

Magyar Bancorp, Inc.
Form 10-Q
August 15, 2011

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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2011

Commission File Number 000-51726

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

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

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

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

08901
(Zip Code)

(732) 342-7600
(Issuer's Telephone
Number including
area code)

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Edgar Filing: Magyar Bancorp, Inc. - Form 10-Q

company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 1, 2011
Common Stock, \$0.01 Par Value	5,798,831

MAGYAR BANCORP, INC.

Form 10-Q Quarterly Report

Table of Contents

PART I. FINANCIAL INFORMATION

	Page Number
Item 1. <u>Financial Statements</u>	1
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	34
Item 4. <u>Controls and Procedures</u>	34

PART II. OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	35
Item 1a. <u>Risk Factors</u>	35
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
Item 3. <u>Defaults Upon Senior Securities</u>	35
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	35
Item 5. <u>Other Information</u>	35
Item 6. <u>Exhibits</u>	35
<u>Signature Pages</u>	36

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MAGYAR BANCORP, INC. AND SUBSIDIARY
Consolidated Balance Sheets
(In Thousands, Except Share and Per Share Data)

	June 30, 2011	September 30, 2010 (Unaudited)
Assets		
Cash	\$1,201	\$ 1,126
Interest earning deposits with banks	6,505	19,960
Total cash and cash equivalents	7,706	21,086
Investment securities - available for sale, at fair value	28,130	14,187
Investment securities - held to maturity, at amortized cost (fair value of \$40,006 and \$45,398 at June 30, 2011 and September 30, 2010, respectively)	39,613	44,479
Federal Home Loan Bank of New York stock, at cost	2,689	2,775
Loans receivable, net of allowance for loan losses of \$3,807 and \$4,766 at June 30, 2011 and September 30, 2010, respectively	394,745	403,886
Bank owned life insurance	9,570	9,306
Accrued interest receivable	2,034	1,950
Premises and equipment, net	20,012	20,142
Other real estate owned ("OREO")	15,216	12,655
Other assets	6,765	7,483
Total assets	\$526,480	\$ 537,949
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	\$418,363	\$ 427,932
Escrowed funds	1,249	1,555
Federal Home Loan Bank of New York advances	43,591	45,769
Securities sold under agreements to repurchase	15,000	15,000
Accrued interest payable	374	418
Accounts payable and other liabilities	3,485	3,098
Total liabilities	482,062	493,772
Stockholders' equity		
Preferred stock: \$.01 Par Value, 1,000,000 shares authorized; none issued	-	-
Common stock: \$.01 Par Value, 8,000,000 shares authorized; 5,923,742 issued; 5,798,831 and 5,783,131 outstanding at June 30, 2011 and September 30, 2010, respectively, at cost	59	59
Additional paid-in capital	26,412	26,396
Treasury stock: 124,911 and 140,611 shares at June 30, 2011 and September 30, 2010, respectively, at cost	(1,480)	(1,704)

Edgar Filing: Magyar Bancorp, Inc. - Form 10-Q

Unearned Employee Stock Ownership Plan shares	(1,257)	(1,342)
Retained earnings	21,107	21,300
Accumulated other comprehensive loss	(423)	(532)
Total stockholders' equity	44,418	44,177
Total liabilities and stockholders' equity	\$526,480	\$ 537,949

The accompanying notes are an integral part of these statements.

Table of Contents

MAGYAR BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Operations
(In Thousands, Except Per Share Data)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2011	2010	2011	2010
	(Unaudited)			
Interest and dividend income				
Loans, including fees	\$5,076	\$5,543	\$15,228	\$17,131
Investment securities				
Taxable	509	584	1,544	1,909
Tax-exempt	1	1	4	5
Federal Home Loan Bank of New York stock	31	33	118	124
Total interest and dividend income	5,617	6,161	16,894	19,169
Interest expense				
Deposits	1,233	1,596	3,927	5,080
Borrowings	579	675	1,786	2,090
Total interest expense	1,812	2,271	5,713	7,170
Net interest and dividend income	3,805	3,890	11,181	11,999
Provision for loan losses	402	494	1,238	1,644
Net interest and dividend income after provision for loan losses	3,403	3,396	9,943	10,355
Other income				
Service charges	261	240	837	740
Other operating income	113	126	329	374
Gains on sales of loans	35	40	494	155
Gains on sales of investment securities	39	105	74	455
Gains (losses) on OREO	(131)	60	(423)	158
Total other income	317	571	1,311	1,882
Other expenses				
Compensation and employee benefits	1,863	1,846	5,720	6,462
Occupancy expenses	671	699	2,047	1,951
Advertising	43	36	145	125
Professional fees	201	285	751	854
Service fees	138	144	427	434
OREO expenses	87	75	323	201
FDIC deposit insurance premiums	248	366	954	917
Other expenses	394	427	1,250	1,225

Edgar Filing: Magyar Bancorp, Inc. - Form 10-Q

Total other expenses	3,645	3,878	11,617	12,169
Income (loss) before income tax expense (benefit)	75	89	(363)	68
Income tax expense (benefit)	56	(3,446)	(152)	(3,768)
Net income (loss)	\$19	\$3,535	\$(211)	\$3,836
Net income (loss) per share-basic and diluted	\$0.003	\$0.61	\$(0.04)	\$0.66

The accompanying notes are an integral part of these statements.

Table of Contents

MAGYAR BANCORP, INC. AND SUBSIDIARY
Consolidated Statement of Changes in Stockholders' Equity
For the Nine Months Ended June 30, 2011
(In Thousands, Except for Share Amounts)
(Unaudited)

	Common Stock Shares Outstanding	Par Value	Additional Paid-In Capital	Treasury Stock	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, September 30, 2010	5,783,131	\$59	\$ 26,396	\$(1,704)	\$(1,342)	\$21,300	\$ (532)	\$44,177
Comprehensive loss:								
Net loss	-	-	-	-	-	(211)	-	(211)
Unrealized loss on securities available-for-sale, net of tax expense of \$149	-	-	-	-	-	-	230	230
Reclassification adjustment for gains included in net loss, net of tax benefit of \$30	-	-	-	-	-	-	(44)	(44)
Unrealized loss on derivatives, net of tax benefit of \$51	-	-	-	-	-	-	(77)	(77)
Total comprehensive loss								(102)
Treasury stock used for restricted stock plan	15,700	-	(242)	224	-	18	-	-
ESOP shares allocated	-	-	(44)	-	85	-	-	41
Stock-based compensation expense	-	-	302	-	-	-	-	302
Balance, June 30, 2011	5,798,831	\$59	\$ 26,412	\$(1,480)	\$(1,257)	\$21,107	\$ (423)	\$44,418

The accompanying notes are an integral part of this statement.

Table of Contents

MAGYAR BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
(In Thousands)

	For the Nine Months Ended June 30, 2011 2010 (Unaudited)	
Operating activities		
Net income (loss)	\$(211	) \$3,836
Adjustment to reconcile net income (loss) to net cash provided by operating activities		
Depreciation expense	725	838
Premium amortization on investment securities, net	236	111
Provision for loan losses	1,238	1,644
Provision for loss on other real estate owned	347	-
Proceeds from the sales of loans	8,015	4,268
Gains on sale of loans	(494	) (155
Gains on sales of investment securities	(74	) (455
Losses (gains) on the sales of other real estate owned	76	(158
ESOP compensation expense	41	40
Stock-based compensation expense	302	252
Deferred income tax benefit	-	(3,493
(Increase) decrease in accrued interest receivable	(84	) 199
Increase in surrender value bank owned life insurance	(264	) (330
Decrease (increase) in other assets	522	(2,847
Decrease in accrued interest payable	(44	) (210
Increase in accounts payable and other liabilities	387	690
Net cash provided by operating activities	10,718	4,230
Investing activities		
Net (increase) decrease in loans receivable	(3,199	) 12,834
Purchases of investment securities held to maturity	(7,747	) (11,649
Purchases of investment securities available for sale	(20,083	) (8,101
Sales of investment securities held to maturity	-	4,000
Sales of investment securities available for sale	4,047	12,782
Principal repayments on investment securities held to maturity	12,496	14,425
Principal repayments on investment securities available for sale	2,353	1,913
Redemptions of bank owned life insurance	-	2,111
Purchases of premises and equipment	(595	) (518
Investment in other real estate owned	(1,198	) (575
Proceeds from the sale of other real estate owned	1,795	1,747
Redemption of Federal Home Loan Bank stock	86	241
Net cash (used) provided by investing activities	(12,045	) 29,210
Financing activities		
Net decrease in deposits	(9,569	) (20,430
Net decrease (increase) in escrowed funds	(306	) 20
Repayments of long-term advances	(5,853	) (5,758

Edgar Filing: Magyar Bancorp, Inc. - Form 10-Q

Net change in short-term advances	3,675	-
Net cash used by financing activities	(12,053)	(26,168)
Net (decrease) increase in cash and cash equivalents	(13,380)	7,272
Cash and cash equivalents, beginning of period	21,086	7,921
Cash and cash equivalents, end of period	\$	