Jones Gregory Renard
Form 4
April 03, 2012

FORM 4

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Jones Gregory Renard

(Last) (First) (Middle)

C/O CONMED CORPORATION, 525 FRENCH ROAD

(Street)

UTICA, NY 13502

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CONMED CORP [CNMD]

3. Date of Earliest Transaction (Month/Day/Year)
03/30/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Vice President-Corporate QA/RA

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/30/2012		A	V	359	A	$ 28.3765	4,214	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Jones Gregory Renard C/O CONMED CORPORATION 525 FRENCH ROAD UTICA, NY 13502			Vice President-Corporate QA/RA	

Signatures

Daniel S. Jonas for Gregory R. Jones by Power of Attorney	04/03/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Current

30-59
Days
Past Due

60-89
Days
Past Due

90 Days +
Past Due

					Total Past Due	Non-Accrual	Total Loans
	(Dollars in thousands)						
June 30, 2011							
One-to four-family residential	$159,781	$-	$348	$2,505	$2,853	$2,505	$162,634
Commercial real estate	119,209	1,665	1,111	8,103	10,879	8,103	130,088
Construction	19,330	-	3,171	13,716	16,887	13,716	36,217
Home equity lines of credit	20,860	-	199	1,278	1,477	1,278	22,337
Commercial business	34,003	3	13	877	893	877	34,896
Other	12,185	-	-	50	50	50	12,235
Total	$365,368	$1,668	$4,842	$26,529	$33,039	$26,529	$398,407

At September 30, 2010, nonaccrual loans totaled $27,417,000 and loans ninety days or more delinquent and accruing interest totaled $583,000.

An allowance for loan losses (“ALL”) is maintained to absorb losses from the loan portfolio. The ALL is based on management’s continuing evaluation of the risk characteristics and credit quality of the loan portfolio, assessment of current economic conditions, diversification and size of the portfolio, adequacy of collateral, past and anticipated loss experience, and the amount of non-performing loans.

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The Bank’s methodology for determining the ALL is based on the requirements of ASC Section 310-10-35 for loans individually evaluated for impairment (discussed above) and ASC Subtopic 450-20 for loans collectively evaluated for impairment, as well as the Interagency Policy Statements on the Allowance for Loan and Lease Losses and other bank regulatory guidance.

Loans that are collectively evaluated for impairment are analyzed with general allowances being made as appropriate. For general allowances, historical loss trends are used in the estimation of losses in the current portfolio. These historical loss amounts are modified by other qualitative and economic factors.

The loans are segmented into classes based on their inherent varying degrees of risk, as described above. Management tracks the historical net charge-off activity by segment and utilizes this figure, as a percentage of the segment, as the general reserve percentage for pooled, homogenous loans that have not been deemed impaired. Typically, an average of losses incurred over a defined number of consecutive historical years is used. A 5 year history is currently utilized for all loan segments except for construction loans, where the highest single year loss percentage of the most recent five years is used in place of a 5 year average.

Non-impaired credits are segregated for the application of qualitative factors. Management has identified a number of additional qualitative factors which it uses to supplement the historical charge-off factor because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The additional factors that are evaluated quarterly and updated using information obtained from internal, regulatory, and governmental sources are: national and local economic trends and conditions; levels of and trends in delinquency rates and non-accrual loans; trends in volumes and terms of loans; effects of changes in lending policies; experience, ability, and depth of lending staff; value of underlying collateral; and concentrations of credit from a loan type, industry and/or geographic standpoint.

Management reviews the loan portfolio on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the ALL. When information confirms all or part of specific loans to be uncollectible, these amounts are promptly charged off against the ALL. Since loans individually evaluated for impairment are promptly written down to their fair value, typically there is no portion of the ALL for loans individually evaluated for impairment.

The following table summarizes the activity in the ALL, segregated by the primary segments of the loan portfolio for the three months ended June 30, 2011:

	One-to Four-Family Residential	Commercial Real Estate	Construction	Home Equity Lines of Credit	Commercial Business	Other	Unallocated	Total
				(Dollars in thousands)				
ALL balance at March 31, 2011	$ 464	$ 1,150	$ 1,338	$ 61	$ 642	$ 14	$ 100	$ 3,769
Charge-offs	-	-	(293)	-	(67)	(4)		(364)
Recoveries	-	-	-	-	-	-		-
Provision	(3)	124	180	(1)	41	1	60	402
ALL balance at								

June 30, 2011	$ 461	$ 1,274	$ 1,225	$ 60	$ 616	$ 11	$ 160	$ 3,807

The following table summarizes the primary segments of the ALL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of June 30, 2011:

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	One-to Four-Family Residential	Commercial Real Estate	Construction	Home Equity Lines of Credit	Commercial Business	Other	Unallocated	Total
				(Dollars in thousands)				
ALL Balance:								
Individually evaluated for impairment	$-	$ 164	$ -	$-	$ -	$-	$ -	$164
Collectively evaluated for impairment	461	1,110	1,225	60	616	11	160	3,643
Total	$461	$ 1,274	$ 1,225	$60	$ 616	$11	$ 160	$3,807
Loans receivable:								
Individually evaluated for impairment	$2,276	$ 7,839	$ 13,716	$1,278	$ 877	$-		$25,986
Collectively evaluated for impairment	160,358	122,249	22,501	21,059	34,019	12,235		372,421
Total	$162,634	$ 130,088	$ 36,217	$22,337	$ 34,896	$12,235		$398,407

The allowance for loan losses is based on estimates, and actual losses will vary from current estimates. Management believes that the segmentation of the loan portfolio into homogeneous pools and the related historical loss ratios and other qualitative factors, as well as the consistency in the application of assumptions, result in an ALL that is representative of the risk found in the components of the portfolio at any given date.

NOTE K - DEPOSITS

A summary of deposits by type of account are summarized as follows:

	June 30, 2011	September 30, 2010
	(Dollars in thousands)	
Demand accounts	$ 43,731	$ 37,298
Savings accounts	59,772	61,867
NOW accounts	31,422	51,473
Money market accounts	105,164	89,279
Certificates of deposit	147,511	156,528
Retirement certificates	30,763	31,487
	$ 418,363	$ 427,932

NOTE L – INCOME TAXES

The Company records income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities: (i) are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns; (ii) are attributable to differences between the financial statement carrying

amounts of existing assets and liabilities and their respective tax bases; and (iii) are measured using enacted tax rates expected to apply in the years when those temporary differences are expected to be recovered or settled.

Where applicable, deferred tax assets are reduced by a valuation allowance for any portions determined not likely to be realized. The valuation allowance is assessed by management on a quarterly basis and adjusted, by a charge or credit to income tax expense, as changes in facts and circumstances warrant. In assessing whether it is more likely than not that some portion or all of the deferred tax assets will not be realized, management considers projections of future taxable income, the projected periods in which current temporary differences will be deductible, the availability of carry

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forwards, and existing tax laws and regulations. Due to the uncertainty of the Company's ability to realize the benefit of certain deferred tax assets within statutory time limits, the net deferred tax assets are partially offset by a valuation allowance at June 30, 2011, the amount of which has not materially changed from that in place at September 30, 2010.

A reconciliation of income tax (benefit) between the amounts calculated based upon pre-tax income (loss) at the Company's federal statutory rate and the amounts reflected in the consolidated statements of operations are as follows:

	For the three Months Ended June 30,		For the Nine Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in thousands)			
Income tax benefit at 34% statutory federal tax rate	$ 26	$ 30	$ (123)	$ 23
Change in valuation allowance related to deferred income tax assets	28	(3,493)	55	(3,818)
State tax (benefit) expense	(6)	(9)	(18)	1
Other	8	26	(66)	26
Income tax (benefit)	$ 56	$ (3,446)	$ (152)	$ (3,768)

NOTE M - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company uses derivative financial instruments, such as interest rate floors and collars, as part of its interest rate risk management. Interest rate caps and floors are agreements whereby one party agrees to pay or receive a floating rate of interest on a notional principal amount for a predetermined period of time if certain market interest rate thresholds are met. The Company considers the credit risk inherent in these contracts to be negligible.

As of June 30, 2011, the Company did not hold any interest rate floors or collars. As of September 30, 2010, the Company held one Prime-based interest rate floor with a maturity date of December 27, 2010. The counterparty in the transaction was Wells Fargo (formerly Wachovia Bank, N.A). In accordance with cash flow hedge accounting, the amortization of the costs of the derivatives flowed through the Company's income statement as a reduction to loan interest income. In addition, all changes in fair value of the derivative contracts are recorded through other comprehensive income.

The table below shows the notional amount, strike and maturity date of our interest rate derivative contract as of June 30, 2011 and September 30, 2010.

Notional Amount	Strike	Maturity Date	Fair Value June 30, 2011	September 30,2010
		(Dollars in thousands)		
$ 5,000	7.25 %	12/27/10	$ -	$ 51

Interest rate
floor

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheets.

	June 30, 2011	September 30, 2010
	(Dollars in thousands)	
Financial instruments whose contract amounts represent credit risk		
Letters of credit	$ 1,548	$ 2,048
Unused lines of credit	38,231	42,890
Fixed rate loan commitments	5,601	3,746
Variable rate loan commitments	35	100
	$ 45,415	$ 48,784

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

When used in this filing and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases, "anticipate," "would be," "will allow," "intends to," "will likely resul "are expected to," "will continue," "is anticipated," "estimated," "projected," "believes", or similar expressions are intend identify "forward looking statements." Forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, those risks previously disclosed in the Company's filings with the SEC, general economic conditions, changes in interest rates, regulatory considerations, competition, technological developments, retention and recruitment of qualified personnel, and market acceptance of the Company's pricing, products and services, and with respect to the loans extended by the Bank and real estate owned, the following: risks related to the economic environment in the market areas in which the Bank operates, particularly with respect to the real estate market in New Jersey; the risk that the value of the real estate securing these loans may decline in value; and the risk that significant expense may be incurred by the Company in connection with the resolution of these loans.

The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and advises readers that various factors, including regional and national economic conditions, substantial changes in levels of market interest rates, credit and other risks of lending and investing activities, and competitive and regulatory factors, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected.

The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

Critical Accounting Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. Critical accounting policies may involve complex subjective decisions or assessments. We consider the following to be our critical accounting policies.

Allowance for Loan Losses. The allowance for loan losses is the amount estimated by management as necessary to cover credit losses in the loan portfolio both probable and reasonably estimable at the balance sheet date. The allowance is established through the provision for loan losses which is charged against income. In determining the allowance for loan losses, management makes significant estimates and has identified this policy as one of our most critical. Due to the high degree of judgment involved, the subjectivity of the assumptions utilized and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses, the methodology for determining the allowance for loan losses is considered a critical accounting policy by management.

As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans and discounted cash flow valuations of properties are critical in determining the amount of the allowance required for specific loans. Assumptions for appraisals and discounted cash flow valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly affect the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals and discounted cash flow valuations are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable on the related loans.

Management performs a quarterly evaluation of the adequacy of the allowance for loan losses. We consider a variety of factors in establishing this estimate including, but not limited to, current economic conditions, delinquency statistics, geographic and industry concentrations, the adequacy of the underlying collateral, the financial strength of the borrower, results of internal loan reviews and other relevant factors. This evaluation is inherently subjective as it requires material estimates by management that may be susceptible to significant change based on changes in economic and real estate market conditions.

The evaluation has a specific and general component. The specific component relates to loans that are delinquent or otherwise identified as impaired through the application of our loan review process and our loan grading system. All

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such loans are evaluated individually, with principal consideration given to the value of the collateral securing the loan and discounted cash flows. Specific impairment allowances are established as required by this analysis. The general component is determined by segregating the remaining loans by type of loan, risk weighting (if applicable) and payment history. We also analyze historical loss experience, delinquency trends, general economic conditions and geographic and industry concentrations. This analysis establishes factors that are applied to the loan groups to determine the amount of the general component of the allowance for loan losses.

Actual loan losses may be significantly greater than the allowances we have established, which could have a material negative effect on our financial results.

Other Real Estate Owned. Real estate acquired through foreclosure, or a deed-in-lieu of foreclosure, is recorded at fair value less estimated selling costs at the date of acquisition or transfer, and subsequently at the lower of its new cost or fair value less estimated selling costs. Adjustments to the carrying value at the date of acquisition or transfer are charged to the allowance for loan losses. The carrying value of the individual properties is subsequently adjusted to the extent it exceeds estimated fair value less estimated selling costs, at which time a provision for losses on such real estate is charged to operations.

Appraisals are critical in determining the fair value of the other real estate owned amount. Assumptions for appraisals are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly affect the valuation of a property. The assumptions supporting such appraisals are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable.

Deferred Income Taxes. The Company records income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities: (i) are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns; (ii) are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases; and (iii) are measured using enacted tax rates expected to apply in the years when those temporary differences are expected to be recovered or settled.

Where applicable, deferred tax assets are reduced by a valuation allowance for any portions determined not likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period of enactment. The valuation allowance is adjusted, by a charge or credit to income tax expense, as changes in facts and circumstances warrant.

Comparison of Financial Condition at June 30, 2011 and September 30, 2010

Total assets decreased $11.5 million, or 2.1%, to $526.5 million at June 30, 2011 from $537.9 million at September 30, 2010. The decrease resulted from a $13.4 million decrease in cash and cash equivalents and a $9.1 million decrease in loans receivable, net of allowance for loan loss, were partially offset by a $9.1 million increase in investment securities and a $2.6 million increase in other real estate owned.

Total loans receivable decreased $10.1 million during the nine months ended June 30, 2011 to $398.4 million and were comprised of $162.6 million (40.8%) one-to-four family residential mortgage loans, $130.1 million (32.6%) commercial real estate loans, $36.2 million (9.1%) construction loans, $34.9 million (8.8%) commercial business loans, $22.4 million (5.6%) home equity lines of credit and $12.2 million (3.1%) other loans. Contraction of the portfolio during the nine months ended June 30, 2011 occurred primarily in construction loans, which decreased $20.9 million, followed by a decrease of $2.8 million in residential mortgage loans and a $1.0 million decrease in other loans. Commercial real estate loans increased $13.9 million and commercial business loans increased $1.2 million. The Company ceased originating new non-owner occupied construction loans in October 2008 and intends to continue decreasing construction loans as a percentage of total loans.

Total non-performing loans, which includes loans delinquent 90 days or more, decreased by $1.5 million to $26.5 million at June 30, 2011 from $28.0 million at September 30, 2010. The ratio of non-performing loans to total loans decreased to 6.7% at June 30, 2011 from 6.9% at September 30, 2010.

Included in the non-performing loan totals were fifteen construction loans totaling $13.7 million, thirteen commercial loans totaling $9.0 million, five residential mortgage loans totaling $2.5 million, three home equity lines of credit totaling $1.3 million, and two stock-secured loans totaling $50,000. The Company has not and does not intend to originate or purchase sub-prime loans or option-ARM loans.

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Adverse economic conditions have led to high levels of non-performing loans, particularly in the Company's construction loan portfolio. The repayment of construction loans is typically dependent upon the sale of the collateral securing the loan, which has been negatively impacted by rapid deterioration in the housing market and decreased buyer demand. As a result, construction projects have slowed and reached their maturity dates. In order for the Company to extend the loans beyond the original maturity date, the value of the collateral securing the loan must be assessed, which is typically done by obtaining an updated third-party appraisal. Given the deterioration in the economy and, specifically, the housing market, updated valuations of the collateral reflect depreciation from earlier assessments. To the extent that an updated valuation of the collateral is insufficient to cover a collateral-dependent loan, the Company reduces the balance of the loan via a charge to the allowance for loan loss.

Non-performing construction loans decreased $837,000, or 5.8%, to $13.7 million at June 30, 2011 from $14.6 million at September 30, 2010. The decrease was attributable to the transfer of three loans totaling $2.8 million to other real estate owned, the restructuring of four loans totaling $1.1 million, the payoff of one loan totaling $548,000, and charge-offs totaling $1.3 million, partially offset by three new non-performing construction loan totaling $4.7 million. At June 30, 2011, non-performing construction loans consisted of six loans totaling $3.3 million secured by incomplete single family homes, four loans totaling $6.4 million secured by incomplete condominium units, and five loans totaling $4.0 million secured by land and other real estate. These loans were used for land acquisition and construction in various locations in the States of New Jersey and Pennsylvania. Magyar Bank is determining the proper course of action to collect the principal outstanding on these loans. Year-to-date, the Bank has charged off $1.3 million in construction loan balances through a reduction of its allowance for loan loss.

Construction loans may contain interest reserves on which the interest is capitalized to the loan. At June 30, 2011, there was one performing construction loan with an interest reserve representing an outstanding balance of $1.2 million, original interest reserves of $94,000, advanced interest reserves of $16,000, and a remaining interest reserve balance of $78,000. At September 30, 2010, there were four performing construction loans with interest reserves representing outstanding balances of $13.7 million, original interest reserves of $1.1 million, advanced interest reserves of $644,000, and remaining interest reserve balances of $411,000.

Underwriting for construction loans with and without interest reserves has followed a uniform process. Construction loan progress is monitored on a monthly basis by management of the Bank as well as by the Board of Directors. Each time an advance is requested, an inspection is made of the project by an outside engineer or appraiser, depending on the size and complexity of the project, to determine the amount of work completed and if the costs to date are supported adequately. The Bank's construction loan operations personnel compare the advance request with the original budget and remaining loan funds available to ensure the project is in balance and that at all times the amount remaining on the loan is sufficient to complete the project.

A number of the Bank's construction loans have been extended due to slower sales as a result of economic conditions. In cases where updated appraisals reflect collateral values insufficient to cover the loan, additional collateral and/or a principal reduction is required to extend the loan. Some of the Bank's loans that originally had interest reserves are non-performing. The Bank does not have any currently non-performing loans with active interest reserves. Once a loan is deemed impaired, any interest reserve is frozen and the loan is placed on non-accrual so that no future interest income is recorded on these loans. The Bank ceased originating new non-owner occupied construction loans in October 2008.

Non-performing loans secured by one-to four-family residential properties including home equity lines of credit were $3.8 million at both June 30, 2011 and September 30, 2010. The loans consisted of three commercial-purpose loans totaling $3.0 million, four consumer loans totaling $589,000 and one ninety days delinquent and accruing residential mortgage loan totaling $229,000. The Company has not and does not intend to originate or purchase sub-prime loans or option-ARM loans. Fiscal year-to-date, the Bank has charged off $55,000 in non-accrual residential mortgage loans

through a reduction of its allowance for loan loss.

Non-performing commercial real estate loans decreased $125,000, or 1.5%, to $8.1 million at June 30, 2011 from $8.2 million at September 30, 2010. The loans were in various stages of foreclosure and collection at June 30, 2011. Fiscal year-to-date, the Bank has charged off $583,000 in non-accrual commercial real estate loans through a reduction of its allowance for loan loss.

Non-performing commercial business loans decreased $588,000, or 40.1%, to $877,000 at June 30, 2011 from $1.5 million at September 30, 2010. The decrease was primarily attributable to one loan totaling $581,000 that was transferred to other real estate owned following a sheriff's sale of the collateral. Of the six non-performing commercial

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business loans, one totaling $529,000 was secured by real estate. The Bank is in the process of collecting the principal outstanding on the non-accrual loans which will include foreclosure proceedings for those loans secured by real estate. Fiscal year-to-date, the Bank has charged off $255,000 in non-performing commercial business loans through a reduction of its allowance for loan loss.

There were two non-performing stock-secured consumer loans totaling $50,000 at June 30, 2011. Fiscal year-to-date, the Bank has charged off $3,000 in non-performing consumer loans through a reduction of its allowance for loan loss.

The allowance for loan losses decreased by $959,000 during the nine months ended June 30, 2011 to $3.8 million. The decrease during the nine month period was primarily attributable to net charge-offs totaling $2.2 million, partially offset by provisions for loan loss of $1.2 million. The decrease in the allowance for loan losses was primarily attributable to contraction in the loan portfolio, specifically in construction loans, which decreased $20.9 million, or 36.6%, during the nine month period. Since non-performing construction loans have accounted for the majority of the Bank's loan charge-offs, a large portion of the allowance for loan loss is maintained for performing construction loans. The recent significant decline in construction loan balances has reduced the required reserves for performing construction loans and therefore the total allowance for loan loss.

The allowance for loan loss does not typically include a specific reserve for non-performing loans as all such loans are reported at the lower of amortized cost or fair value, based upon updated independent appraisals of collateral or the discounted value of expected loan repayments. Valuations of such loans are performed at least annually with charge-offs recorded when appraised values, net of estimated selling and disposition costs, are less than the loan balances. Specific reserves may be used on occasions where an updated valuation is unavailable. At June 30, 2011, the Bank held a specific reserve totaling $164,000 for a $1.7 million non-performing participation loan, which the Bank was not the lead lender. The allowance for loan losses as a percentage of non-performing loans was 14.4% at June 30, 2011 compared with 17.0% at September 30, 2010. At June 30, 2011 our allowance for loan losses as a percentage of total loans was 0.96% compared with 1.17% at September 30, 2010. It is the Company's policy to immediately charge off specifically identified losses in its loan portfolio. Future increases in the allowance for loan losses may be necessary based on possible future increases in non-performing loans and charge-offs, possible additional deterioration of collateral values, and the possible continuation or deterioration of the current adverse economic environment.

Investment securities increased $9.1 million to $67.7 million at June 30, 2011 from $58.7 million at September 30, 2010. The increase was the result of purchases totaling $27.8 million of U.S. Government-sponsored enterprise obligations, offset by principal repayments totaling $14.8 million, the sale of two securities totaling $4.0 million, a market value adjustment in the available-for-sale portfolio of $305,000, and security premium amortization of $236,000 during the nine months ended June 30, 2011.

Other real estate owned increased $2.6 million to $15.2 million at June 30, 2011 from $12.7 million at September 30, 2010. The increase was the result of the Bank's acceptance of deeds-in-lieu of foreclosure on collateral securing three construction loans which consisted of two completed residential homes and one incomplete 10-unit condominium building. Other real estate owned at June 30, 2011 consisted of six residential properties, one commercial real estate property, three substantially completed condominium projects, three partially completed residential properties, and sixteen real estate lots approved for residential homes. The Bank is determining the proper course of action for its other real estate owned, which may include holding the properties until the real estate market improves, selling the properties to a developer and completing partially completed homes for either rental or sale.

During the quarter ended June 30, 2011, the Company sold five properties totaling $1.5 million from the other real estate owned portfolio, increasing the fiscal year-to-date sales to $2.0 million. In addition, the Company has entered into or is negotiating contracts to sell $7.8 million of the properties held in other real estate owned. Valuation

allowances for losses anticipated from these contracts have been recorded at June 30, 2011. No additional losses are expected on these sales.

Total deposits decreased $9.5 million, or 2.2%, to $418.4 million during the nine months ended June 30, 2011. The decrease in deposits occurred in interest-bearing checking accounts, which decreased $20.1 million, or 39.0%, to $31.4 million and certificates of deposit (including individual retirement accounts), which decreased $9.7 million, or 5.2%, to $178.3 million. The outflows in interest-bearing checking accounts were from municipal accounts while the outflows in CDs were primarily due to maturing brokered deposits. Partially offsetting the decrease were increases in money market account balances, which increased $15.9 million, or 17.8%, to $105.2 million and in non-interest checking

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accounts, which increased $6.4 million, or 17.3%, to $43.7 million. The Company's ability to maintain its net interest margin during the nine months ended June 30, 2011 was largely a result of the replacement of higher-rate certificates of deposit with non-interest checking and money market balances.

Included in total deposits at June 30, 2011 were $1.8 million in Certificate of Deposit Account Registry Service (CDARS) Reciprocal certificates of deposit and $10.0 million in brokered certificates of deposit. At September 30, 2010, the Company held $2.9 million in CDARS Reciprocal certificates of deposit and $14.7 million in brokered certificates of deposit.

Federal Home Loan Bank of New York advances decreased $2.2 million during the nine months ended June 30, 2011 to $43.6 million, or 8.3% of assets. The decrease resulted from maturities of longer-term advances that were repaid using inflows from deposits. Securities sold under agreements to repurchase were unchanged during the nine months ended June 30, 2011.

Stockholders' equity increased $241,000, or 0.5%, to $44.4 million at June 30, 2011 from $44.2 million at September 30, 2010. The increase was due to the Company's results from operations and changes in the Company's accumulated other comprehensive loss during the nine month period. The Company's book value per share increased to $7.66 at June 30, 2011 from $7.64 at September 30, 2010. The increase was due to the results of operations for the nine months ended June 30, 2011.

During the nine months ended June 30, 2011, the Company did not repurchase any shares. Through June 30, 2011, the Company had repurchased 66,970 shares at an average price of $9.39 pursuant to the second stock repurchase plan, which has reduced outstanding shares to 5,798,831.

Average Balance Sheets for the Three and Nine Months Ended June 30, 2011 and 2010

The table on the following page presents certain information regarding the Company's financial condition and net interest income for the three and nine months ended June 30, 2011 and 2010. The table presents the annualized average yield on interest-earning assets and the annualized average cost of interest-bearing liabilities. We derived the yields and costs by dividing annualized income or expense by the average balance of interest-earning assets and interest-bearing liabilities, respectively, for the periods shown. We derived average balances from daily balances over the periods indicated. Interest income includes fees that we consider adjustments to yields.

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MAGYAR BANCORP, INC. AND SUBSIDIARY
Comparative Average Balance Sheets
(Dollars In Thousands)

	For the Three Months Ended June 30,							
	2011				2010			
	Average Balance	Interest Income/ Expense	Yield/Cost (Annualized)		Average Balance	Interest Income/ Expense	Yield/Cost (Annualized)	
Interest-earning assets:								
Interest-earning deposits	$6,302	$3	0.22	%	$5,126	$2	0.15	%
Loans receivable, net	396,347	5,076	5.14	%	418,566	5,543	5.31	%
Securities								
Taxable	69,926	506	2.90	%	63,709	582	3.66	%
Tax-exempt (1)	72	2	9.09	%	97	1	6.02	%
FHLB of NY stock	2,747	31	4.49	%	3,019	33	4.42	%
Total interest-earning assets	475,394	5,618	4.74	%	490,517	6,161	5.04	%
Noninterest-earning assets	56,276				55,875			
Total assets	$531,670				$546,392			
Interest-bearing liabilities:								
Savings accounts (2)	$60,875	87	0.57	%	$63,582	136	0.86	%
NOW accounts (3)	138,202	224	0.65	%	135,520	345	1.02	%
Time deposits (4)	180,173	922	2.05	%	198,361	1,115	2.25	%
Total interest-bearing deposits	379,250	1,233	1.30	%	397,463	1,596	1.61	%
Borrowings	59,917	579	3.88	%	66,218	675	4.09	%
Total interest-bearing liabilities	439,167	1,812	1.65	%	463,681	2,271	1.96	%
Noninterest-bearing liabilities	48,137				39,129			
Total liabilities	487,304				502,810			
Retained earnings	44,366				43,582			
Total liabilities and retained earnings	$531,670				$546,392			
Tax-equivalent basis adjustment		(1)				-		
Net interest income		$3,805				$3,890		
Interest rate spread			3.09	%			3.08	%
Net interest-earning assets	$36,227				$26,836			
Net interest margin (5)			3.21	%			3.18	%
Average interest-earning assets to average interest-bearing liabilities	108.25 %				105.79 %			

(1) Calculated using 34% tax rate for the three months ended June 30, 2011 and 0% for the three months ended June 30, 2010.
(2) Includes passbook savings, money market passbook and club accounts.

(3) Includes interest-bearing checking and money market accounts.
(4) Includes certificates of deposits and individual retirement accounts.
(5) Calculated as annualized net interest income divided by average total interest-earning assets.

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MAGYAR BANCORP, INC. AND SUBSIDIARY
Comparative Average Balance Sheets
(Dollars In Thousands)

	For the Nine Months Ended June 30,							
	2011				2010			
	Average Balance	Interest Income/ Expense	Yield/Cost (Annualized)		Average Balance	Interest Income/ Expense	Yield/Cost (Annualized)	
Interest-earning assets:								
Interest-earning deposits	$11,679	$19	0.21	%	$3,351	$3	0.12	%
Loans receivable, net	396,079	15,228	5.14	%	429,765	17,131	5.33	%
Securities								
Taxable	68,683	1,525	2.97	%	66,300	1,906	3.84	%
Tax-exempt (1)	82	5	6.66	%	107	5	5.90	%
FHLB of NY stock	2,753	118	5.72	%	3,158	124	5.27	%
Total interest-earning assets	479,276	16,895	4.71	%	502,681	19,169	5.10	%
Noninterest-earning assets	54,441				50,594			
Total assets	$533,717				$553,275			
Interest-bearing liabilities:								
Savings accounts (2)	$61,812	$286	0.62	%	$61,636	$469	1.02	%
NOW accounts (3)	137,908	820	0.80	%	135,133	1,056	1.04	%
Time deposits (4)	182,757	2,821	2.06	%	204,619	3,555	2.32	%
Total interest-bearing deposits	382,477	3,927	1.37	%	401,388	5,080	1.69	%
Borrowings	60,304	1,786	3.96	%	69,521	2,090	4.02	%
Total interest-bearing liabilities	442,781	5,713	1.73	%	470,909	7,170	2.04	%
Noninterest-bearing liabilities	46,948				38,550			
Total liabilities	489,729				509,459			
Retained earnings	43,988				43,816			
Total liabilities and retained earnings	$533,717				$553,275			
Tax-equivalent basis adjustment		(1)				-		
Net interest income		$11,181				$11,999		
Interest rate spread			2.98	%			3.06	%
Net interest-earning assets	$36,495				$31,772			
Net interest margin (5)			3.12	%			3.19	%
Average interest-earning assets to average interest-bearing liabilities	108.24 %				106.75 %			

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(1) Calculated using 34% tax rate for the nine months ended June 30, 2011 and 0% for the nine months ended June 30, 2010.
(2) Includes passbook savings, money market passbook and club accounts.

(3) Includes interest-bearing checking and money market accounts.
(4) Includes certificates of deposits and individual retirement accounts.
(5) Calculated as annualized net interest income divided by average total interest-earning assets.

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Comparison of Operating Results for the Three Months Ended June 30, 2011 and 2010

Net Income. Net income decreased $3.5 million, to $19,000 for the three months ended June 30, 2011 from $3.5 million for the three months ended June 30, 2010. The decrease was due to a $3.4 million tax benefit recorded during the prior year period.

Net Interest and Dividend Income. Net interest and dividend income decreased $85,000, or 2.2%, to $3.8 million for the three months ended June 30, 2011 from $3.9 million for the three months ended June 30, 2010. Total interest and dividend income decreased $544,000 to $5.6 million for the three month period ended June 30, 2011 while total interest expense decreased $459,000 to $1.8 million from the same three month period one year earlier. For the comparison period our interest rate spread increased 1 basis point to 3.09% from 3.08%.

Interest and Dividend Income. The decrease in interest and dividend income of $544,000, or 8.8%, to $5.6 million for the three months ended June 30, 2011 was primarily due to a decrease in overall yield of interest-earning assets to 4.74% from 5.04%, and a decrease in the average balance of interest-earning assets of $15.1 million to $475.4 million for the three months ended June 30, 2011 from $490.5 million for the three months ended June 30, 2010.

Interest earned on loans decreased $467,000, or 8.4%, to $5.1 million for the three months ended June 30, 2011 compared with the prior year period due to a $22.2 million decrease in the average balance of loans between the periods and a 17 basis point decrease in the average yield on such loans to 5.14% from 5.31%. The decrease in yield between the two periods was due primarily to the lower market interest rate environment.

Interest earned on our investment securities, excluding Federal Home Loan Bank of New York stock, decreased $75,000, or 12.8%, due to a 75 basis point decrease in the average yield on such securities to 2.91% for the three months ended June 30, 2011 from 3.66% for the three months ended June 30, 2010. The decrease in yield on investment securities was due to lower market interest rates than the prior year period. The average balance of such securities increased $6.2 million, or 9.7%, to $70.0 million for the three months ended June 30, 2011 from $63.8 million for the three months ended June 30, 2010.

Interest Expense. Interest expense decreased $459,000, or 20.2%, to $1.8 million for the three months ended June 30, 2011 from $2.3 million for the three months ended June 30, 2010. The decrease in interest expense was primarily due to a 31 basis point decrease in the average cost of such liabilities to 1.65% from 1.96%, and a decrease in the average balance of interest-bearing liabilities of $24.5 million, or 5.3%, to $439.2 million from $463.7 million.

The average balance of interest bearing deposits decreased $18.2 million to $379.3 million from $397.5 million while the average cost of such deposits decreased 31 basis points to 1.30% from 1.61% in the lower market interest rate environment. As a result, interest paid on deposits decreased to $1.2 million for the three months ended June 30, 2011 from $1.6 million for the three months ended June 30, 2010.

Interest paid on advances and securities sold under agreements to repurchase decreased to $579,000 for the three months ended June 30, 2011 from $675,000 for the prior year period due to a decrease in the average balance of such borrowings to $59.9 million from $66.2 million. In addition, the average cost of advances and securities sold under agreements to repurchase decreased 21 basis points to 3.88% for the three months ended June 30, 2011 from 4.09% for the prior year period, reflecting the repayment of higher interest-bearing advances between periods.

Provision for Loan Losses. We establish provisions for loan losses, which are charged to earnings, at a level necessary to absorb known and inherent losses that are both probable and reasonably estimable at the date of the financial statements. In evaluating the level of the allowance for loan losses, management considers historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect the borrower's

ability to repay, the estimated value of any underlying collateral, peer group information and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available or as future events occur. After an evaluation of these factors, management recorded a provision of $402,000 for the three months ended June 30, 2011 compared to a provision of $494,000 for the prior year period.

Net charge-offs were $364,000 for the three months ended June 30, 2011 compared with $1.1 million for the three months ended June 30, 2010. The level of loan charge-offs decreased from the prior year as a result of stabilizing values of real estate collateral securing non-performing residential and construction loans. During the three months ended

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June 30, 2011, the Bank reduced the carrying balance on seven loans totaling $2.6 million to the appraised fair value of collateral, net of estimated disposition costs, securing the loans.

Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Management reviews the level of the allowance on a quarterly basis, and establishes the provision for loan losses based on the factors set forth in the preceding paragraph. As management evaluates the allowance for loan losses, the increased risk associated with larger non-homogenous construction, commercial real estate and commercial business loans may result in larger additions to the allowance for loan losses in future periods.

Other Income. Non-interest income decreased $254,000, or 44.5%, to $317,000 during the three months ended June 30, 2011 compared to $571,000 for the three months ended June 30, 2010.

The decrease was attributable to gains and losses on assets. The Company recorded a $131,000 loss for other real estate owned for the three months ended June 30, 2011, which decreased $192,000 from a gain of $60,000 for the three months ended June 30, 2010. The losses were primarily the result of sales of five properties totaling $1.5 million that resulted in a net loss of $76,000. In addition, a $55,000 valuation allowance was placed against one property with an aggregate carrying value of $538,000. Gains on the sale of available-for-sale investment securities decreased $65,000 to $40,000 for the three months ended June 30, 2011 from $105,000 for the three months ended June 30, 2010.

Other Expenses. Non-interest expenses decreased $233,000, or 6.0%, to $3.6 million from $3.9 million for the three months ended June 30, 2010.

Non-interest expenses decreased $233,000 to $3.6 million from $3.9 million for the three months ended June 30, 2010. The largest expense reduction occurred in Federal Deposit Insurance Corporation (“FDIC”) deposit insurance premiums, which decreased $118,000, or 32.2%, followed by an $84,000 reduction in professional fees. FDIC insurance premiums declined during the quarter due to a lower rate assessed to the Bank while professional fees declined due to lower legal fees.

Despite additional staffing for the Bank’s Bridgewater office, which opened in June 2010, compensation and benefit expenses increased only $17,000, or 0.9%, between the two periods. Occupancy expenses decreased $28,000, or 4.0%, due to lower furniture, fixture, and equipment depreciation expense. Partially offsetting these decreases were slightly higher other real estate owned and advertising expenses.

Income Tax (Benefit) Expense. The Company recorded a tax expense of $56,000 for the three months ended June 30, 2011, compared to a tax benefit of $3.4 million for the three months ended June 30, 2010. The Company recorded an income tax benefit of $3.4 million for the three months ended June 30, 2010 due to the partial reduction in the valuation allowance previously recorded against its deferred tax asset.

Comparison of Operating Results for the Nine Months Ended June 30, 2011 and 2010

Net Income (Loss). The Company recorded a net loss of $211,000 for the nine months ended June 30, 2011 compared with net income of $3.8 million for the nine months ended June 30, 2010. The decrease was due to a $3.8 million tax benefit recorded during the prior year period and lower net interest income in the current period.

Net Interest and Dividend Income. Net interest and dividend income decreased $819,000, or 6.8%, to $11.2 million for the nine months ended June 30, 2011 from $12.0 million for the nine months ended June 30, 2010. Total interest and dividend income decreased $2.3 million to $16.9 million for the nine month period ended June 30, 2011 while total interest expense decreased $1.5 million to $5.7 million from the same nine month period in 2010. For the

comparison period our interest rate spread decreased 8 basis points to 2.98% from 3.06%.

Interest and Dividend Income. Total interest and dividend income decreased $2.3 million, or 11.9%, to $16.9 million for the nine months ended June 30, 2011 from $19.2 million for the same period last year. The decrease in interest income was primarily due to a 39 basis point decrease in the overall yield of interest-bearing assets to 4.71% from 5.10% and a decrease in the average balance of interest-earning assets of $23.4 million to $479.3 million from $502.7 million.

Interest earned on loans decreased $1.9 million, or 11.1%, to $15.2 million for the nine months ended June 30, 2011 from $17.1 million for the prior year period. While the average yield on such loans decreased 19 basis points, to

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5.14% from 5.33%, the average balance of loans decreased $33.7 million, or 7.8%, to $396.1 million for the nine months ended June 30, 2011 from $429.8 million for the nine months ended June 30, 2010.

Interest earned on investment securities, excluding Federal Home Loan Bank of New York stock, decreased $367,000, or 19.2%, to $1.5 million for the nine month period ended June 30, 2011 from $1.9 million a year earlier. The average balance of such securities increased $2.4 million, or 3.6%, to $68.8 million from $66.4 million and the average yield on investment securities fell 87 basis points to 2.97% from 3.84%. The decreased yield on investment securities resulted from the lower interest rate environment during the nine months ended June 30, 2011 compared with the prior year period.

Interest Expense. Interest expense decreased $1.5 million, or 20.3%, to $5.7 million for the nine months ended June 30, 2011 from $7.2 million for the nine months ended June 30, 2010. The decrease in interest expense was primarily due to a 31 basis point decrease in the average cost of such liabilities to 1.73% from 2.04% and a decrease in the average balance of interest-bearing liabilities of $28.1 million, or 6.0%, to $442.8 million.

The average balance of interest bearing deposits decreased $18.9 million to $382.5 million for the nine months ended June 30, 2011 from $401.4 million for the same period last year while the average cost of such deposits decreased 32 basis points to 1.37% from 1.69%. This resulted in a $1.2 million decrease in interest paid on deposits to $3.9 million for the nine months ended June 30, 2011 from $5.1 million for the nine months ended June 30, 2010.

Interest on advances and securities sold under agreements to repurchase decreased $304,000 to $1.8 million for the nine months ended June 30, 2011 compared to the prior year period. The decrease in interest expense was due to a decrease in average balance to $60.3 million from $69.5 million and 6 basis points decrease in the average cost of advances and securities sold under agreements to repurchase to 3.96% for the nine months ended June 30, 2011 from 4.02% for the prior year period. The decrease in cost of advances was due to the repayment of the Company's overnight line of credit, which bore a lower rate than the term advances remaining.

Provision for Loan Losses. The provision for loan losses was $1.2 million for the nine months ended June 30, 2011 compared to $1.6 million for the nine months ended June 30, 2010. The decrease in the provision for loan loss was due primarily to the reduction in the construction loan portfolio, which generally requires a larger provision than other loans and to the stabilization of non-performing loan levels.

Non-performing loans decreased $1.5 million to $26.5 million at June 30, 2011 from $28.0 million at September 30, 2010. Net charge-offs were $2.2 million for the nine months ended June 30, 2011 compared to $2.3 million for the nine months ended June 30, 2010. In addition to slightly less net charge-offs during the current nine month period, the provision for loan losses was lower in comparison to the prior year period due to the reduction in the construction loan portfolio, which generally requires a larger provision than other loans.

The loan charge-offs during the nine months ended June 30, 2011 resulted primarily from updated appraisals of the real estate securing the loans, reflecting continued depreciation from one year earlier. Ten non-performing construction loans totaling $9.9 million were written down by $1.3 million for the nine months based on updated appraisals of the real estate securing the loans, reflecting continued depreciation from one year earlier. Of these loans, two totaling $3.0 million at September 30, 2010 were transferred to other real estate owned. In addition, the Company wrote down six commercial loans totaling $3.9 million by $840,000, two loans secured by residential mortgages totaling $294,000 by $55,000, and two consumer loans totaling $18,000 by $3,000 during the nine months ended June 30, 2011.

Other Income. Non-interest income decreased $571,000, or 30.3%, to $1.3 million for the nine months ended June 30, 2011 compared to $1.9 million for the nine months ended June 30, 2010. The decrease was attributable to net gains

and losses on assets, which decreased $623,000.

The Company recorded a $423,000 loss for other real estate owned for the nine months ended June 30, 2011, which decreased $581,000 from a gain of $158,000 for the nine months ended June 30, 2010. The losses were the result of sales of seven properties totaling $2.0 million that resulted in a net loss of $76,000. In addition, the Bank recorded valuation allowances totaling $347,000 against two properties having an aggregate carrying value of $3.5 million. Gains on the sale of available-for-sale investment securities decreased $381,000 to $74,000 for the nine months ended June 30, 2011 from $455,000 for the nine months ended June 30, 2010. Partially offsetting the losses were gains from the sales of loans, which increased $339,000 to $494,000 for the nine months ended June 30, 2011 compared with $155,000 for the nine months ended June 30, 2010.

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Other Expenses. Non-interest expenses decreased $552,000, or 4.5%, to $11.6 million for the nine months ended June 30, 2011 from $12.2 million for the nine months ended June 30, 2010.

Compensation and benefit expenses decreased $742,000 during the nine months ended June 30, 2011 primarily due to a one-time charge of $852,000 during the prior year period due to the resignation of the Company’s former President and CEO. Absent the charge from the prior year period, compensation and benefit expenses increased $110,000 due primarily to additional staffing for the Bank’s Bridgewater branch office and severance payments for staff positions eliminated during the current period. In addition, professional fees decreased $103,000 due to lower legal and consulting fees in the current year.

Partially offsetting the decrease in compensation and benefit expenses between the nine months periods was an increase in other real estate owned expenses of $122,000 and an increase in occupancy expenses of $96,000 due to the opening and operation of the new Bridgewater branch in July 2010.

Income Tax Expense (Benefit). The Company recorded a tax benefit of $152,000 for the nine months ended June 30, 2011, compared to a benefit of $3.8 million for the nine months ended June 30, 2010. The prior period benefit resulted primarily from a partial reduction in the valuation allowance previously recorded against the Company’s deferred tax asset.

Where applicable, deferred tax assets are reduced by a valuation allowance for any portions determined not likely to be realized. The valuation allowance is assessed by management on a quarterly basis and adjusted, by a charge or credit to income tax expense, as changes in facts and circumstances warrant. In assessing whether it is more likely than not that some portion or all of the deferred tax assets will not be realized, management considers projections of future taxable income, the projected periods in which current temporary differences will deductible, the availability of carry forwards, and existing tax laws and regulations. The valuation allowance in place on deferred tax assets at June 30, 2011, did not materially change from that in place on September 30, 2010.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company’s liquidity is a measure of its ability to fund loans, pay withdrawals of deposits, and other cash outflows in an efficient, cost-effective manner. The Company’s short-term sources of liquidity include maturity, repayment and sales of assets, excess cash and cash equivalents, new deposits, other borrowings, and new advances from the Federal Home Loan Bank. There has been no material adverse change during the nine month ended June 30, 2011 in the ability of the Company and its subsidiaries to fund their operations.

At June 30, 2011, the Company had commitments outstanding under letters of credit of $1.5 million, commitments to originate loans of $5.6 million, and commitments to fund undisbursed balances of closed loans and unused lines of credit of $38.2 million. There has been no material change during the nine months ended June 30, 2011 in any of the Company’s other contractual obligations or commitments to make future payments.

Capital Requirements

On April 22, 2010, Magyar Bank entered into agreements with the Federal Deposit Insurance Corporation ("FDIC"), its principal federal banking regulator, and the New Jersey Department of Banking and Insurance (the "Department"), which require the Bank to take certain measures to improve its safety and soundness. In connection with these agreements, the Bank stipulated to the issuance by the FDIC and the Department of consent orders against the Bank (the "Consent Orders") relating to certain findings from a recent examination of the Bank. The Consent Orders were

filed with the Securities and Exchange Commission on Form 8-K as Exhibits 10.1 and 10.2 on April 23, 2010.

Among the corrective actions required were for the Bank to develop, within 30 days of the April 22, 2010 effective date of the Consent Orders, a written capital plan that details the manner in which the Bank will achieve a Tier 1 capital as a percentage of the Bank's total assets of at least 8%, and total qualifying capital as a percentage of risk-weighted assets of at least 12%. The Bank developed and filed a capital plan on a timely basis with the FDIC and the Department and the plan remains under review by those regulatory authorities.

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At June 30, 2011, the Bank’s Tier 1 capital as a percentage of the Bank's total assets was 7.96%, and total qualifying capital as a percentage of risk-weighted assets was 12.95%.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

Not applicable to smaller reporting companies.

Item 4 – Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that Magyar Bancorp, Inc. files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

There has been no change in Magyar Bancorp, Inc.'s internal control over financial reporting during Magyar Bancorp, Inc.'s three months ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect, Magyar Bancorp, Inc.'s internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal proceedings

There is no material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

Item 1A. Risk Factors

Not applicable to smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

a.) Not applicable.

b.) Not applicable.

c.) The Company did not repurchase any shares during the nine months ended June 30, 2011.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

a.) Not applicable.

b.) There were no material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors during the period covered by the Form 10-Q.

Item 6.Exhibits

Exhibits

31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	MAGYAR BANCORP, INC. (Registrant)
Date: August 15, 2011	/s/ John S. Fitzgerald John S. Fitzgerald President and Chief Executive Officer
Date: August 15, 2011	/s/ Jon R. Ansari Jon R. Ansari Senior Vice President and Chief Financial Officer

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