

MALVERN BANCORP, INC.
Form S-1/A
August 02, 2012

Table of Contents

As filed with the Securities and Exchange Commission on August 2, 2012

Registration No. 333-181798

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Pre-Effective Amendment No. 1 to

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MALVERN BANCORP, INC.
AND MALVERN FEDERAL SAVINGS BANK
EMPLOYEES SAVING AND PROFIT SHARING PLAN

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

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

6036
(Primary Standard
Industrial Classification Code Number)

45-5307782
(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 Bancorp, Inc.
42 East Lancaster Avenue
Paoli, Pennsylvania 19301

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(610) 644-9400

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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.

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.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$.01 par value per share	6,558,762 shares(1)	\$10.00	\$65,587,620(2)	\$ 7,517 (3)
Participation interests	678,189 interests(2)			(2)

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- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Regulation 457(o) under the Securities Act.
- (2) The securities of Malvern Bancorp, Inc. to be purchased by the Malvern Federal Savings Bank Employees Savings and Profit Sharing Plan are included in the common stock being registered. Pursuant to Rule 457(h)(2) of the Securities Act of 1933, as amended, no separate fee is required for the participation interests.
- (3) Previously paid.

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.

Table of Contents

PROSPECTUS

MALVERN BANCORP, INC.

(Proposed holding company for Malvern Federal Savings Bank)

Up to 3,162,500 Shares of Common Stock for Sale (Anticipated Maximum, Subject to Increase)

Malvern Bancorp, Inc., a newly formed Pennsylvania corporation (which we refer to as "Malvern Bancorp New"), is offering up to 3,162,500 shares of its common stock to the public in connection with the second step conversion of Malvern Federal Mutual Holding Company from the mutual to the stock form of organization. All shares of common stock being offered for sale will be sold at a price of \$10.00 per share. The shares being offered represent Malvern Federal Mutual Holding Company's current 55.5% ownership interest in the existing mid-tier holding company for Malvern Federal Savings Bank, a federally chartered corporation known as Malvern Federal Bancorp, Inc. (which we refer to as "Malvern Federal Bancorp"). The remaining 44.5% ownership interest in Malvern Federal Bancorp is now owned by public shareholders and will be exchanged for shares of common stock of Malvern Bancorp New. The common stock of Malvern Federal Bancorp is currently listed on the Nasdaq Global Market under the symbol "MLVF". We expect that the common stock of Malvern Bancorp New will trade on the Nasdaq Global Market under the symbol "MLVFD" for a period of 20 trading days after completion of the conversion and offering. Thereafter, the trading symbol will be "MLVF".

If you are a current or former depositor or other member of Malvern Federal Savings Bank as of one of the eligibility record dates, you may have priority rights to purchase shares in the subscription offering.

If you are not a depositor, but are interested in purchasing shares of our common stock, you may be able to purchase shares in the community offering to the extent shares remain available after priority orders are filled.

If you are a shareholder of Malvern Federal Bancorp, the shares you own will be exchanged automatically for shares of Malvern Bancorp New based on an exchange ratio.

We are offering shares of common stock in a subscription offering to eligible depositors and certain borrowers of Malvern Federal Savings Bank. Shares of common stock not purchased in the subscription offering may be offered for sale to the public in a community offering, with a preference given to residents of our local communities and the shareholders of Malvern Federal Bancorp. We must sell a minimum of 2,337,500 shares to complete the offering. Stifel, Nicolaus & Company, Incorporated will assist us in selling our common stock on a best efforts basis in the subscription and community offerings. We also may offer for sale shares of common stock not purchased in the subscription offering or community offering in a syndicated community offering through a syndicate of selected broker-dealers, with Stifel, Nicolaus & Company, Incorporated serving as a sole book-running manager. We retain the right to accept or reject, in whole or in part, any order received in the community offering or the syndicated community offering. Stifel, Nicolaus & Company, Incorporated is not obligated to purchase any shares of common stock that are being offered for sale in the subscription offering, community offering and any syndicated community offering. Instead

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of a syndicated community offering, shares not purchased in the subscription offering or community offering may be sold in an underwritten public offering to be managed by Stifel, Nicolaus & Company, Incorporated.

The minimum order is 25 shares. The subscription offering will end at 2:00 p.m., Eastern Time, on _____, 2012. We expect that the community offering, if held, will terminate at the same time, although it may continue without notice to you until _____, 2012. The offering may be extended further, subject to the receipt of any necessary approvals or non-objections from the Board of Governors of the Federal Reserve System. No single extension may exceed 90 days, and the offering must be completed by _____, 2014. Once submitted, orders are irrevocable unless the offering is terminated or is extended beyond _____, 2012, or the number of shares of common stock to be sold is increased to more than 3,636,875 shares or decreased to less than 2,337,500 shares. If we extend the offering beyond _____, 2012, all subscribers will be notified and given the opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will promptly return your funds, with interest calculated at Malvern Federal Savings Bank's passbook savings rate or cancel your deposit account withdrawal authorization. If we intend to sell fewer than 2,337,500 shares or more than 3,636,875 shares, we will promptly return all funds, with interest, and set a new offering range. All subscribers will be notified and given the opportunity to place a new order. Funds received prior to the completion of the offering will be held in a segregated account at Malvern Federal Savings Bank and will earn interest calculated at Malvern Federal Savings Bank's passbook savings rate, which is currently _____% per annum.

**This investment involves a degree of risk, including the possible loss of principal.
Please read Risk Factors beginning on page 19.**

OFFERING SUMMARY Price Per Share: \$10.00

	Minimum	Midpoint	Maximum	Maximum, as Adjusted
Number of shares	2,337,500	2,750,000	3,162,500	3,636,875
Gross offering proceeds	\$ 23,375,000	\$ 27,500,000	\$ 31,625,000	\$ 36,368,750
Estimated offering expenses, excluding selling agent fees and expenses	\$ 955,000	\$ 955,000	\$ 955,000	\$ 955,000
Estimated selling agent fees or discounts (1)(2)	\$ 933,000	\$ 1,098,000	\$ 1,263,000	\$ 1,452,750
Estimated selling agent expenses (3)	\$ 195,000	\$ 195,000	\$ 195,000	\$ 195,000
Estimated net proceeds	\$ 21,292,000	\$ 25,252,000	\$ 29,212,000	\$ 33,766,000
Estimated net proceeds per share	\$ 9.11	\$ 9.18	\$ 9.24	\$ 9.28

- (1) Includes: (i) selling commissions payable by us to Stifel, Nicolaus & Company, Incorporated in connection with the subscription and community offerings equal to 1.0% of the aggregate amount of common stock sold in the subscription and community offerings (net of insider purchases) or approximately \$143,000, at the adjusted maximum of the offering range, assuming that 40% of the offering is sold in the subscription and community offerings and the remaining 60% of the offering will be sold either by a syndicate of broker-dealers in a syndicated community offering or in an underwritten public offering; and (ii) fees and selling commissions payable by us to Stifel, Nicolaus & Company, Incorporated and any other broker-dealers participating in the syndicated offering equal to 6.0% of the aggregate amount of common stock sold in the syndicated community offering, or, in the case of an underwritten public offering, a 6.0% discount to Stifel, Nicolaus & Company, Incorporated and any other underwriters on shares of common stock sold in any public underwritten offering, or, in either case approximately \$1.3 million at the adjusted maximum of the offering range. See Pro Forma Data on page 46 and The Conversion and the Offering Marketing Arrangements on page 135.
- (2) If all shares of common stock are sold in the syndicated community offering or underwritten public offering, the maximum selling agent commissions (or discounts in the case of an underwritten public offering) and expenses would be \$1,597,500 at the minimum, \$1,845,000 at the midpoint, \$2,092,500 at the maximum, and \$2,377,125 at the adjusted maximum.
- (3) Consists of expenses of the offering payable to Stifel, Nicolaus & Company, Incorporated and the other broker-dealers that may participate in the syndicated community offering or underwritten public offering, including the assumptions regarding the number of shares that may be sold in the subscription offering and the syndicated community offering or underwritten public offering, as the case may be, to determine the estimated offering expenses.

These securities are not deposits or savings 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 Board of Governors of the Federal Reserve System nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

STIFEL NICOLAUS WEISEL

For assistance, please contact the Stock Information Center, toll-free, at () -

The date of this prospectus is , 2012

Table of Contents

i

Table of Contents

TABLE OF CONTENTS

	Page
<u>Summary</u>	1
<u>Risk Factors</u>	19
<u>Selected Consolidated Financial and Other Data</u>	26
<u>Recent Developments of Malvern Federal Bancorp</u>	28
<u>Forward-Looking Statements</u>	40
<u>Use of Proceeds</u>	41
<u>Our Dividend Policy</u>	42
<u>Market for Our Common Stock</u>	43
<u>Regulatory Capital Requirements</u>	44
<u>Our Capitalization</u>	45
<u>Pro Forma Data</u>	46
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	50
<u>Business</u>	71
<u>Regulation</u>	99
<u>Taxation</u>	110
<u>Management</u>	112
<u>Beneficial Ownership of Common Stock</u>	119
<u>Proposed Management Purchases</u>	121
<u>The Conversion and Offering</u>	122
<u>Restrictions on Acquisitions of Malvern Bancorp New and Malvern Federal Savings Bank and Related</u>	
<u>Anti-Takeover Provisions</u>	147
<u>Description of Our Capital Stock</u>	155

	Page
<u>Experts</u>	155
<u>Transfer Agent, Exchange Agent and Registrar</u>	156
<u>Legal and Tax Opinions</u>	156
<u>Registration Requirements</u>	156
<u>Where You Can Find Additional Information</u>	156
<u>Index to Consolidated Financial Statements</u>	F-1

Table of Contents

SUMMARY

This summary highlights material information from this prospectus and may not contain all the information that is important to you. To understand the stock offering fully, you should read this entire prospectus carefully, including the consolidated financial statements and the notes to the consolidated financial statements of Malvern Federal Bancorp and the section entitled Risk Factors.

Malvern Bancorp New

Malvern Bancorp New is a newly formed Pennsylvania corporation. Malvern Bancorp New is conducting this offering in connection with the conversion of Malvern Federal Mutual Holding Company from the mutual to the stock form of organization. The shares of common stock of Malvern Bancorp New to be sold represent the 55.5% ownership interest in Malvern Federal Bancorp currently owned by Malvern Federal Mutual Holding Company. The remaining 44.5% ownership interest in Malvern Federal Bancorp is currently owned by other shareholders (who are sometimes referred to as the public shareholders) and will be exchanged for shares of common stock of Malvern Bancorp New based on an exchange ratio which will range from 0.6908 shares at the minimum of the offering range to 0.9346 shares at the maximum of the offering range. The exchange ratio may be increased to as much as 1.0748 shares in the event the maximum of the offering range is increased by 15%. The actual exchange ratio will be determined at the closing of the offering and will depend on the number of shares of common stock sold in the stock offering. The executive offices of Malvern Bancorp New are located at 42 East Lancaster Avenue, Paoli, Pennsylvania 19301, and its telephone number is (610) 644-9400.

Malvern Federal Savings Bank

Malvern Federal Savings Bank is a federally chartered stock savings bank operating out of its headquarters in Paoli, Pennsylvania and eight full service financial center offices in Chester and Delaware Counties, Pennsylvania. Our headquarters office in Paoli, Pennsylvania, is approximately 25 miles west of the City of Philadelphia. In addition to Chester County, our lending efforts are focused in neighboring Montgomery County and Delaware County, both of which are also in southeastern Pennsylvania. To a lesser extent, we provide services to other areas in the greater Philadelphia market.

Historically, Malvern Federal Savings Bank was a traditional thrift institution which emphasized the origination of loans secured by one-to four-family, or single-family residential real estate located in its market area. At March 31, 2012, single-family residential real estate loans amounted to \$220.2 million, or 46.6% of our total loans. Approximately eight years ago, we decided to focus on increasing our originations of loans secured by non-residential or commercial real estate as well as construction and development loans and home equity loans and lines of credit. Such loans were deemed attractive due to their generally higher yields and shorter anticipated lives compared to single-family residential mortgage loans. However, commercial real estate loans, construction and development loans and home equity loans and lines of credit are all deemed to have a higher risk of default than single-family residential mortgage loans. At March 31, 2012, our commercial real estate loans amounted to \$122.1 million, or 25.8% of our total loans, our total home equity loans and lines of credit amounted to \$92.9 million, or 19.7% of our loan portfolio and our total construction and development loans amounted to \$22.5 million, or 4.7% of our total loan portfolio.

Largely mirroring the effects of the national recession on the local economy, our non-performing assets have increased significantly since September 30, 2007. The increase in our non-performing assets was due primarily to increased levels of non-performing commercial real estate loans and construction and development loans. Given the increase in non-performing assets and in light of the increased risk represented by such

loans, we generally ceased originating any new construction and development loans in October 2009, with certain exceptions, and we ceased originating new commercial real estate loans in August 2010. In October 2010, Malvern Federal Savings Bank, Malvern Federal Bancorp and Malvern Federal Mutual Holding Company entered into Supervisory Agreements with the Office of Thrift Supervision (which was our primary Federal regulator until July 2011). Among other things, the terms of the Supervisory Agreements, which remain in effect:

1

Table of Contents

prohibit us from making or acquiring any new commercial real estate loans and/or commercial and industrial loans without the prior written non-objection of the Office of the Comptroller of the Currency (as successor to the Office of Thrift Supervision);

required us to develop a plan to reduce our problem assets;

required us to develop enhanced policies and procedures for identifying, monitoring and controlling the risks associated with concentrations of commercial real estate loans;

required that an independent third party undertake reviews of our commercial real estate loans, construction and development loans, multi-family residential mortgage loans and commercial loans not less than once every six months; and

prohibit Malvern Federal Bancorp from declaring or paying dividends or making any other capital distributions, such as repurchases of common stock, without the prior written approval of the Board of Governors of the Federal Reserve System (as successor to the Office of Thrift Supervision).

In addition, as a result of the Supervisory Agreements, Malvern Federal Savings Bank is subject to certain additional restrictions, including a limit on its growth in assets in any quarter to an amount which does not exceed the amount of net interest credited on deposits during the quarter, a requirement that it provide the Office of the Comptroller of the Currency (as successor to the Office of Thrift Supervision) with prior written notice of any new director or senior executive officer and it generally may not enter into, renew, extend or revise any contractual agreements related to compensation or benefits with any director or officer. See Regulation The Supervisory Agreements for further information regarding the Supervisory Agreements.

In December 2011, based in part upon communications with staff of the Office of the Comptroller of the Currency and upon consideration of the risk elements inherent in our loan portfolio, the Boards of Directors of Malvern Federal Bancorp and Malvern Federal Savings Bank determined that, while Malvern Federal Savings Bank exceeded the regulatory thresholds for well-capitalized status, it was prudent to increase its capital and, accordingly, Malvern Federal Bancorp made a \$3.2 million capital infusion into the savings bank. In January 2012, the Boards of Directors adopted the plan of conversion and reorganization as a means to further augment the capital at Malvern Federal Savings Bank, put us in a stronger position to carry out our business strategy and to capitalize Malvern Bancorp New in order for it to serve as a source of strength for Malvern Federal Savings Bank.

Malvern Federal Savings Bank s headquarters is located at 42 East Lancaster Avenue, Paoli, Pennsylvania 19301 and its telephone number is (610) 644-9400.

Malvern Federal Mutual Holding Company

Malvern Federal Mutual Holding Company is a federally chartered mutual holding company which currently is the parent of Malvern Federal Bancorp. As a mutual holding company, Malvern Federal Mutual Holding Company does not have shareholders. The principal business purpose of Malvern Federal Mutual Holding Company is owning more than a majority of the outstanding shares of common stock of Malvern Federal Bancorp. Malvern Federal Mutual Holding Company currently owns 3,383,875 shares of common stock of Malvern Federal Bancorp, which is 55.5% of the shares outstanding. Malvern Federal Mutual Holding Company will no longer exist upon completion of the conversion and offering and the shares of Malvern Federal Bancorp common stock that it holds will be canceled.

Malvern Federal Bancorp

Malvern Federal Bancorp is a federally chartered corporation and currently is the mid-tier stock holding company for Malvern Federal Savings Bank. At March 31, 2012, an aggregate of 2,718,625 shares of common stock, or 44.5% of the outstanding shares, of Malvern Federal Bancorp were owned by the public shareholders. The common stock of Malvern Federal Bancorp is registered under the Securities Exchange Act of 1934, as amended, and is publicly traded on the Nasdaq Global Market. At the conclusion of the offering and the conversion of Malvern Federal Mutual Holding Company, Malvern Federal Bancorp will no longer

Table of Contents

exist. The existing public shareholders of Malvern Federal Bancorp will have their shares converted into shares of Malvern Bancorp New common stock based on the exchange ratio, which will range from 0.6908 shares at the minimum of the offering range to 0.9346 shares at the maximum of the offering range, and to 1.0748 shares if the maximum of the offering range is increased by 15%. The shares of common stock being offered by Malvern Bancorp New represent Malvern Federal Mutual Holding Company s current ownership interest in Malvern Federal Bancorp. As of March 31, 2012, Malvern Federal Bancorp had \$651.6 million in total assets, \$537.0 million in total deposits and \$61.9 million in shareholders equity. The executive offices of Malvern Federal Bancorp are located at 42 East Lancaster Avenue, Paoli, Pennsylvania 19301, its telephone number is (610) 644-9400, and its website is www.malvernfederal.com. Information on our website should not be treated as part of this prospectus.

Our Current and Proposed Organizational Structure

We have been organized in the mutual holding company form since May 2008 when we completed our reorganization into the current two-tier mutual holding company structure. As a result, Malvern Federal Bancorp became the mid-tier holding company for Malvern Federal Savings Bank. As part of the 2008 reorganization, Malvern Federal Bancorp sold \$26.5 million of its common stock (2,645,575 shares), at a purchase price of \$10.00 per share, in a public offering and issued 3,383,875, or approximately 55.0%, of its shares of common stock to Malvern Federal Mutual Holding Company (Malvern Federal Mutual Holding Company s ownership interest has increased to 55.5% as of March 31, 2012). In addition, in the 2008 transaction, Malvern Federal Bancorp contributed 123,050 shares of its common stock to the Malvern Federal Charitable Foundation, which was a newly created foundation organized to support charitable causes and community development activities in the markets served by Malvern Federal Savings Bank.

The following chart shows our current ownership structure which is commonly referred to as the two-tier mutual holding company structure:

Pursuant to the terms of our plan of conversion and reorganization, we are now converting from the partially public mutual holding company structure to the fully public stock holding company form of organization, in what is known as a second step conversion transaction. As part of the conversion, we are offering for sale the majority ownership interest in Malvern Federal Bancorp that is currently owned by Malvern Federal Mutual Holding Company. Upon completion of the conversion and offering, Malvern Federal Mutual Holding Company and Malvern Federal Bancorp will cease to exist, we will be fully owned by public shareholders and there will be no continuing interest by a mutual holding company. Upon completion of the conversion, public shareholders of Malvern Federal Bancorp will receive shares of common stock of Malvern Bancorp New in exchange for their shares of Malvern Federal Bancorp. We are not contributing any

Table of Contents

additional shares to the Malvern Federal Charitable Foundation in connection with the conversion and offering.

Following the conversion and offering, we will be organized as a fully public holding company and our ownership structure will be as follows:

These transactions are commonly referred to as a second-step conversion.

Our Business Strategy

Our business strategy currently is focused on reducing the level of our non-performing assets, monitoring and overseeing our performing classified assets and troubled debt restructurings in an effort to limit the amount of additional non-performing assets in future periods, complying with the provisions of the Supervisory Agreements and conducting our traditional community-oriented banking business within these constraints. Below are certain of the highlights of our business strategy in recent periods.

Improving Asset Quality. We are continuing in our efforts to improve asset quality. At March 31, 2012, our total non-performing assets amounted to \$16.5 million, or 2.53% of total assets, reflecting a reduction of \$8.7 million, or 34.6%, compared to \$25.2 million of total non-performing assets at September 30, 2010 (when total non-performing assets amounted to 3.49% of total assets). The relatively high levels of non-performing assets and other problem assets significantly impacted our results of operations in recent years as the high levels of provisions for loan losses and charge-offs and other expenses related to other real estate owned were the primary reasons that we reported net losses for the fiscal years ended September 30, 2011 and 2010. In our efforts to reduce the levels of our non-performing and other problem assets in recent periods, we have strengthened our loan underwriting policies and procedures and we have enhanced our loan administration and oversight policies and procedures. We have revised both our consumer loan policy and our commercial loan policy to strengthen certain of our minimum loan-to-value ratios, maximum gross debt ratio and minimum debt coverage ratio requirements. We have invested in and implemented a software which facilitates our ability to internally review and grade loans in our portfolio and to monitor loan performance. During the fiscal year ended September 30, 2011, we established a Credit Review Department (which is currently staffed by six persons). The primary focus of the Credit Review Department to date has been the resolution of our non-performing and other problem assets. In addition, as described below, we generally ceased originating new commercial real estate loans and construction and development loans during fiscal 2010, due to the increased risk elements inherent in such loans. We remain focused on continuing to reduce our non-performing and problem assets.

Managing Our Loan Portfolio. As part of our efforts to improve asset quality, we have been actively managing our loan portfolio in recent periods. In light of the increase in our non-performing assets and in order to reduce the risk profile of our loan portfolio, we generally ceased originating any new

Table of Contents

construction and development loans in October 2009, with certain exceptions, and, in August 2010, we generally ceased originating any new commercial real estate loans. In addition, the Supervisory Agreements that we entered into in October 2010 prohibit us from, among other things, originating new commercial real estate loans without the prior written non-objection of the Office of the Comptroller of the Currency, and limit our ability to grow our assets beyond the amount of net interest credited on our deposits in any quarter. These factors contributed to a \$122.8 million or 20.6%, reduction in our total loans outstanding at March 31, 2012 compared to September 30, 2009, with the bulk of such reduction centered in construction and development loans, second mortgage loans and commercial real estate loans. At March 31, 2012 compared to September 30, 2009, we have reduced our commercial real estate loans by \$20.8 million, or 14.5%, we have reduced our total construction and development loans by \$18.3 million, or 44.8%, and we have reduced our second mortgage loans by \$41.8 million, or 36.7%. Such reductions reflect lower volumes of loan originations and purchases in these portfolios.

Increasing Capital. In December 2011, based in part upon communications with staff of the Office of the Comptroller of the Currency and upon consideration of the risk elements inherent in our loan portfolio, the Boards of Directors of Malvern Federal Bancorp and Malvern Federal Savings Bank determined that it was prudent to increase the capital of Malvern Federal Savings Bank, although it exceeded the regulatory thresholds necessary to be deemed well-capitalized. Initially, Malvern Federal Bancorp made a \$3.2 million capital infusion into Malvern Federal Savings Bank in December 2011. While the December capital infusion increased capital at Malvern Federal Savings Bank, it depleted capital at Malvern Federal Bancorp. In January 2012, we adopted the plan of conversion and

reorganization as a means to further augment the capital at Malvern Federal Savings Bank and provide for stronger capital at our new holding company, Malvern Bancorp New. In addition, in January 2012, we decided to establish specific capital ratio targets for Malvern Federal Savings Bank which are higher than the regulatory thresholds necessary to be deemed well-capitalized. Our specific capital ratio targets are 8.5% for tier 1 core capital, 10.0% for tier 1 risk-based capital, and 12.0% for total risk-based capital. At March 31, 2012, our tier 1 core capital ratio was 8.27%, our tier 1 risk-based capital ratio was 12.45% and our total risk-based capital ratio was 13.71%. The conversion and offering will result in Malvern Federal Savings Bank exceeding all of the specific capital ratio targets which it has adopted. While Federal regulations require that a minimum of 50% of the net proceeds of the offering be contributed to Malvern Federal Savings Bank, we have determined to contribute 70% of the net offering proceeds. We believe that the maintenance of higher capital levels is appropriate in light of the current banking and economic environments and our risk profile. In addition, the increased capital will facilitate our ability to implement our business strategy.

Seeking Relief from the Supervisory Agreements. We entered into the Supervisory Agreements with the Office of Thrift Supervision in October 2010. Among other things, the Supervisory Agreements restrict our ability to make any new commercial real estate loans, limit our growth and require that we provide the Office of the Comptroller of the Currency with relatively extensive reports and data on our business and operations on a quarterly basis. Given the improvements we have seen in the levels of our non-performing and other problem assets, the enhancements we have made to our loan underwriting policies and procedures as well as our loan administration and oversight policies and procedures, and the increased capital that we will recognize as a result of the conversion and offering, we will seek relief from the Supervisory Agreements upon consummation of the conversion and offering. In the event that the Supervisory Agreements are not fully terminated, we will, at a minimum, seek the ability to resume making commercial real estate loans without the need to obtain specific approval from the Office of the Comptroller of the Currency and we will request that the asset growth limitations be removed.

Growing Our Loan Portfolio and Resuming Commercial Real Estate and Construction and Development Lending. Upon consummation of the conversion and offering, we plan to resume, subject to the receipt of relief from the Supervisory Agreements and any other necessary approvals or non-objections from Federal banking regulators, on a relatively modest basis, the origination of commercial

Table of Contents

real estate loans and construction and development loans in our market area. Such loans will be underwritten in accordance with our strengthened loan underwriting standards and our enhanced credit review and administration procedures. We continue to believe that we can be a successful niche lender to small and mid-sized commercial borrowers and homebuilders in our market area. Upon receiving regulatory relief from the restrictions of the Supervisory Agreements, we also plan to resume modest growth of our loan portfolio commencing in fiscal 2013. We believe that a resumption of commercial real estate and construction and development lending in a planned, deliberate fashion with the loan underwriting and administration enhancements that we have implemented in recent periods, together with modest loan growth, should increase our interest income and our returns in future periods. However, no assurance can be given whether, or when, we will receive the necessary relief from the Supervisory Agreements and any other approvals or non-objections to engage in such expanded lending activities in the future.

Increasing Market Share Penetration. We operate in a competitive market area for banking products and services. In recent years, we have been working to increase our deposit share in Chester and Delaware Counties, and we increased our marketing and promotional efforts. However, as a result of the shrinkage of our balance sheet and the reduction in total deposits in fiscal 2011, our deposit market share in Chester and Delaware Counties decreased from 5.05% in 2010 to 4.84% in 2011. We are focused on continuing our efforts to increase market share. Subsequent to the conversion and offering, in our effort to increase market share as well as non-interest income, we plan to evaluate increasing our business in non-traditional products, such as insurance products through our existing insurance agency subsidiary, which currently is inactive, or, possibly, through the addition of other products and services, such as wealth management.

Increasing Our Core Deposits. We are attempting to increase our core deposits, which we define as all deposit products other than certificates of deposit. At March 31, 2012, our core deposits amounted to \$242.7 million, or 45.2% of total deposits, compared to \$239.9 million, or 43.3% of total deposits, at September 30, 2011 and \$225.2 million, or 37.7% of total deposits, at September 30, 2010. We have continued our promotional efforts to increase core deposits. We review our deposit products on an on-going basis and we are considering additional deposit products as well as more flexible delivery options, such as mobile banking, as part of our efforts to increase core deposits. We expect to increase our commercial checking accounts when we resume commercial lending and we plan to enhance our cross-marketing as part of our efforts to gain additional deposit relationships with our loan customers.

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 distinguish 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.

Reasons for the Conversion and Offering

In recent periods we have focused on addressing our asset quality issues. While we are continuing our efforts to further reduce our non-performing and problem assets, we feel that we have made sufficient progress such that a second-step conversion is in our best interests at this time. We are pursuing the conversion and related offering for the following reasons:

In light of the risk profile posed by, among other factors, the increased levels of our non-performing assets in recent years and also based in part upon our communications with staff of the Office of the Comptroller of the Currency, we determined to increase the amount of capital we maintain at Malvern Federal Savings Bank. The additional funds raised in the offering will increase our capital such that we meet all of the specific capital ratio targets that we have established (which exceed the regulatory thresholds for well-capitalized status) and support our ability to operate in accordance with our business strategy in the future.

6

Table of Contents

Conversion to the fully public form of ownership will remove the uncertainties associated with the mutual holding company structure. We believe that the conversion and offering will result in a more familiar and flexible form of corporate organization and will better position us to continue to meet all current and future regulatory requirements, including regulatory capital requirements which may be imposed on savings and loan holding companies such as Malvern Bancorp New, and, in light of the portion of the net proceeds of the offering to be retained by the new stock-form holding company, will facilitate the ability of Malvern Bancorp New to serve as a source of strength for Malvern Federal Savings Bank.

The number of our outstanding shares after the conversion and offering will be greater than the number of shares currently held by public shareholders, so we expect our stock to have greater liquidity.

Use of Proceeds from the Sale of Our Common Stock

We will contribute 70% of the net proceeds from the offering to Malvern Federal Savings Bank. The remaining 30% of the net offering proceeds will be retained by Malvern Bancorp New. The portion of the proceeds retained by Malvern Bancorp New will be used to, among other things, invest in securities, and will be available for general corporate purposes which may, in the future, include the payment of dividends and repurchases of shares of common stock (subject to removal of the existing limitations of our Supervisory Agreements and any other applicable regulatory restrictions).

The proceeds to be contributed to Malvern Federal Savings Bank will be available for general corporate purposes, including the expansion of our lending activities, subject to the receipt of all necessary approvals or non-objections from Federal banking regulators. Subsequent to the conversion and offering we plan to resume, on a modest basis and assuming we receive the necessary approvals or non-objections from the Office of the Comptroller of the Currency, commercial real estate lending and construction and development lending in our market area as well as to modestly grow our loan portfolio consistent with our business strategy. The portion of the net proceeds contributed to Malvern Federal Savings Bank also may be used in the event we determine to increase our non-traditional banking activities, either through our existing insurance broker subsidiary, which currently is inactive, or possibly, the expansion into other non-traditional business lines, such as wealth management, although we have no specific plans regarding expansion of our non-traditional products at this time. The proceeds to be contributed to Malvern Federal Savings Bank also will augment its capital and facilitate the ability of Malvern Federal Savings Bank to exceed its target regulatory capital ratios, which are higher than the thresholds required in order for a savings bank to be considered well-capitalized for regulatory purposes. Such higher capital levels at Malvern Federal Savings Bank will provide an extra cushion to protect it against loan risk and, thereby, will further

support its lending activities.

The Offering and Persons Who Can Purchase in the Offering

We are offering common stock which represents the 55.5% ownership interest in Malvern Federal Bancorp now owned by Malvern Federal Mutual Holding Company. We are offering between 2,337,500 and 3,162,500 shares of common stock, at a price of \$10.00 per share. The number of shares to be sold may be increased to 3,636,875. The actual number of shares we sell will depend on an independent appraisal performed by RP Financial, LC, an independent appraisal firm. We are also exchanging shares of Malvern Federal Bancorp, other than those held by Malvern Federal Mutual Holding Company, for shares of Malvern Bancorp New based on an exchange ratio which will range from 0.6908 shares at the minimum of the offering range to 0.9346 shares at the maximum of the offering range. The exchange ratio may be increased to 1.0748 in the event the stock offering closes at the maximum, as adjusted of the valuation range. See "The Conversion and Offering - How We Determined the Price Per Share, the Offering Range and the Exchange Ratio" at page 130. Shares are being offered in a subscription offering in the following order of priority.

FIRST: Eligible Account Holders (depositors at Malvern Federal Savings Bank with \$50 or more on deposit as of December 31, 2010).

7

Table of Contents

SECOND: Malvern Federal Savings Bank's employee stock ownership plan (although the employee stock ownership plan does not intend to exercise its priority subscription right to purchase shares in the offering).

THIRD: Supplemental Eligible Account Holders (depositors at Malvern Federal Savings Bank with \$50 or more on deposit as of _____, 2012).

FOURTH: Other Members (depositors at Malvern Federal Savings Bank as of _____, 2012 and borrowers of Malvern Federal Savings Bank as of December 31, 1990 whose loans continued to be outstanding as of _____, 2012, and, in either case, who do not qualify as Eligible Account Holders or Supplemental Eligible Account Holders).

The subscription offering will terminate at 2:00 p.m., Eastern Time, on _____, 2012. We may extend this expiration date without notice to you for up to 45 days, until _____, 2012. Once submitted, your order is irrevocable unless the offering is terminated or extended beyond _____, 2012. We may extend the offering beyond _____, 2012, but any such further extension may require the approval or non-objection of the Board of Governors of the Federal Reserve System (which we also refer to as the Federal Reserve Board or the FRB). In no event may the offering be extended beyond _____, 2014. If the offering is extended beyond _____, 2012, we will be required to notify each subscriber and give each subscriber the opportunity to confirm, change or cancel their order.

Concurrently with the subscription offering, or commencing after the subscription offering begins, we may also offer shares of common stock to the public in a community offering. In the community offering, natural persons (and trusts of natural persons) who reside in Chester and Delaware Counties, Pennsylvania, will have a first preference, and public shareholders of Malvern Federal Bancorp as of _____, 2012 will have a second preference in the community offering after persons residing in Chester and Delaware Counties. The community offering, if commenced, is expected to terminate at 2:00 p.m., Eastern Time, on _____, 2012, but may be extended without notice until _____, 2012.

Shares not sold in the subscription and community offerings may be offered for sale in a syndicated community offering, which would be an offering to the general public on a best efforts basis by a syndicate of selected broker-dealers. Instead of a syndicated community offering, shares not sold in the subscription and community offerings may be sold in an underwritten public offering managed by Stifel, Nicolaus & Company, Incorporated.

We may begin the syndicated community offering at any time following the commencement of the subscription offering. Stifel, Nicolaus & Company, Incorporated will act as sole book-running manager in any syndicated community offering, which will be conducted on a best efforts basis.

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We have the right to reject any orders of stock in the community offering and syndicated community offering either in whole or in part. If you submit an order which we reject in part, you cannot cancel the remainder of your order.

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 in the plan of conversion and reorganization. See [The Conversion and Offering](#) for a detailed description of the subscription, community and syndicated community offerings or public underwritten offering.

The purchase price is \$10.00 per share. All investors will pay the same purchase price per share. Investors will not be charged a commission to purchase shares of common stock in the offering. Stifel, Nicolaus & Company, Incorporated, our conversion advisor and marketing agent in the offering, will use its best efforts to assist us in selling shares of our common stock. In the subscription offering, community offering and any syndicated community offering. Stifel, Nicolaus & Company, Incorporated is not obligated to purchase any shares of common stock in the subscription offering, community offering and any syndicated community offering. If an underwritten public offering is conducted, the shares sold in such offering will be purchased by Stifel, Nicolaus & Company, Incorporated and any other underwriters participating in such offering.

8

Table of Contents

You cannot transfer your rights to purchase shares in the subscription offering. If you attempt to transfer your rights, you may lose the right to purchase shares and may be subject to criminal prosecution and/or other sanctions.

How We Determined the Price Per Share, the Offering Range and the Exchange Ratio

The offering range and the exchange ratio are based on an independent appraisal by RP Financial, LC, an appraisal firm experienced in appraisals of savings institutions. The pro forma market value is the estimated market value of our common stock assuming the sale of shares in the conversion and related offering. RP Financial has indicated that in its opinion as of May 4, 2012, the estimated pro forma market value of our common stock was \$49.6 million at the midpoint. In the offering, we are selling the number of shares representing the 55.5% of shares currently owned by Malvern Federal Mutual Holding Company, which results in an offering range between \$23.4 million and \$31.6 million, with a midpoint of \$27.5 million. The appraisal was based in part upon Malvern Federal Bancorp's financial condition and operations and the effect of the additional capital we will raise from the sale of common stock in this offering.

Subject to regulatory approval, we may increase the amount of common stock offered by up to 15%. Accordingly, at the minimum of the offering range, given the purchase price per share of \$10.00, we are offering 2,337,500 shares, and at the maximum of the offering range we are offering 3,162,500 shares in the offering. The appraisal will be updated before the conversion is completed. If the pro forma market value of the common stock at that time is either below \$42.2 million or above \$65.6 million, we will notify subscribers, return their funds, with interest, or cancel their deposit account withdrawal authorizations. If we decide to set a new offering range, subscribers will have the opportunity to place a new order. See [The Conversion and Offering How We Determined the Price Per Share, the Offering Range and the Exchange Ratio](#) for a description of the factors and assumptions used in determining the stock price and offering range.

The appraisal was based in part upon Malvern Federal Bancorp's financial condition and results of operations, the effect of the additional capital we will raise from the sale of common stock in this offering, and an analysis of a peer group of ten publicly traded savings and loan holding companies that RP Financial considered comparable to us. The appraisal peer group consists of the companies listed below. Total assets are as of December 31, 2011.

Company Name and Ticker Symbol	Exchange	Headquarters	Total Assets (in millions)
ESSA Bancorp, Inc. (ESSA)	NASDAQ	Stroudsburg, PA	\$ 1,097
Cape Bancorp, Inc. (CBNJ)	NASDAQ	Cape May Court House, NJ	1,071
Beacon Federal Bancorp, Inc. (BFED)			