MARKET FOR OUR COMMON STOCK

Because this is our initial public offering, we have never issued any capital stock and there is no market for our common stock at this time. After we complete the offering, we anticipate that our common stock will be listed for trading on the Nasdaq Global Market under the symbol "_____." Stifel, Nicolaus & Company, Incorporated has indicated its intention to make a market in our common stock, however, it is under no obligation to do so.

The development and maintenance of an active trading market depends upon the existence of willing buyers and sellers, the presence of which is not within our control or of any market maker. It is unlikely that an active and liquid trading market for the common stock will develop due to the small size of the offering and the small number of stockholders expected following the reorganization and offering. We cannot assure you that an active trading market will develop or that, if it develops, it will continue. Nor can we assure you that, if you purchase shares, you will be able to sell them at or above the $10.00 per share purchase price. Under such circumstances, you could have difficulty selling your shares on short notice and, therefore, you should not view the common stock as a short-term investment.

REGULATORY CAPITAL REQUIREMENTS

At September 30, 2007, Malvern Federal Savings Bank exceeded all of its regulatory capital requirements. The table on the following page sets forth Malvern Federal Savings Bank's historical capital under generally accepted accounting principles and regulatory capital at September 30, 2007, and the pro forma capital of Malvern Federal Savings Bank after giving effect to the reorganization and the offering, based upon the sale of the number of shares shown in the table. The pro forma capital amounts reflect the receipt by Malvern Federal Savings Bank of 50% of the net reorganization proceeds. The pro forma risk-based capital amounts assume the investment of the net proceeds received by Malvern Federal Savings Bank in assets which have a risk-weight of 20% under applicable regulations, as if such net proceeds had been received and so applied at September 30, 2007.

	Malvern Federal Savings Bank Historical at September 30, 2007		Pro Forma at September 30, 2007 Based on 2,558,500 Shares Sold at $10.00 Per Share		3,010,000 Shares Sold at $10.00 Per Share		3,461,500 Shares Sold at $10.00 Per Share		3,980,725 Shares Sold at $10.00 Per Share	
	Amount	Percent of Assets(1)	Amount	Percent of Assets(1)	Amount	Percent of Assets(1)	Amount	Percent of Assets(1)	Amount	Percent of Assets(1)
	(Dollars in Thousands)									
Capital at Bank Level:										
GAAP capital	$ 44,039	7.98%	$ 53,863	9.55%	$ 55,688	9.83%	$ 57,513	10.12%	$ 59,613	10.44%
Tier 1 risk-based capital:										
Actual	$ 44,322	8.03%	$ 54,146	9.60%	$ 55,971	9.88%	$ 57,796	10.17%	$ 59,896	10.49%
Requirement	8,278	1.50	8,461	1.50	8,494	1.50	8,528	1.50	8,566	1.50
Excess	$ 36,044	6.53%	$ 45,685	8.10%	$ 47,477	8.38%	$ 49,268	8.67%	$ 51,329	8.99%
Core capital:										
Actual	$ 44,322	8.03%	$ 54,146	9.60%	$ 55,971	9.88%	$ 57,796	10.17%	$ 59,896	10.49%
Requirement	22,086	4.00	22,561	4.00	22,651	4.00	22,740	4.00	22,843	4.00
Excess	$ 22,236	4.03%	$ 31,585	5.60%	$ 33,320	5.88%	$ 35,056	6.17%	$ 37,053	6.49%
Tier 1 risk-based capital:										
Actual	$ 44,322	10.36%	$ 54,146	12.59%	$ 55,971	13.00%	$ 57,796	13.41%	$ 59,896	13.88%
Requirement	17,107	4.00	17,202	4.00	17,220	4.00	17,238	4.00	17,258	4.00
Excess	$ 27,215	6.36%	$ 36,944	8.59%	$ 38,751	9.00%	$ 40,559	9.41%	$ 42,637	9.88%
Total risk based capital	$ 48,863	11.43%	$ 58,687	13.65%	$ 60,512	14.06%	$ 62,337	14.47%	$ 64,437	14.93%
Risk-based requirement	34,215	8.00	34,404	8.00	34,440	8.00	34,475	8.00	34,517	8.00
Excess	$ 14,648	3.43%	$ 24,283	5.65%	$ 26,072	6.06%	$ 27,862	6.47%	$ 29,920	6.93%
Reconciliation of Capital Infused into Malvern Federal Savings Bank:										
Net proceeds infused			$ 12,156		$ 14,393		$ 16,630		$ 19,203	
Less:										

Common stock acquired by employee stock ownership plan	(2,332)	(2,744)	(3,156)	(3,629)
Pro forma increase in GAAP and regulatory capital	$ 9,824	$ 11,649	$ 13,474	$ 15,574

(1) Adjusted total or adjusted risk-weighted assets, as appropriate.

OUR CAPITALIZATION

The following table presents the historical capitalization of Malvern Federal Savings Bank at September 30, 2007, and our pro forma consolidated capitalization after giving effect to the reorganization, based upon the sale of the number of shares shown below and the other assumptions set forth under "Unaudited Pro Forma Data."

		Malvern Federal Bancorp, Inc. - Pro Forma Based Upon Sale at $10.00 Per Share			
	Malvern Federal Savings Bank – Historical Capitalization	2,558,500 Shares (Minimum of Offering Range)	3,010,000 Shares (Midpoint of Offering Range)	3,461,500 Shares (Maximum of Offering Range)	3,980,725 Shares[1] (15% above Maximum of Offering Range)
			(In Thousands)		
Deposits[2]	$ 433,488	$ 433,488	$ 433,488	$ 433,488	$ 433,488
Borrowings	71,387	71,387	71,387	71,387	71,387
Total deposits and borrowings	$ 504,875	$ 504,875	$ 504,875	$ 504,875	$ 504,875
Shareholders' equity:					
Preferred stock, $.01 par value, 40,000,000 shares authorized; none to be issued	—	—	—	—	—
Common stock, $.01 par value, 40,000,000 shares authorized; shares to be issued as reflected[3]	—	60	70	81	93
Additional paid-in capital[3]	—	25,342	30,016	34,689	40,064
Retained earnings[4]	44,322	44,322	44,322	44,322	44,322
Less:					
Expense of Stock Contribution to Malvern Federal Charitable Foundation	—	(1,190)	(1,400)	(1,610)	(1,851)
Plus:					
Tax Benefit of Contribution to Malvern Federal Charitable Foundation	—	458	539	620	713
Accumulated other comprehensive (loss)	(283)	(283)	(283)	(283)	(283)
Less:					
Assets retained by Malvern Federal Mutual Holding Company	—	(100)	(100)	(100)	(100)
Common stock acquired by our employee stock ownership plan[5]	—	(2,332)	(2,744)	(3,156)	(3,629)
Common stock to be acquired by our recognition and retention plan[6]	—	(1,166)	(1,372)	(1,578)	(1,814)
Total equity	$ 44,039	$ 65,111	$ 69,048	$ 72,985	$ 77,514

(1) As adjusted to give effect to an increase in the number of shares which could occur due to an increase in the offering range of up to 15% to reflect changes in market and financial conditions before we complete the reorganization or to fill the order of our employee stock ownership plan.

(2) Does not reflect withdrawals from deposit accounts for the purchase of common stock in the reorganization. Such withdrawals would reduce pro forma deposits by the amount of such withdrawals.

(3) No effect has been given to the issuance of additional shares of common stock pursuant to our proposed stock option plan. We intend to adopt a stock option plan and to submit such plan to stockholders at a meeting of stockholders to be held at least six months following completion of the reorganization. If the plan is approved by stockholders, an amount equal to 4.90% of the shares of common stock outstanding after the reorganization

will be reserved for future issuance under such plan. Your ownership percentage would decrease by approximately 4.7% if all potential stock options are exercised from our authorized but unissued stock. See "Unaudited Pro Forma Data" and "Our Management - New Stock Benefit Plans - Stock Option Plan."

(4) The retained earnings of Malvern Federal Savings Bank will be substantially restricted after the reorganization. Malvern Federal Mutual Holding Company will have an initial capitalization of $100,000.

(5) Assumes that 3.92% of the common stock outstanding after the reorganization, including shares issued to Malvern Federal Mutual Holding Company, will be purchased by our employee stock ownership plan in the offering at a price of $10.00 per share. If the employee stock ownership plan buys shares in the market after the reorganization, the purchase price of those shares may be more or less than the $10.00 per share offering price, which will change the amount of net proceeds used for this purpose. The common stock acquired by our employee stock ownership plan is reflected as a reduction of shareholders' equity. Assumes the funds used to acquire our employee stock ownership plan shares will be borrowed from Malvern Federal Bancorp. See Note1 to the table set forth under "Unaudited Pro Forma Data" and "Our Management - New Stock Benefit Plans -Employee Stock Ownership Plan."

(6) Gives effect to the recognition and retention plan which we expect to adopt after the reorganization and present to shareholders for approval at a meeting of shareholders to be held at least six months after we complete the reorganization. No shares will be purchased by the recognition and retention plan in the reorganization, and such plan cannot purchase any shares until shareholder approval has been obtained. If the recognition and retention plan is approved by our shareholders, the plan intends to acquire an amount of common stock equal to1.96% of the shares of common stock to be outstanding after the reorganization, including shares issued to Malvern Federal Mutual Holding Company and the Malvern Federal Charitable Foundation, or 116,620,137,200, 157,780 and 181,447 shares at the minimum, midpoint, maximum and 15% above the maximum of the offering range, respectively. The table assumes that shareholder approval has been obtained and that such shares are purchased in the open market at $10.00 per share. The common stock so acquired by the stock recognition and retention plan is reflected as a reduction in shareholders' equity. If the shares are purchased at prices higher or lower than the initial purchase price of $10.00 per share, such purchases would have a greater or lesser impact, respectively, on shareholders' equity. If the recognition and retention plan purchases authorized but unissued shares from Malvern Federal Bancorp, such issuance would dilute the voting interests of existing shareholders by approximately 1.9%. Malvern Federal Bancorp intends to contribute capital to the restricted stock plan to fund the purchase of shares. See "Unaudited Pro Forma Data," "Our Management -New Stock Benefit Plans - Stock Recognition and Retention Plan" and "How Our Net Proceeds Will Be Used."

UNAUDITED PRO FORMA DATA

The actual net proceeds from the sale of our common stock in the offering cannot be determined until the reorganization is completed. However, the net proceeds are currently estimated to be between $24.3 million and $33.3 million, or up to $38.4 million in the event the offering range is increased by approximately 15%, based upon the following assumptions:

- We will sell all shares of common stock in the subscription offering and community offering with no shares sold in a syndicated community offering;
- Our employee stock ownership plan will purchase an amount equal to 3.92% of the shares to be outstanding after the reorganization (including shares issued to Malvern Federal Mutual Holding Company and the Malvern Federal Charitable Foundation) at a price of $10.00 per share with a loan from Malvern Federal Bancorp;
- expenses of the offering, other than the underwriting commissions to be paid to Stifel, Nicolaus & Company, Incorporated, are estimated to be $1,045,000;
- 46,250 shares of common stock will be purchased by our employees, directors and their immediate families; and
- Stifel, Nicolaus & Company, Incorporated will receive a fee equal to 1.0% of the aggregate purchase price of the shares of stock sold in the offering, excluding any shares purchased by any

employee benefit plans, and any of our directors, officers or employees or members of their immediate families.

We have prepared the following table, which sets forth our historical consolidated net income and shareholders' equity prior to the reorganization and our pro forma consolidated net income and shareholders' equity following the reorganization. In preparing these tables and in calculating pro forma data, the following assumptions have been made:

- Pro forma earnings have been calculated assuming the stock had been sold at the beginning of the period and the net proceeds had been invested at an average yield of 4.05% for the year ended September 30, 2007, which approximates the yield on a one-year U.S. Treasury bill on September 30, 2007. This rate is used because we believe it reflects the yield that we will receive on the net proceeds of the offering.

- The pro forma after-tax yield on the net proceeds from the offering is assumed to be 2.49% for the year ended September 30, 2007, based on an effective tax rate of 38.5%.

- No withdrawals were made from Malvern Federal Savings Bank's deposit accounts for the purchase of shares in the offering.

- Historical and pro forma per share amounts have been calculated by dividing historical and pro forma amounts by the indicated number of shares of stock, as adjusted into the pro forma net income per share to give effect to the purchase of shares by the employee stock ownership plan.

- Pro forma shareholders' equity amounts have been calculated as if our common stock had been sold in the offering on September 30, 2007 and, accordingly, no effect has been given to the assumed earnings effect of the transactions.

The following pro forma information may not be representative of the financial effects of the reorganization at the date on which the reorganization actually occurs and should not be taken as indicative of future results of operations. Pro forma shareholders' equity represents the difference between the stated amount of our assets and liabilities computed in accordance with generally accepted accounting principles. Shareholders' equity does not give effect to intangible assets in the event of a liquidation or to Malvern Federal Savings Bank's bad debt reserve. The pro forma shareholders' equity is not intended to represent the fair market value of the common stock and may be different than amounts that would be available for distribution to shareholders in the event of liquidation.

The table reflects the possible issuance of additional shares to be reserved for future issuance pursuant to our proposed stock option plan which we expect to adopt following the offering and present, together with the stock recognition and retention plan discussed below, to our shareholders for approval at a meeting to be held at least six months after the conversion is completed. See "Our Management – New Stock Benefit Plans." For purposes of the table, we have assumed that shareholder approval was obtained, that the exercise price of the stock options and the market price of the common stock at the date of grant were $10.00 per share, that the stock options had a term of 10 years and vested pro rata over five years, and that the stock option plan granted options to acquire common stock equal to 4.9% of the to-be outstanding shares of Malvern Federal Bancorp upon completion of the reorganization and offering. We applied the Black-Scholes option pricing model to estimate a grant date fair value of $3.86 for each option. Finally, we assumed that 25.0% of the stock options were non-qualified options granted to directors, resulting in a tax benefit (at an assumed tax rate of 38.5%) for a deduction equal to the grant date fair value of the options. There can be no assurance that shareholder approval of the stock option plan will be obtained, that the exercise price of the options will be $10.00 per share or that the Black-Scholes option pricing model assumptions used to prepare the table will be the same at the time the options are granted.

The tables also give effect to the recognition and retention plan, which we expect to adopt following the offering and present, together with the new stock option plan discussed above, to our shareholders for approval at a meeting to be held at least six months after the reorganization and offering is completed. If approved by shareholders, the recognition and retention plan intends to acquire an amount of common stock equal to 1.96% of Malvern Federal Bancorp's common stock to be outstanding after the reorganization and offering, either through open market purchases, if permissible, or from authorized but unissued shares of common stock. The tables assume that shareholder approval has been obtained and that the shares acquired by the stock recognition and retention plan are purchased in the open market at $10.00 per share and vest over a five-year period. There can be no assurance that shareholder approval of the recognition and retention plan will be obtained, that the shares will be purchased in the open market or that the purchase price will be $10.00 per share.

The table below summarizes historical consolidated data of Malvern Federal Savings Bank and Malvern Federal Bancorp's pro forma data at or for the date and period indicated based on the assumptions set forth above and in the table and should not be used as a basis for projection of the market value of our common stock following the reorganization.

	At or For the Year Ended September 30, 2007			
	2,558,500 shares sold at $10.00 per share (Minimum of range)	3,010,000 shares sold at $10.00 per share (Midpoint of range)	3,461,500 shares sold at $10.00 per share (Maximum of range)	3,980,725 shares sold at $10.00 per share (15% above Maximum)[9]
	(Dollars in thousands, except per share amounts)			
Gross Proceeds of Offering	$ 25,585	$ 30,100	$ 34,615	$ 39,807
Plus – Shares Issued to the Foundation	1,190	1,400	1,610	1,852
Pro Forma Market Capitalization	$ 26,775	$ 31,500	$ 36,225	$ 41,659
Gross Proceeds of Offering	$ 25,585	$ 30,100	$ 34,615	$ 39,807
Less offering expenses	1,273	1,314	1,355	1,402
Estimated net offering proceeds	24,312	28,786	33,260	38,405
Less MHC capitalization	100	100	100	100
Less ESOP shares	(2,332)	(2,744)	(3,156)	(3,629)
Less recognition and retention plan shares	(1,166)	(1,372)	(1,578)	(1,814)
Estimated net proceeds available for investment	$ 20,713	$ 24,570	$ 28,427	$ 32,862
Consolidated net income:[1]				
Historical	$ 2,412	$ 2,412	$ 2,412	$ 2,412
Pro forma adjustments:				
Net income from proceeds	516	612	708	819
ESOP[2]	(96)	(113)	(129)	(149)
Recognition and retention plan[3]	(143)	(169)	(194)	(223)
Pro forma options adjustment[5]	(203)	(239)	(275)	(316)
Pro forma net income[1][4]	$ 2,486	$ 2,503	$ 2,522	$ 2,543
Net income per share:[1]				
Historical	$ 0.42	$ 0.36	$ 0.31	$ 0.27
Pro forma adjustments:				
Net income from proceeds	0.09	0.09	0.09	0.09
ESOP[2]	(0.02)	(0.02)	(0.02)	(0.02)
Recognition and retention plan[3]	(0.02)	(0.02)	(0.02)	(0.02)
Pro forma stock option adjustment	(0.04)	(0.04)	(0.04)	(0.04)
Pro forma net income per share[1][4][5]	$ 0.43	$ 0.37	$ 0.32	$ 0.28

Offering price as a multiple of pro forma net earnings per share	23.26x	27.03x	31.25x	35.71x
Number of shares outstanding for pro forma net income per share calculations	5,732,309	6,743,893	7,755,477	8,918,799
Shareholders' equity:				
Historical	$ 44,039	$ 44,039	$ 44,039	$ 44,039
Estimated net offering proceeds	24,312	28,786	33,260	38,405
Plus – shares issued to foundation	1,190	1,400	1,610	1,852
Less – shares issued to foundation	(1,190)	(1,400)	(1,610)	(1,852)
Plus – tax benefit of foundation contribution	458	539	620	713
Less capitalization of MHC	(100)	(100)	(100)	(100)
Less – ESOP(2)	(2,332)	(2,744)	(3,156)	(3,629)
Less – Recognition and retention plan(3)	(1,166)	(1,372)	(1,578)	(1,814)
Pro forma shareholders' equity(3)(5)(6)	$ 65,211	$ 69,148	$ 73,085	$ 77,614
Shareholders' equity per share(7)				
Historical	$ 7.40	$ 6.29	$ 5.47	$ 4.76
Estimated net offering proceeds	4.09	4.11	4.13	4.15
Plus – shares issued to foundation	0.20	0.20	0.20	0.20
Less – shares issued to foundation	(0.20)	(0.20)	(0.20)	(0.20)
Plus – tax benefit of foundation contribution	0.08	0.08	0.08	0.08
Less capitalization of MHC	(0.02)	(0.01)	(0.01)	(0.01)
Less – ESOP(2)	(0.39)	(0.39)	(0.39)	(0.39)
Less – Recognition and retention plan(3)	(0.20)	(0.20)	(0.20)	(0.20)
Pro forma shareholders' equity per share(3)(5)(6)	$ 10.96	$ 9.88	$ 9.08	$ 8.39
Offering price as a percentage of pro forma shareholders' equity per share(8)	91.24%	101.21%	110.13%	119.19%
Number of shares outstanding for pro forma book value per share calculations	5,950,000	7,000,000	8,050,000	9,257,500

(Footnotes begin on next page)

(1) Per share net income data is based on 5,732,309, 6,743,893, 7,755,477 and 8,918,799 shares outstanding at the minimum, midpoint, maximum and adjusted maximum of the estimated offering range, respectively, which represents shares sold in the offering and shares to be allocated or distributed under our ESOP and stock recognition and retention plan for the period presented.

(2) It is assumed that 3.92% of the aggregate shares to be outstanding after the reorganization (including shares issued to Malvern Federal Mutual Holding Company and contributed to the Malvern Federal Charitable Foundation) will be purchased by our ESOP at a price of $10.00 per share. The funds used to acquire such shares are assumed to have been borrowed by the ESOP from Malvern Federal Bancorp. Malvern Federal Savings Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the principal and interest requirement of the debt. If the employee stock ownership plan buys shares in the market after the reorganization, the purchase price of those shares may be less or more than $10 per share offering price, which will vary the amount of proceeds used for this purpose. The amount to be borrowed is reflected as a reduction to shareholders' equity. Annual contributions are expected to be made to the ESOP in an amount at least equal to the principal and interest requirement of the debt. The pro forma net income assumes: (i) that the contribution to the ESOP is equivalent to the debt service requirement for the year ended September 30, 2007, at an average fair value of $10.00; and (ii) only the ESOP shares committed to be released were considered outstanding for purposes of the net income per share calculations.

(3) Gives effect to the stock recognition and retention plan we expect to adopt following the offering. This plan is expected to acquire a number of shares of common stock equal to an aggregate of 1.96% of the shares of common stock to be outstanding after the reorganization (including shares issued to Malvern Federal Mutual Holding Company and contributed to the Malvern Federal Charitable Foundation), or 116,620, 137,200, 157,780 and 181,447 shares of common stock at the minimum, midpoint, maximum and adjusted maximum of the estimated offering range, respectively, either through open market purchases or directly from Malvern Federal Bancorp. Funds used by the stock recognition and retention plan to purchase shares in the open market would be contributed by Malvern Federal Bancorp. In calculating the pro forma effect of the stock recognition and retention plan, it is assumed that the shares were acquired by the plan at the beginning of the period presented in open market purchases at $10.00 per share and that 20% of the amount contributed was an amortized expense during such period. The issuance of authorized but unissued shares of our common stock to the stock recognition and retention plan instead of open market purchases would dilute the voting interests of existing shareholders by approximately 1.92%.

(4) Does not give effect to the non-recurring expense that will be recognized in fiscal 2008 as a result of the contribution of common stock to Malvern Federal Charitable Foundation.

The following table shows the estimated after-tax expense associated with the contribution to the foundation, as well as pro forma net income (loss) and pro forma net income (loss) per share assuming the contribution to the foundation was expensed during the period presented.

	Minimum of Offering Range	Midpoint of Offering Range	Maximum of Offering Range	15% Above Maximum of Offering Range
	(Dollars in thousands, except per share amounts)			
After-tax expense of contribution to foundation:				
Year Ended September 30, 2007	$ 732	$ 861	$ 990	$ 1,138
Pro forma net income (loss):				
Year ended September 30, 2007	1,754	1,642	1,532	1,405
Pro forma net income (loss) per share:				
Year ended September 30, 2007	0.31	0.24	0.20	0.16

The pro forma data assume that we will realize 100% of the income tax benefit as a result of the contribution to the foundation based on a 38.5% tax rate. The realization of the tax benefit is limited annually to 10% of our annual taxable income. However, for federal and state tax purposes, we can carry forward any unused portion of the deduction for five years following the year in which the contribution is made.

(5) The adjustment to pro forma net income for stock options reflects the compensation expense associated with the stock options (assuming no federal tax benefit) that may be granted under the new stock option plan to be adopted following the reorganization and offering. If the new stock option plan is approved by shareholders, a number of shares equal to 4.9% of the to-be outstanding shares of Malvern Federal Bancorp will be reserved for future issuance upon the exercise of stock options that may be granted under the plan. Using the Black-Scholes option-pricing formula, each option is assumed to have a value of $3.86, assuming an exercise price and grant date fair value of common stock of $10.00 per share. It is assumed that all stock options were granted in the first year after the offering, that stock options granted under the stock option plan vest over a five-year period, or 20.0% per year, that compensation expense is recognized on a straight-line basis over each vesting period so that 20.0% of the value of the options awarded was an amortized expense during each year.

If the fair market value per share is different than $10.00 per share on the date options are awarded under the stock option plan, or if the assumptions used in the option-pricing formula are different from those used in preparing this pro forma data, the value of the stock options and the related expense would be different. Applicable accounting standards do not prescribe a specific valuation technique to be used to estimate the fair value of employee stock options. Malvern Federal Bancorp may use a valuation technique other than the Black-Scholes option-pricing formula and that technique may produce a different value. The issuance of authorized but unissued shares of common stock to satisfy option exercises instead of shares repurchased in the open market would dilute the ownership interests of existing shareholders by approximately 4.7%.

(6) The retained earnings of Malvern Federal Savings Bank will continue to be substantially restricted after the reorganization.

(7) Shareholders' equity per share data is based upon 5,950,000, 7,000,000, 8,050,000 and 9,257,500 shares outstanding at the minimum, midpoint, maximum and adjusted maximum of the estimated offering range, respectively, representing shares issued in the offering.

(8) Based on pro forma net income for the year ended September 30, 2007.

(Footnotes continued on next page)

(9) As adjusted to give effect to an increase in the number of shares which could occur due to an increase in the estimated offering range of up to 15% as a result of regulatory considerations, demand for the shares, or changes in market or general financial and economic conditions following the commencement of the offering.

COMPARISON OF INDEPENDENT VALUATION AND PRO FORMA FINANCIAL INFORMATION WITH AND WITHOUT THE FOUNDATION

As set forth in the following table, if Malvern Federal Bancorp was not making a contribution to the Malvern Federal Charitable Foundation as part of the reorganization, RP Financial estimates that the pro forma valuation of Malvern Federal Bancorp would be greater, which would increase the amount of common stock offered for sale in the reorganization offering. If the foundation were not established, there is no assurance that the appraisal would conclude that the pro forma market value of Malvern Federal Bancorp would be the same as the estimate set forth in the table below. Any appraisal would be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions.

The information presented in the following table is for comparative purposes only. It assumes that the reorganization was completed at September 30, 2007, based on the assumptions set forth under "Unaudited Pro Forma Data."

	At the Minimum of Offering Range		At the Midpoint of Offering Range		At the Maximum of Offering Range		At the Maximum, as Adjusted, of Offering Range	
	With Foundation	No Foundation	With Foundation	No Foundation	With Foundation	No Foundation	With Foundation	No Foundation
	(Dollars in thousands, except per share amounts)							
Estimated offering amount(1)	$ 25,585	27,540	30,100	32,400	34,615	37,260	39,807	42,849
Pro forma market capitalization (excluding Malvern Federal Mutual Holding Company)	26,775	27,540	31,500	32,400	36,225	37,260	41,659	42,849
Estimated pro forma valuation	59,500	61,200	70,000	72,000	80,500	82,800	92,575	95,220
Pro forma total assets	573,104	574,481	577,041	578,662	580,978	582,842	585,507	587,650
Pro forma total liabilities	507,893	507,893	507,893	507,893	507,893	507,893	507,893	507,893
Pro forma stockholders' equity	65,211	66,588	69,148	70,769	73,085	74,949	77,614	79,757
Pro forma net income	2,486	2,519	2,503	2,542	2,522	2,566	2,543	2,593
Pro forma stockholders' equity per share	10.96	10.88	9.88	9.83	9.08	9.05	8.39	8.37
Pro forma net income per share	0.43	0.42	0.36	0.36	0.31	0.31	3.27	0.27
Pro Forma Pricing Ratios:								
Offering price as a percentage of pro forma stockholders' equity	91.24%	91.91	101.21%	101.73%	110.13%	110.50%	119.19%	119.47%
Offering price as a multiple of pro forma net income per share	23.26	23.81	27.78	27,78	32.26	32.26	37.04	37.04
Offering price to assets								
Pro Forma Financial Ratios:								
Return on assets	0.43%	0.44%	0.43%	0.44%	0.43%	0.44%	0.43%	0.44%
Return on stockholders' equity	3.81	3.78	3.62	3.59	3.45	3.42	3.28	3.25
Stockholders' equity to total assets	11.38	11.59	11.98	12.23	12.58	12.86	13.26	13.57

(1) Based on independent valuation prepared by RP Financial as of December 7, 2007.

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

Overview

We are a community oriented savings bank headquartered in Paoli, Pennsylvania. We currently operate seven financial center offices in Chester County, which is located in southeastern Pennsylvania approximately 25 miles west of downtown Philadelphia. Our primary business consists of attracting deposits from the general public and using those funds together with funds we borrow to originate loans to our customers. At September 30, 2007, we had total assets of $551.9 million, including $466.2 million in net portfolio loans and $30.6 million of investment securities, total deposits of $433.5 million and total equity of $44.0 million.

Our results of operations depend, to a large extent, on net interest income, which is the difference between the income earned on our loan and investment portfolios and interest expense on deposits and borrowings. Our net interest income is largely determined by our net interest spread, which is the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities, and the relative amounts of interest-earning assets and interest-bearing liabilities. Results of operations are also affected by our provisions for loan losses, fee income and other, non-interest income and non-interest expenses. Our other, or non-interest, expenses principally consist of compensation and employee benefits, office occupancy and equipment expense, data processing, advertising and business promotion and other expense. After the reorganization, we expect that our non-interest expenses will increase as we grow and expand our operations. In addition, our other expenses will increase due to the new stock benefit plans that we intend to implement. See "Pro Forma Data." Our results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, government policies and actions of regulatory authorities. Future changes in applicable law, regulations or government policies may materially impact our financial conditions and results of operations.

Business Strategy

Our business strategy is focused on operating a growing and profitable community-oriented financial institution. Below are certain of the highlights of our business strategy:

- *Growing and Diversifying Our Loan Portfolio by, among other things, increasing our origination of commercial real estate loans.* During the past five fiscal years, we have increased our net loans by 57.8% to $466.2 million (excluding $9.3 million of loans held for sale) at September 30, 2007 from $295.5 million at September 30, 2003. We have emphasized increased originations of commercial real estate loans. In addition, we have increased our emphasis on originating construction loans and consumer loans. Our commercial real estate and construction and development loans have increased from an aggregate of $57.1 million, or 19.2%, of our total loan portfolio, at September 30, 2003 to $167.4 million, or 35.0% of the total loan portfolio (including loans held for sale), at September 30, 2007. Similarly, our consumer loans, which consist primarily of home equity loans and lines of credit, have increased from $37.5 million, or 12.6% of the total loan portfolio at September 30, 2003 to $92.1 million, or 19.3% of the loan portfolio, at September 30, 2007. Commercial real estate, construction and development and consumer loans all typically have higher yields and are more interest sensitive than long-term single family residential mortgage loans. We plan to continue to grow and diversify our loan portfolio, and we intend to continue to grow our holdings of commercial real estate loans and construction and developments loans. In addition, the net proceeds to be received from the offering will increase our loan-to-one borrower limits, which will permit us to originate and retain larger balance, commercial real estate and construction loans.

- *Growing our franchise by expanding our financial center network in our market area and contiguous communities.* We intend to pursue opportunities to expand our market area by opening additional banking offices, which may include loan production offices, and, possibly, through acquisitions of other financial institutions and banking related businesses (although we have no current plans, understandings or agreements with respect to any specific acquisitions). We expect to focus on contiguous areas to our current locations in Chester County, Pennsylvania as well as adjoining counties in southeastern Pennsylvania.

- *Increasing our market share in our current markets.* We operate in a competitive market area for banking products and services. In the five most recent fiscal years we have seen a decline in our deposit share in Chester County, which we attribute in large part to the extremely competitive banking environment. In fiscal 2007, we were able to reverse this trend and modestly increased our deposit share in Chester County to 4.72%. We are focused on continuing our efforts to increase market share by increasing the banking products we offer, increasing our business in non-traditional products and services, such as insurance, adding banking locations and increasing our marketing and advertising efforts.

- *Increasing our core deposits.* We are attempting to increase our core deposits, which we define as all deposits products other than certificates of deposit, by offering customers additional deposit products as well as incentives to invest in core deposits. At September 30, 2007, our core deposits amounted to $165.2 million, or 38.1% of total deposits, compared to $143.4 million, or 35.6% of total deposits, at September 30, 2006. During fiscal 2007, we began offering higher rates on certain money market accounts as an incentive to our customers. Our money market accounts increased by $27.0 million, or 57.6%, from September 30, 2006 to September 30, 2007. We have continued our promotional efforts to increase core deposits and expect to add additional deposit products in fiscal 2008 as part of our efforts to increase core deposits.

- *Maintaining High Asset Quality.* We continue to maintain exceptional levels of asset quality. At September 30, 2007, our non-performing loans amounted to $2.4 million or 0.5% of total loans. We attribute our high asset quality to our prudent and conservative underwriting practices, and we intend to maintain high asset quality after the reorganization and offering even as we continue to grow the bank. We have no exposure to the sub-prime market for mortgage loans.

- *Continuing to Provide Exceptional Customer Service.* As a community oriented savings bank, we take pride in providing exceptional customer service as a means to attract and retain customers. We deliver personalized service to our customers that distinguishes us from the large regional banks operating in our market area. Our management team has strong ties to, and deep roots in, the community. We believe that we know our customers' banking needs and can respond quickly to address them.

This Management's Discussion and Analysis section is intended to assist in understanding the financial condition and results of operations of Malvern Federal Savings Bank. The discussion and analysis does not include any comments relating to Malvern Federal Bancorp, since Malvern Federal Bancorp has had no significant operations to date. The information contained in this section should be read in conjunction with our consolidated financial statements and the accompanying notes to the consolidated financial statements and other sections contained in this prospectus.

Critical Accounting Policies

In reviewing and understanding financial information for Malvern Federal Savings Bank, you are encouraged to read and understand the significant accounting policies used in preparing our consolidated financial statements. These policies are described in Note 2 of the notes to our consolidated financial statements included elsewhere in this prospectus. The accounting and financial reporting policies of Malvern Federal Savings Bank conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. Accordingly, the consolidated financial statements require certain estimates, judgments, and assumptions, which are believed to be reasonable, based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the periods presented. The following accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating our reported financial results. These policies require numerous estimates or economic assumptions that may prove inaccurate or may be subject to variations which may affect our reported results and financial condition for the period or in future periods.

Allowance for Loan Losses. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. Subsequent recoveries are added to the allowance. The allowance is an amount that represents the amount of probable and reasonably estimable known and inherent losses in the loan portfolio, based on evaluations of the collectibility of loans. The evaluations take into consideration such factors as changes in the types and amount of loans in the loan portfolio, historical loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, estimated losses relating to specifically identified loans, and current economic conditions. This evaluation is inherently subjective as it requires material estimates including, among others, exposure at default, the amount and timing of expected future cash flows on impacted loans, value of collateral, estimated losses on our loan portfolio and general amounts for historical loss experience. All of these estimates may be susceptible to significant change.

While management uses the best information available to make loan loss allowance evaluations, adjustments to the allowance may be necessary based on changes in economic and other conditions or changes in accounting guidance. Historically, our estimates of the allowance for loan loss have not required significant adjustments from management's initial estimates. In addition, the Office of Thrift Supervision, as an integral part of its examination processes, periodically reviews our allowance for loan losses. The Office of Thrift Supervision may require the recognition of adjustments to the allowance for loan losses based on their judgment of information available to them at the time of their examinations. To the extent that actual outcomes differ from management's estimates, additional provisions to the allowance for loan losses may be required that would adversely impact earnings in future periods.

Income Taxes. We make estimates and judgments to calculate some of our tax liabilities and determine the recoverability of some of our deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenues and expenses. We also estimate a reserve for deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. These estimates and judgments are inherently subjective. Historically, our estimates and judgments to calculate our deferred tax accounts have not required significant revision to our initial estimates.

In evaluating our ability to recover deferred tax assets, we consider all available positive and negative evidence, including our past operating results and our forecast of future taxable income. In determining future taxable income, we make assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require us to make judgments about our future taxable income and are consistent with the plans and estimates we use to manage our business. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings.

Other-Than-Temporary Impairment of Securities – Securities are evaluated on at least a quarterly basis, and more frequently when market conditions warrant such an evaluation, to determine whether a decline in their value is other-than-temporary. To determine whether a loss in value is other-than-temporary, management utilizes criteria such as the reasons underlying the decline, the magnitude and duration of the decline and our intent and ability to retain our investment in the security for a period of time sufficient to allow for an anticipated recovery in the fair value. The term "other-than-temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other-than-temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

How We Manage Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises primarily from the interest rate risk which is inherent in our lending and deposit taking activities. To that end, management actively monitors and manages interest rate risk exposure. In addition to market risk, our primary risk is credit risk on our loan portfolio. We attempt to manage credit risk through our loan underwriting and oversight policies. See"Business of Malvern Federal Savings Bank – Lending Activities."

The principal objective of our interest rate risk management function is to evaluate the interest rate risk embedded in certain balance sheet accounts, determine the level of risk appropriate given our business strategy, operating environment, capital and liquidity requirements and performance objectives, and manage the risk consistent with approved guidelines. We seek to manage our exposure to risks from changes in interest rates while at the same time trying to improve our net interest spread. We monitor interest rate risk as such risk relates to our operating strategies. We have established an Asset Liability Committee ("ALCO") Committee, which is comprised of our President and Chief Executive Officer, Chief Financial Officer, Chief Lending Officer and five outside directors, and which is responsible for reviewing our asset/liability and investment policies and interest rate risk position. The ALCO Committee meets on a regular basis. The extent of the movement of interest rates is an uncertainty that could have a negative impact on future earnings.

In recent years, we primarily have utilized the following strategies to manage interest rate risk:

- we have increased our originations of shorter term loans particularly commercial real estate and construction loans;
- we have attempted to match fund a portion of our loan portfolio with borrowings having similar expected lives;
- on occasion, we have sold long-term (30-year) fixed-rate mortgage loans with servicing retained;
- we have attempted, where possible, to extend the maturities of our deposits and borrowings; and
- we have invested in securities with relatively short anticipated lives, generally one to three years,and we hold significant amounts of liquid assets.

Gap Analysis. The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest rate sensitive" and by monitoring a bank's interest rate sensitivity "gap." An asset and liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time period and the amount of interest-bearing liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. During a period of rising interest rates, a negative gap would tend to affect adversely net interest income while a positive gap would tend to result in an increase in net interest income. Conversely, during a period of falling interest rates, a negative gap would tend to result in an increase in net interest income while a positive gap would tend to affect adversely net interest income. Our one-year cumulative gap was a negative 27.9% at September 30, 2007.

The following table sets forth the amounts of our interest-earning assets and interest-bearing liabilities outstanding at September 30, 2007, which we expect, based upon certain assumptions, to reprice or mature in each of the future time periods shown (the "GAP Table"). Except as stated below, the amount of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at September 30, 2007, on the basis of contractual maturities, anticipated prepayments, and scheduled rate adjustments within a three-month period and subsequent selected time intervals. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and anticipated prepayments of adjustable-rate loans and fixed-rate loans, and as a result of contractual rate adjustments on adjustable-rate loans. Annual prepayment rates for single-family and other mortgage loans are assumed to range from 4.0% to 11.0%. The annual prepayment rate for investment securities is assumed to range from 5.0% to 10.0%. Savings accounts and interest-bearing checking accounts are assumed to have annual rates of withdrawal, or "decay rates," of 11.0% and 6.0%, respectively. See "Business of Malvern Federal Savings Bank – Lending Activities," "– Investment Activities" and "– Sources of Funds."

	6 Months or Less	More than 6 Months to 1 Year	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years	Total Amount
			(Dollars in thousands)			
Interest-earning assets(1):						
Loans receivable(2)	$ 118,662	$ 46,355	$ 191,278	$ 54,325	$ 69,372	$ 479,992
Investment securities	22,546	4,638	6,279	941	733	35,137
Other interest-earning assets	16,601	—	—	—	—	16,601
Total interest-earning assets	157,809	50,993	197,557	55,266	70,105	531,730
Interest-bearing liabilities:						
Demand and NOW accounts	$ 34,649	$ —	$ —	$ —	—	$ 34,649
Money market accounts	73,790	—	—	—	—	73,790
Savings accounts	38,162	—	—	—	—	38,162
Certificate accounts	111,859	92,390	54,579	6,457	2,955	268,240
FHLB advances	11,509	522	59,356	—	—	71,387
Other borrowings	—	—	—	—	—	—
Total interest-bearing Liabilities	269,969	92,912	113,935	6,457	2,955	486,228
Interest-earning assets less interest-bearing liabilities	$ (112,160)	$ (41,919)	$ 83,622	$ 48,809	$ 67,150	$ 45,502
Cumulative interest-rate sensitivity gap(3)	$ (112,160)	$ (154,079)	$ (70,457)	$ (21,648)	$ 45,502	
Cumulative interest-rate gap as a percentage of total assets at September 30, 2007	(20.32)%	(27.92)%	(12.77)%	(3.92)%	8.24%	
Cumulative interest-earning assets as a percentage of cumulative interest-bearing liabilities at September 30, 2007	58.45%	57.54%	85.22%	95.52%	109.36%	

(1) Interest-earning assets are included in the period in which the balances are expected to be redeployed and/or repriced as a result of anticipated prepayments, scheduled rate adjustments and contractual maturities.

(2) For purposes of the gap analysis, loans receivable includes non-performing loans gross of the allowance for loan losses, undisbursed loan funds, unamortized discounts and deferred loan fees.

(3) Interest-rate sensitivity gap represents the difference between net interest-earning assets and interest-bearing liabilities.

Certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate loans, have features which restrict changes in interest rates both on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the table. Finally, the ability of many borrowers to service their adjustable-rate loans may decrease in the event of an interest rate increase.

Net Portfolio Value and Net Interest Income Analysis. Our interest rate sensitivity also is monitored by management through the use of models which generate estimates of the change in its net portfolio value ("NPV") and net interest income ("NII") over a range of interest rate scenarios. NPV is the present value of expected cash flows from assets, liabilities, and off-balance sheet contracts. The NPV ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario.

The table below sets forth as of September 30, 2007 and 2006, the estimated changes in our net portfolio value that would result from designated instantaneous changes in the United States Treasury yield curve. Computations of prospective effects of hypothetical interest rates changes are based on numerous assumptions including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results.

	As of September 30, 2007			As of September 30, 2006		
Change in Interest Rates (basis points)[1]	Amount	Dollar Change from Base	Percentage Change from Base	Amount	Dollar Change from Base	Percentage Change from Base
+300	$ 28,782	$ (22,994)	(44)%	$ 29,976	$ (18,402)	(38)%
+200	36,329	(15,447)	(30)	36,348	(12,030)	(25)
+100	44,222	(7,554)	(15)	42,618	(5,760)	(12)
0	$ 51,776			$ 48,378		
-100	57,878	+ 6,102	+ 12	53,348	+ 4,970	+ 10
-200	62,315	+ 10,539	+ 20	56,928	+ 8,550	+ 18

(1) Assumes an instantaneous uniform change in interest rates. A basis point equals 0.01%.

In addition to modeling changes in NPV, we also analyze potential changes to NII for a twelve-month period under rising and falling interest rate scenarios. The following table shows our NII model as of September 30, 2007.

Change in Interest Rates in Basis Points (Rate Shock)	Net Interest Income	$ Change	% Change
	(Dollars in thousands)		
200	$ 15,354	$ (250)	(1.60)%
100	15,507	(97)	(0.62)
Static	15,604	—	—
(100)	15,486	(118)	(0.75)
(200)	15,320	(284)	(1.82)

The above table indicates that as of September 30, 2007, in the event of an immediate and sustained 200 basis point increase in interest rates, our net interest income for the 12 months ending September 30, 2008 would be expected to decrease by $250,000 or 1.6% to $15.4 million.

As is the case with the GAP Table, certain shortcomings are inherent in the methodology used in the above interest rate risk measurements. Modeling changes in NPV and NII require the making of certain assumptions which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the models presented assume that the composition of our interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the NPV measurements and net interest income models provide an indication of interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on net interest income and will differ from actual results.

Average Balances, Net Interest Income, and Yields Earned and Rates Paid. The following table shows for the periods indicated the total dollar amount of interest from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. Tax-exempt income and yields have not been adjusted to a tax-equivalent basis. All average balances are based on monthly balances. Management does not believe that the monthly averages differ significantly from what the daily averages would be.

	Year Ended September 30,								
	2007			2006			2005		
	Average Outstanding Balance	Interest Earned/Paid	Yield/Rate	Average Outstanding Balance	Interest Earned/Paid	Yield/Rate	Average Outstanding Balance	Interest Earned/Paid	Yield/Rate
	(Dollars in thousands)								
Interest Earning Assets:									
Loans receivable[1]	$ 464,164	$ 30,732	6.62%	$ 440,768	$ 28,456	6.46%	$ 391,861	$ 23,238	5.93%
Investment securities	34,410	1,390	4.48	37,013	1,370	3.70	55,907	1,995	3.57
Deposits in other banks	7,220	324	4.04	5,847	136	2.33	7,477	96	1.28
FHLB stock	4,239	323	7.61	4,533	197	4.35	4,067	97	2.38
Total interest earning assets[1]	510,033	32,769	6.42	488,161	30,159	6.18	459,312	25,426	5.54
Non-interest earning assets	17,542			17,421			18,064		
Total assets	527,575			505,582			477,375		
Interest Bearing Liabilities:									
Demand and NOW accounts	34,056	246	0.72%	32,735	192	0.59%	34,157	209	0.61%
Money Market accounts	59,946	2,327	3.88	39,204	1,034	2.64	36,949	553	1.50
Savings accounts	41,546	422	1.02	48,560	500	1.03	57,781	595	1.03
Certificate accounts	261,231	12,392	4.74	249,703	10,573	4.23	232,553	8,813	3.79
Total Deposits	396,779	15,387	3.88	370,202	12,299	3.32	361,440	10,170	2.81
Borrowed funds	64,076	3,848	6.01	70,249	4,204	5.98	56,044	3,540	6.32
Total interest-bearing liabilities	460,855	19,235	4.17	440,451	16,503	3.75	417,484	13,710	3.29
Non-interest-bearing liabilities	24,850			25.068			22,841		
Total Liabilities	485,705			465,519			440,325		
Equity	41,870			40,063			37,050		
Total Liabilities and Equity	$ 527,575			$ 505,582			$ 477,375		
Net interest income		$ 13,534			$ 13,657			$ 11,716	

Net interest spread	2.25%	2.43%	2.25%
Net interest margin	2.65%	2.80%	2.55%

(1) Calculated net of deferred loan fees, loan discounts, loans in process and loss reserves. Includes $9.3 million of loans held for sale at September 30, 2007.

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the increase related to higher outstanding balances and that due to the unprecedented levels and volatility of interest rates. 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 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 Ended September 30,					
	2006 vs. 2007			2005 vs. 2006		
	Volume	Rate	Net Change	Volume	Rate	Net Change
Interest-earning assets:						
Loans receivable[(1)]	$ 1,511	$ 765	$ 2,276	$ 2,900	$ 2,381	$ 5,218
Investment Securities	(97)	117	20	(674)	49	(625)
FHLB Stock	(134)	140	126	11	89	100
Deposits in other banks	33	155	188	(21)	61	40
Total interest-earning assets	$ 1,433	$ 1,177	$ 2,610	$ 2,216	$ 2,517	$ 4,733
Interest-bearing liabilities:						
Demand and NOW accounts	$ (1)	$ 55	54	$ 2	$ (19)	$ (17)
Money market accounts	547	746	1,293	34	447	481
Savings accounts	(72)	(6)	(78)	(95)	—	(95)
Certificate accounts	488	1,331	1,819	650	1,110	1,760
Total deposits	962	2,126	3,088	591	1,538	2,129
Borrowed funds	(369)	13	(356)	897	(233)	664
Total interest-bearing liabilities	$ 593	$ 2,139	$ 2,732	$ 1,489	$ 1,304	$ 2,793
Net interest income	$ 840	$ (962)	$ (122)	$ 728	$ 1,212	$ 1,940

(1) Includes $9.3 million of loans held for sale at September 30, 2007.

Comparison of Financial Condition at September 30, 2007 and September 30, 2006

Our total assets amounted to $551.9 million at September 30, 2007, a $34.7 million or 6.7% increase over total assets at September 30, 2006. During 2007, the primary reasons for our increases in total assets consisted of an $11.9 million increase in cash and cash equivalents, a $9.3 million increase in available for sale loans, a $10.4 million increase in net loans in portfolio and a $2.1 million increase in bank owned life insurance ("BOLI"). Our investment in BOLI amounted to $7.8 million at September 30, 2007 compared to $5.7 million at September 30, 2006 due primarily to the purchase of additional BOLI in fiscal 2007. BOLI is a bank owned life insurance policy on a selected group of employees which is used to help defray employee benefit costs. BOLI is recorded on the statements of financial condition at its cash surrender value and changes in the cash surrender value are recorded in other, or non-interest, income. BOLI income is tax-exempt. Malvern Federal Savings Bank's BOLI policy currently covers a group of approximately 20 employees, all of whom have consented to such coverage.

Our total liabilities at September 30, 2007, amounted to $507.9 million compared to $475.8 million at September 30, 2006. The primary reason for the $32.1 million, or 6.8%, increase in total liabilities during fiscal 2007 was a $31.4 million increase in our deposits. Subsequent to the reorganization we intend to moderately increase our use of leverage in the form of FHLB advances as an additional source of funds.

Our total equity capital amounted to $44.0 million at September 30, 2007 compared to $41.4 million at September 30, 2006. The primary reasons for the $2.6 million increase in equity in fiscal 2007 was net income of $2.4 million during the fiscal year ended September 30, 2007.

Comparison of Operating Results for the Years Ended September 30, 2007 and September 30, 2006

General. We reported net income of $2.4 million for the year ended September 30, 2007 compared to net income of $3.2 million for the year ended September 30, 2006. The primary reason for the $793,000, or 24.7% decrease in our net income in fiscal 2007 compared to fiscal 2006 was an $847,000 increase in the provision for loan losses to $1.3 million in fiscal 2007 compared to $451,000 in fiscal 2006. In addition to the difference in the provision for loan losses, our net interest income decreased by $122,000 in the year ended September 30, 2007 compared to the year ended September 30, 2006, while our other, or non-interest, income decreased by $98,000 and our non-interest expense increased by $391,000. These differences were partially offset by a $665,000 decrease in income tax expense in the year ended September 30, 2007 compared to the year ended September 30, 2006.

Interest and Dividend Income. Our total interest and dividend income amounted to $32.8 million for the year ended September 30, 2007 compared to $30.2 million for the year ended September 30, 2006. The primary reason for the $2.6 million increase in interest and dividend income in fiscal 2007 compared to fiscal 2006 was a $2.3 million, or 8.0%, increase in interest earned on loans. The increase in interest earned on loans in fiscal 2007 was due primarily to a 16 basis point (100 basis points being equal to 1.0%) increase in the average yield earned on our loans together with a $23.4 million, or 5.3%, increase in the average balance of our loan portfolio in fiscal 2007 compared to fiscal 2006. The increase in the average yield on our net loans in fiscal 2007 compared to fiscal 2006 reflects our focus on originating commercial real estate and construction loans as well as home equity loans and lines of credit, all of which have higher yields than one-to four-family residential mortgage loans, as well as the increase in market rates of interest during the period. Our interest earned on deposits in other institutions increased by $188,000 to $324,000 in the fiscal year ended September 30, 2007 compared to $136,000 in fiscal 2006. The primary reason for the increase in fiscal 2007 was $1.4 million, or 23.5%, increase in the average balances of deposits in other banks in fiscal 2007 compared to fiscal 2006. Our average balance of funds deposited in other banks was lower in fiscal 2006 in part due to our prepayment of $4.9 million of FHLB advances in fiscal 2006. Interest income on investment securities increased by $96,000, or 8.2%, in fiscal 2007 compared to fiscal 2006. The increase in interest income on investment securities in 2007 was due to a 64 basis point increase in the average yield earned, which more than offset a $2.6 million, or 7.0%, decrease in the average balance of our investment securities portfolio.

Interest Expense. Our total interest expense amounted to $19.2 million for the year ended September 30, 2007 compared to $16.5 million for the year ended September 30, 2006, an increase of $2.7 million or 16.6%. The reason for the increase in interest expense in fiscal 2007 compared to fiscal 2006 was an increase in the average balance of our total deposits and increases in the average rates paid on most of our deposit products in fiscal 2007 compared to fiscal 2006. The average balance of our total deposits increased by $25.1 million, or 6.4%, in fiscal 2007 compared to fiscal 2006 due primarily to an $20.7 million increase in the average balance of money market accounts together with an $11.5 million increase in the average balance of certificates of deposit. The average rate paid on our deposits increased by 55 basis points in fiscal 2007 compared to fiscal 2006 due primarily to increases in the average rates paid on our money market accounts and certificate accounts in fiscal 2007 compared to fiscal 2006. Our expense on borrowings amounted to $3.8 million in fiscal 2007 compared to $4.2 million in fiscal 2006, a decrease of $356,000 or 8.5%. The average balance of our borrowings was reduced by $6.2 million in fiscal 2007 compared to fiscal 2006, which more than offset a three basis point increase in the average cost of borrowed funds to 6.01% during the year ended September 30, 2007. Given the increases in deposit levels in fiscal 2007, we repaid approximately $4.9 million FHLB advances during the fiscal year.

Provision for Loan Losses. We have identified the evaluation of the allowance for loan losses as a critical accounting policy where amounts are sensitive to material variation. This policy is significantly affected by our judgment and uncertainties and there is a likelihood that materially different amounts would be reported under different, but reasonably plausible, conditions or assumptions. Our activity in the provision for loan losses, which are charges or recoveries to operating results, is undertaken in order to maintain a level of total allowance for losses that management believes covers all known and inherent losses that are both probable and reasonably estimable at each reporting date. Our evaluation process typically includes, among other things, an analysis of delinquency trends, non-performing loan trends, the level of charge-offs and recoveries, prior loss experience, total loans outstanding, the volume of loan originations, the type, size and geographic concentration of our loans, the value of collateral securing the loan, the borrower's ability to repay and repayment performance, the number of loans requiring heightened management oversight, local economic conditions and industry experience. The establishment of the allowance for loan losses is significantly affected by management judgment and uncertainties and there is a likelihood that different amounts would be reported under different conditions or assumptions. Various regulatory agencies, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require it to make additional provisions for estimated loan losses based upon judgments different from those of management.

During the year ended September 30, 2007, we made a $1.3 million provision to our allowance for loan losses compared to a $451,000 provision in the year ended September 30, 2006. The provision in fiscal 2007 was due primarily to one classified commercial real estate loan with an outstanding balance of $3.5 million at September 30, 2007 secured by a mixed use building in Philadelphia, Pennsylvania. We increased our allowance for loan losses by $852,000 in fiscal 2007 upon review of this loan. "Asset Quality – Asset Classification." The $1.3 million provision for loan losses made in fiscal 2007 reflected management's assessment, based on the information available at the time, of the inherent level of losses in the bank's loan portfolio.

Other Income. Our other, or non-interest, income decreased by $98,000, or 6.3%, to $1.5 million for the year ended September 30, 2007 compared to $1.6 million for the year ended September 30, 2006. The primary reasons for the decrease in other income in fiscal 2007 compared to fiscal 2006 was the absence of any gain on the sale of loans, compared to $102,000 in such gain in fiscal 2006, as well as an $8,000 loss taken upon the sale of available for sale securities.

Our income from service charges and other fees increased slightly in the year ended September 30, 2007 over the year ended September 30, 2006, while our income from BOLI increased $25,000, or 12.6%, in fiscal 2007 due primarily to the purchase of additional BOLI coverage in fiscal 2007.

Other Expenses. Our other, or non-interest, expenses increased by $391,000, or 4.0%, to $10.2 million for the year ended September 30, 2007 compared to $9.8 million for the year ended September 30, 2006. The primary reasons for the increase in other expenses were increases in salary and employee benefits expenses of $236,000, or 4.8%, in fiscal 2007 compared to fiscal 2006. In addition to normal salary adjustments, our salary and benefit expense increase in fiscal 2007 due to the addition of three full-time and five part-time employees as well as increased health insurance premiums. Our advertising expense increased by $245,000, or 88.3%, to $523,000 in the year ended September 30, 2007 compared to $278,000 in the year ended September 30, 2006. We increased our marketing efforts in fiscal 2007 by adding television and billboard advertising as well as increasing our newspaper and direct mail promotional efforts. In addition, our occupancy expense increased by $160,000, or 9.7%, in fiscal 2007 compared to fiscal 2006 reflecting in large part renovations at one of our branch offices and additional depreciation costs. Partially offsetting these increases in other expenses was a $389,000, or 22.6%, reduction in other operating expenses to $1.3 million in fiscal 2007 compared to $1.7 million in fiscal 2006. Other operating expenses were higher in fiscal 2006 primarily due to a $339,000 fee incurred upon the prepayment of $4.9 million in FHLB advances in fiscal 2007. No such prepayment fees were incurred in fiscal 2007.

Income Tax Expense. Our income tax expense decreased by $665,000 to $1.1 million for the year ended September 30, 2007 compared to $1.8 million for the year ended September 30, 2006. The decrease in income tax expense was due primarily to the decrease in pre-tax income. Our effective Federal tax rate was 31.7% for the year ended September 30, 2007 compared to 35.8% for the year ended September 30, 2006. During fiscal 2007, we reduced our effective tax rate primarily through increased contributions to organizations for which we received a credit for purposes of our Pennsylvania income taxes.

Comparison for Operating Results for the Years Ended September 30, 2006 and September 30, 2005

General. Our net income increased by $699,000 or 27.9% to $3.2 million for the year ended September 30, 2006 compared to $2.5 million for the year ended September 30, 2005. The primary reason for the increase in our net income in fiscal 2006 compared to fiscal 2005 was a $1.9 million increase in net interest income, which more than offset a $566,000 increase in other expenses, a $161,000 increase in the provision for loan losses and a $679,000 increase in income tax expense in fiscal 2006 compared to fiscal 2005.

Interest and Dividend Income. Our total interest and dividend income amounted to $30.2 million for the year ended September 30, 2006 compared to $25.4 million for the year ended September 30, 2005. The primary reason for the $4.7 million, or 18.6%, increase in interest and dividend income in fiscal 2006 compared to fiscal 2005 was a $5.2 million increase in interest income on loans due primarily to a $48.9 million, or 12.5%, increase in the average balance of our loan portfolio in fiscal 2006 compared to fiscal 2005 together with a 53 basis point increase in the average yield earned on loans. The increase in the average balance of loans in fiscal 2006 over fiscal 2005 primarily reflects the significant amount of new loans we were originating in fiscal 2006. Interest income on our investment securities decreased by $485,000 in fiscal 2006 compared to fiscal 2005 due primarily to $19.0 million decrease in the average balance of our investment securities which more than offset a 13 basis point increase in the average yield earned.

Interest Expense. Our total interest expense increased to $16.5 million for the year ended September 30, 2006 compared to $13.7 million for the year ended September 30, 2005. The increase was primarily due to $2.1 million increase in interest paid on deposits. The average balance of our deposits increased by $10.6 million in fiscal 2006 compared to fiscal 2005, due primarily to a $17.1 million increase in the average balance of our certificates of deposit which was partially offset by a $6.6 million decrease in core deposits. The average rate paid on all deposits increased by 47 basis points to 3.14% in fiscal 2006 compared to 2.67% in fiscal 2005. Interest paid on borrowings increased by $664,000, or 18.8%, to $4.2 million in fiscal 2006 compared to $3.5 million in fiscal 2005. The average balance of our borrowings increased by $14.2 million, or 25.4%, in fiscal 2006 compared to fiscal 2005, which more than offset a 34 basis point or 5.4% decrease in the average rate paid on borrowed funds in fiscal 2006.

Provision for Loan Losses. As previously discussed, we made a $451,000 provision for loan losses in fiscal 2006. Our provision for loan losses was $290,000 for the fiscal year ended September 30, 2005. The primary reason for the increase in our provision for loan losses in fiscal 2006 compared to fiscal 2005 was due to one $1.5 million commercial real estate loan which was placed on non-accrual status in fiscal 2006. We increased our allowance for loan losses by $225,000 in fiscal 2006 upon consideration of this loan. This loan was repaid in full in fiscal 2007.

Other Income. Our other income was $1.6 million for the year ended September 30, 2006 compared to $1.4 million for the year ended September 30, 2005. In fiscal 2006, our other income increased by $166,000 over fiscal 2005 due primarily to a $179,000, or 22.2%, increase in service charges and fees, primarily as a result of increases in the amount of loan fees due primarily to increased originations of commercial real estate and construction loans as well as increases in the fee schedule for such loans and increased fees on certain deposit products, such as DDA accounts, and increased promotion of such products. In addition, in fiscal 2006, we recognized a $25,000 gain on the sale of available for sale investment securities compared to a $231,000 loss on such sales in fiscal 2005. Partially offsetting these items was a reduction in the gain recorded on sales of loans to $102,000 in fiscal 2006 compared to $240,000 in fiscal 2005.

Other Expenses. Our other expenses amounted to $9.8 million in the fiscal year ended September 30, 2006 compared to $9.2 million in the fiscal year ended September 30, 2005. The primary reason for the $566,000, or 6.2%, increase in other expenses in fiscal 2006 compared to fiscal 2005 was a $444,000 increase in salaries and employee benefit expense in fiscal 2006. In addition, our other operating expenses increased by $142,000 in fiscal 2006 compared to fiscal 2005 due primarily to a $339,000 prepayment fee incurred in fiscal 2006 upon the prepayment of $5.0 million of FHLB advances with a weighted average rate of 7.13%.

Income Tax Expense. Our income tax expense was $1.8 million in the year ended September 30, 2006 compared to $1.1 million in year ended September 30, 2005. The primary reason for the increase in income tax expense in fiscal 2006 compared to fiscal 2005 was the increase in pre-tax income. Our effective Federal tax rate was 35.8% in fiscal 2006 compared to 30.7% in fiscal 2005.

Liquidity and Capital Resources

Our primary sources of funds are from deposits, amortization of loans, loan prepayments and the maturity of loans, mortgage-backed securities and other investments, and other funds provided from operations. While scheduled payments from the amortization of loans and mortgage-backed securities and maturing investment securities are relatively predictable sources of funds, deposit flows and loan prepayments can be greatly influenced by general interest rates, economic conditions and competition. We also maintain excess funds in short-term, interest-bearing assets that provide additional liquidity. At September 30, 2007, our cash and cash equivalents amounted to $19.0 million. In addition, at such date our available for sale investment securities amounted to $29.1 million.

We use our liquidity to fund existing and future loan commitments, to fund maturing certificates of deposit and demand deposit withdrawals, to invest in other interest-earning assets, and to meet operating expenses. At September 30, 2007, we had certificates of deposit maturing within the next 12 months amounting to $204.2 million. Based upon historical experience, we anticipate that a significant portion of the maturing certificates of deposit will be redeposited with us. For the year ended September 30, 2007, the average balance of our outstanding FHLB advances was $57.2 million. At September 30, 2007, we had $63.4 million in outstanding FHLB advances and we had $252.2 million in additional FHLB advances available to us. In addition, at September 30, 2007, we had a $50.0 million line of credit with the FHLB, of which we had $8.0 million outstanding and $42.0 million was available.

In addition to cash flow from loan and securities payments and prepayments as well as from sales of available for sale securities, we have significant borrowing capacity available to fund liquidity needs. In recent years we have utilized borrowings as a cost efficient addition to deposits as a source of funds. Our borrowings consist solely of advances and short-term borrowings from the FHLB of Pittsburgh, of which we are a member. Under terms of the collateral agreement with the Federal Home Loan Bank, we pledge residential mortgage loans and mortgage-backed securities as well as our stock in the Federal Home Loan Bank as collateral for such advances.

Payments Due Under Contractual Obligations

The following table presents information relating to Malvern Federal Savings Bank's payments due under contractual obligations as of September 30, 2007.

	Payments Due by Period				
	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years	Total
	(Dollars in thousands)				
Long-term debt obligations	$ 3,000	$ 55,387	$ 5,000	$ —	$ 63,387
Certificates of deposit	204,249	54,579	6,457	2,955	268,240
Operating lease obligations	84	168	168	119	539
Total contractual obligations	$ 207,493	$ 110,134	$ 11,625	$ 3,074	$ 332,166

Off-Balance Sheet Arrangements

In the normal course of operations, the bank engages in a variety of financial transactions that, in accordance with accounting principles generally accepted in the United States of America, are not recorded in its financial statements. These transactions involve, to varying degrees, elements of credit, interest rate, and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of loan commitments, lines of credit and letters of credit.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer defaults and the value of any existing collateral becomes worthless. Malvern Federal Savings Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Financial instruments whose contract amounts represent credit risk at September 30, 2007 and 2006 are as follows:

	September 30,	
	2007	2006
	(Dollars in thousands)	
Commitments to extend credit:[1]		
Future loan commitments	$ 4,977	$ 1,199
Undisbursed construction loans	43,346	36,445
Undisbursed home equity lines of credit	18,862	20,001
Undisbursed commercial lines of credit	8,566	9,411
Overdraft protection lines	900	964
Standby letters of credit	2,277	1,925
Total Commitments	$ 78,928	$ 69,945

(1) 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 may require payment of a fee and generally have fixed expiration dates or other termination clauses.

We anticipate that we will continue to have sufficient funds and alternative funding sources to meet our current commitments.

Impact of Inflation and Changing Prices

The financial statements, accompanying notes, and related financial data of Malvern Federal Savings Bank presented herein 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 changes in purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of operations. Most of our assets and liabilities are monetary in nature; therefore, the impact of interest rates has a greater impact on its performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Recent Accounting Pronouncements

In March 2007, the FASB ratified EITF Issue No. 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements" (EITF 06-10). EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. We are currently assessing the impact of EITF 06-10 on our consolidated financial position and results of operations.

In February 2007, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for us on October 1, 2008. We are evaluating the impact that the adoption of SFAS No, 159 will have on our consolidated financial position and results of operations.

In September 2006, the FASB issued FASB Statement No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. FASB Statement No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. We are currently evaluating the potential impact, if any, of the adoption of FASB Statement No. 157 on our consolidated financial position, results of operations and cash flows.

In July 2006, the FASB issued FASB Interpretation ("FIN") No. 48 Accounting for Uncertainty in Income Taxes. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's

financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. This Interpretation 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. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The implementation of this standard did not have a material impact on our consolidated financial position or results of operations.

In May 2007, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") FIN 48-1 "Definition of Settlement in FASB Interpretation No. 48" (FSP FIN 48-1). FSP FIN 48-1 provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 is effective retroactively to October 1, 2006. The implementation of this standard did not have a material impact on our consolidated financial position or results of operations.

On September 7, 2006, the EITF reached a conclusion on EITF Issue No. 06-5, "Accounting for Purchases of Life Insurance – Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance" ("EITF 06-5"). The scope of EITF 06-5 consists of six separate issues relating to accounting for life insurance policies purchased by entities protecting against the loss of "key persons." The six issues are clarifications of previously issued guidance on FASB Technical Bulletin No. 85-4. EITF 06-5 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact the adoption of EITF 06-5 will have on our consolidated financial statements.

In September 2006, FASB ratified the consensus reached by the EITF in Issue 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. EITF 06-4 applies to life insurance arrangements that provide an employee with a specified benefit that is not limited to the employee's active service period, including certain bank-owned life insurance ("BOLI") policies. EITF 06-4 requires an employer to recognize a liability and related compensation costs for future benefits that extend to postretirement periods. EITF 06-4 is effective for fiscal years beginning after December 31, 2007, with earlier application permitted. We are continuing to evaluate the impact of this consensus, which may require us to recognize an additional liability and compensation expense related to our BOLI policies.

MALVERN FEDERAL MUTUAL HOLDING COMPANY

Malvern Federal Mutual Holding Company will be formed as a federal mutual holding company and will at all times own a majority of the outstanding shares of Malvern Federal Bancorp's common stock. Persons who had membership rights in Malvern Federal Savings Bank as of the date of the reorganization will continue to have membership rights, however, these membership rights will be in Malvern Federal Mutual Holding Company.

Malvern Federal Mutual Holding Company's principal assets will be the common stock of Malvern Federal Bancorp it receives in the reorganization and $100,000 cash in initial capitalization which will be paid in by Malvern Federal Savings Bank. Presently, it is expected that the only business activity of Malvern Federal Mutual Holding Company will be to own a majority of Malvern Federal Bancorp's common stock. Malvern Federal Mutual Holding Company will be authorized, however, to engage in any other business activities that are permissible for mutual holding companies under federal law, including investing in loans and securities.

Malvern Federal Mutual Holding Company will neither own nor lease any property, but will instead use the premises, equipment and furniture of Malvern Federal Savings Bank. It is anticipated that Malvern Federal Mutual Holding Company will employ only persons who are officers of Malvern Federal Savings Bank to serve as officers of Malvern Federal Mutual Holding Company. Those persons will not be separately compensated by Malvern Federal Mutual Holding Company.

MALVERN FEDERAL BANCORP, INC.

Malvern Federal Bancorp will be formed as a federal corporation and will own 100% of Malvern Federal Savings Bank's common stock. We have not engaged in any business to date. We will retain up to 50% of the net proceeds from the offering. We will use our initial capital as discussed in "How Our Net Proceeds Will Be Used." Our cash flow will depend upon earnings from the investment of the portion of net proceeds we retain and any dividends we receive from Malvern Federal Savings Bank.

Immediately after the reorganization and offering, it is expected that our only business activities will be to hold all of the outstanding common stock of Malvern Federal Savings Bank. We will be authorized to pursue other business activities permitted by applicable laws and regulations for savings and loan holding companies, which may include the issuance of additional shares of common stock to raise capital or to support mergers or acquisitions and borrowing funds for reinvestment in Malvern Federal Savings Bank. There are no plans for any additional capital issuance, merger or acquisition or other diversification of the activities of Malvern Federal Bancorp at the present time.

Initially, Malvern Federal Bancorp will neither own nor lease any property, but will instead use the premises, equipment and furniture of Malvern Federal Savings Bank. At the present time, we intend to employ only persons who are officers of Malvern Federal Savings Bank to serve as officers of Malvern Federal Bancorp. We also may use the support staff of Malvern Federal Savings Bank from time to time. These persons will not be separately compensated by Malvern Federal Bancorp. We will hire additional employees, as appropriate, to the extent we expand our business in the future.

BUSINESS OF MALVERN FEDERAL SAVINGS BANK

General. Malvern Federal Savings is a federally chartered community-oriented savings bank which was originally organized in 1887 and is headquartered in Paoli, Pennsylvania. The bank currently conducts its business from its headquarters office and six additional financial centers.

We are primarily engaged in attracting deposits from the general public and using those funds to invest in loans and investment securities. Our principal sources of funds are deposits, repayments of loans and investment securities, maturities of investments and interest-bearing deposits, other funds provided from operations and wholesale funds borrowed from outside sources such as the Federal Home Loan Bank of Pittsburgh. These funds are primarily used for the origination of various loan types including single-family residential mortgage loans, commercial real estate mortgage loans, construction and development loans, home equity loans and lines of credit and other consumer loans. The bank derives its income principally from interest earned on loans, investment securities and, to a lesser extent, from fees received in connection with the origination of loans and for other services. Malvern Federal Savings Bank&rs