

MALVERN FEDERAL BANCORP INC
Form DEF 14A
December 24, 2009

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

SCHEDULE 14A
(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
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Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
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- o Soliciting Material Pursuant to §240.14a-12

Malvern Federal Bancorp, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

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 - (3) Filing Party: _____
 - (4) Date Filed: _____
-

December 28, 2009

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Malvern Federal Bancorp, Inc. The meeting will be held at the Sheraton Great Valley Hotel, 707 East Lancaster Avenue, Frazer, Pennsylvania, on Thursday, January 28, 2010 at 10:00 a.m., Eastern Time.

At the annual meeting, you will be asked to elect three directors and to ratify the appointment of ParenteBeard LLC as our independent registered public accounting firm for the fiscal year ending September 30, 2010. Each of these matters is more fully described in the accompanying materials.

It is very important that you be represented at the annual meeting regardless of the number of shares you own or whether you are able to attend the meeting in person. We urge you to mark, sign, and date your proxy card today and return it in the envelope provided, even if you plan to attend the annual meeting. This will not prevent you from voting in person, but will ensure that your vote is counted if you are unable to attend.

Your continued support of and interest in Malvern Federal Bancorp, Inc. is sincerely appreciated.

Very truly yours,

Ronald Anderson
President and Chief
Executive Officer

MALVERN FEDERAL BANCORP, INC.
42 East Lancaster Avenue
Paoli, Pennsylvania 19301
(610) 644-9400

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TIME 10:00 a.m., Eastern Time, Thursday, January 28, 2010

PLACE Sheraton Great Valley Hotel
707 East Lancaster Avenue
Frazer, Pennsylvania

ITEMS OF BUSINESS (1) To elect three directors for a three-year term
expiring in 2013, and until their successors are
elected and qualified;

(2) To ratify the appointment of ParenteBeard
LLC as our independent registered public
accounting firm for the fiscal year ending
September 30, 2010; and

(3) To transact such other business, as may
properly come before the meeting or at any
adjournment thereof. We are not aware of
any other such business.

RECORD DATE Holders of Malvern Federal Bancorp common stock of record at the
close of business on December 15, 2009 are entitled to vote at the
meeting.

ANNUAL REPORT Our 2009 Annual Report is enclosed but is not a part of the proxy
solicitation materials.

PROXY VOTING It is important that your shares be represented and voted at the
meeting. You can vote your shares by completing and returning the
proxy card sent to you. Most shareholders whose shares are held in
"street" name can also vote their shares over the Internet or by
telephone. If Internet or telephone voting is available to you, voting
instructions are printed on your voting instruction form. You can
revoke a proxy at any time prior to its exercise at the meeting by
following the instructions in the accompanying proxy statement.

BY ORDER OF THE BOARD OF DIRECTORS

Shirley Stanke
Corporate Secretary

Paoli, Pennsylvania
December 28, 2009

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PROXY STATEMENT
OF
MALVERN FEDERAL BANCORP, INC.

ABOUT THE ANNUAL MEETING OF SHAREHOLDERS

This proxy statement is furnished to holders of common stock of Malvern Federal Bancorp, Inc., the "mid-tier" holding company of Malvern Federal Savings Bank. Our Board of Directors is soliciting proxies to be used at the annual meeting of shareholders to be held at the Sheraton Great Valley Hotel, located at 707 East Lancaster Avenue, Frazer, Pennsylvania, on Thursday, January 28, 2010 at 10:00 a.m., Eastern Time, and any adjournment thereof, for the purposes set forth in the Notice of Annual Meeting of Shareholders. This proxy statement is first being mailed to shareholders on or about December 28, 2009.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on January 28, 2010. This proxy statement and our 2009 Annual Report on Form 10-K as well as driving directions to the annual meeting are available on our website at www.malvernfederal.com under the "Investor Relations" tab.

What is the purpose of the annual meeting?

At our annual meeting, shareholders will act upon the matters outlined in the Notice of Annual Meeting, including the election of directors and ratification of our independent registered public accounting firm.

Who is entitled to vote?

Only Malvern Federal Bancorp shareholders of record as of the close of business on the record date for the meeting, December 15, 2009, are entitled to vote at the meeting. On the record date, we had 6,102,500 shares of common stock issued and outstanding and no other class of equity securities outstanding. For each issued and outstanding share of common stock you own on the record date, you will be entitled to one vote on each matter to be voted on at the meeting, in person or by proxy.

How do I submit my proxy?

After you have carefully read this proxy statement, indicate on your proxy form how you want your shares to be voted. Then sign, date and mail your proxy form in the enclosed prepaid return envelope as soon as possible. This will enable your shares to be represented and voted at the annual meeting even if you do not attend the meeting.

If my shares are held in "street name" by my broker, could my broker automatically vote my shares for me?

Your broker may not vote on the election of directors if you do not furnish instructions for such proposals. You should use the voting instruction card provided by the institution that holds your shares to instruct your broker to vote your shares or else your shares will be considered "broker non-votes."

Broker non-votes are shares held by brokers or nominees as to which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and the broker or nominee does not have discretionary voting power under rules applicable to broker-dealers. Under these rules, the proposals to elect directors are not items on which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions within ten days of the annual meeting.

Your broker may vote in his or her discretion on the ratification of the appointment of our independent registered public accounting firm if you do not furnish instructions.

Can I attend the meeting and vote my shares in person?

All shareholders are invited to attend the annual meeting. Shareholders of record can vote in person at the annual meeting. If your shares are held in street name, then you are not the shareholder of record and you must ask your broker or other nominee how you can vote at the annual meeting.

Can I change my vote after I return my proxy card?

Yes. If you are a shareholder of record, there are three ways you can change your vote or revoke your proxy after you have sent in your proxy form.

First, you may send a written notice to our Corporate Secretary, Ms. Shirley Stanke, Malvern Federal Bancorp, Inc., 42 East Lancaster Avenue, Paoli, Pennsylvania 19301, in advance of the meeting stating that you would like to revoke your proxy.

Second, you may complete and submit a new proxy form before the annual meeting. Any earlier proxies will be revoked automatically.

Third, you may attend the annual meeting and vote in person. Any earlier proxy will be revoked. However, attending the annual meeting without voting in person will not revoke your proxy.

If your shares are held in "street name" and you have instructed a broker or other nominee to vote your shares, you must follow directions from your broker or other nominee to change your vote.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of outstanding shares that all shareholders are entitled to vote on a particular matter will constitute a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting.

What are the Board of Directors' recommendations?

The recommendations of the Board of Directors are set forth under the description of each proposal in this proxy statement. In summary, the Board of Directors recommends that you vote FOR the nominees for director described herein and FOR ratification of the appointment of ParenteBeard LLC for fiscal 2010.

The proxy solicited hereby, if properly signed and returned to us and not revoked prior to its use, will be voted in accordance with your instructions. If no contrary instructions are given, each proxy signed and received will be voted in the manner recommended by the Board of Directors and, upon the transaction of such other business as may properly come before the meeting, in accordance with the best judgment of the persons appointed as proxies. Proxies solicited hereby may be exercised only at the annual meeting and any adjournment of the annual meeting and will not be used for any other meeting.

What vote is required to approve each item?

The election of directors will be determined by a plurality of the votes cast at the annual meeting. The three nominees for director receiving the most "for" votes will be elected directors. The affirmative vote of a majority of the shares represented in person or by proxy at the annual meeting is required for approval of the proposal to ratify the appointment of ParenteBeard LLC for fiscal 2010. Abstentions are considered in determining the presence of a quorum and will count as a vote against the proposal to ratify the appointment of the independent registered public accounting firm.

As indicated below under "Beneficial Ownership of Common Stock by Certain Beneficial Owners and Management," Malvern Federal Mutual Holding Company owns a majority of our outstanding common stock. The Mutual Holding Company intends to vote all of the shares it owns for the nominees for director and for the ratification of the appointment of ParenteBeard LLC, thereby ensuring a quorum at the annual meeting, and that each of such proposals will be adopted.

INFORMATION WITH RESPECT TO NOMINEES FOR DIRECTOR, CONTINUING
DIRECTORS AND EXECUTIVE OFFICERS

Election of Directors (Proposal One)

Our Bylaws provide that the Board of Directors shall be divided into three classes as nearly equal in number as possible. The directors are elected by our shareholders for staggered terms and until their successors are elected and qualified. One class shall be elected annually. At this meeting, you will be asked to elect one class of directors, consisting of three directors, for a three-year term expiring in 2013, and until their successors are elected and qualified.

Our Board of Directors has recommended the re-election of Messrs. Anderson, Hughes and Shanaughy as directors. No director or nominee for director is related to any other director or executive officer by blood, marriage or adoption. Shareholders are not permitted to use cumulative voting for the election of directors. Our Board of Directors has determined that Messrs. Hughes, Shanaughy, Steinmetz, Palmer, Prizer, and Yerkes and Ms. Camp and Ms. Woodman are independent directors, as defined in the Nasdaq listing standards.

Unless otherwise directed, each proxy signed and returned by a shareholder will be voted for the election of the nominees for director listed below. If any person named as a nominee should be unable or unwilling to stand for election at the time of the annual meeting, the proxies will nominate and vote for any replacement nominee or nominees recommended by our Board of Directors. At this time, the Board of Directors knows of no reason why any of the nominees listed below may not be able to serve as a director if elected.

The following tables present information concerning the nominees for director and our continuing directors. All of our current directors also serve as directors of Malvern Federal Savings Bank. With the exception of Ms. Woodman, the indicated period of service as a director includes service as a director of Malvern Federal Savings Bank prior to the organization of Malvern Federal Bancorp in 2008. Ages are reflected as of September 30, 2009.

Nominees for Director for Three-Year Terms Expiring in 2013

Name	Age	Position with Malvern Federal Bancorp and Principal Occupation During the Past Five Years	Director Since
Ronald Anderson	53	President and Chief Executive Officer of Malvern Federal Bancorp, Inc. since its organization in 2008 and President and Chief Executive Officer of Malvern Federal Savings Bank since September 2002. Previously, Executive Vice President and Chief Executive Officer of Malvern Federal Savings Bank from September 2001 to September 2002.	2006
F. Claire Hughes, Jr.	65	Chairman of the Board. Retired since January 2007. Previously Vice President, General Manager and Treasurer of Matthews Ford and President of Matthews Leasing Company, Paoli, Pennsylvania.	2001
Edward P. Shanaughy, II	79	Director. Owner of Our Deli, Paoli, Pennsylvania. Previously, Mr. Shanaughy owned and operated 28 meat/butcher stores in New York, Delaware, New Jersey and Pennsylvania.	1986

The Board of Directors recommends that you vote FOR election of the nominees for director.

Members of the Board of Directors Continuing in Office

Directors Whose Terms Expire in 2011			
Name	Age	Position with Malvern Federal Bancorp and Principal Occupation During the Past Five Years	Director Since
Kristin S. Camp	40	Director. Partner at the law firm Buckley, Brion, McGuire & Morris LLP, West Chester, Pennsylvania since 1996.	2007
David R. Prizer	80	Director. Retired. Previously, owner of Prizer Associates, Inc., Pottstown, Pennsylvania.	1977
George E. Steinmetz	48	Director. Owner, Matthews Paoli Ford, an automobile dealership, Paoli, Pennsylvania since 2002.	2007
Directors Whose Terms Expire in 2012			
Name	Age	Position with Malvern Federal Bancorp and Principal Occupation During the Past Five Years	Director Since
Joseph E. Palmer, Jr.	69	Director. Co-owner and manager of Palmer Group Properties, a real estate investment and management company located in Paoli, Pennsylvania since 1994.	1986
Therese Woodman	57	Director. Township Manager of East Whiteland Township since February 2001.	2009
John B. Yerkes, Jr.	71	Vice Chairman of the Board. Principal and Chief Executive Officer of Yerkes Associates, Inc., consulting civil engineers, West Chester, Pennsylvania, since 1961.	1975

Executive Officers Who are Not Also Directors

Dennis Boyle, who is 57 years old, currently is Senior Vice President and Chief Financial Officer of Malvern Federal Bancorp and Senior Vice President, Treasurer and Chief Financial Officer of Malvern Federal Savings Bank. Previously, Mr. Boyle served as Vice President and Treasurer of Malvern Federal Savings Bank and in various other capacities since joining the bank in 1974.

Richard J. Fuchs, who is 60 years old, joined Malvern Federal Savings Bank as Senior Vice President – Operations on September 1, 2009. Previously, Mr. Fuchs served as the Executive Vice President – Retail Banking and Chief Deposit Office of Fox Chase Bank, Hatboro, Pennsylvania, from April 2006 until September 2009, and prior thereto, he was Senior Vice President – Community Banking Division at The Bryn Mawr Trust Company, Bryn Mawr, Pennsylvania, and he also served as President and Chief Executive Officer of its subsidiary, the Bryn Mawr Brokerage Company from 2000 to 2005.

William E. Hughes, Jr., who is 52 years old, has served as Senior Vice President and Chief Lending Officer of Malvern Federal Savings Bank since 1997 and in various other capacities since joining the Bank in 1977.

Gerard M. McTear, Jr., who is 46 years old, has served as Chief Administrative Officer since June 2007. Previously, Mr. McTear served as Executive Vice President and Chief Operating Officer from July 2002 to June 2007, and, prior thereto, Mr. McTear served as Human Resources, Security, Retail Banking Manager.

Director Nominations

Nominations for director of Malvern Federal Bancorp are made by the full Board of Directors. The Board of Directors considers the recommendations of the Nominating and Corporate Governance Committee in selecting nominees for director. All of our directors participate in the consideration of director nominees and will consider candidates for director suggested by other directors, as well as our management and shareholders. A shareholder who desires to recommend a prospective nominee for the Board should notify our Secretary in writing with whatever supporting material the shareholder considers appropriate. Any shareholder wishing to make a nomination must follow our procedures for shareholder nominations, which are described under "Shareholder Proposals, Nominations and Communications with the Board of Directors."

The charter of the Nominating and Corporate Governance Committee sets forth certain criteria the committee may consider when recommending individuals for nomination as director including: (a) ensuring that the board of directors, as a whole, is diverse and consists of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise (including expertise that could qualify a director as a "financial expert," as that term is defined by the rules of the SEC), local or community ties and (b) minimum individual qualifications, including strength of character, mature judgment, familiarity with our business and industry, independence of thought and an ability to work collegially. The committee also may consider the extent to which the candidate would fill a present need on the board of directors.

Committees and Meetings of the Board of Directors

During the fiscal year ended September 30, 2009, the Board of Directors of Malvern Federal Bancorp met 23 times. No director of Malvern Federal Bancorp attended fewer than 75% of the aggregate of the total number of Board meetings held during the period for which he has been a director and the total number of meetings held by all committees of the Board on which he served during the periods that he served.

Membership on Certain Board Committees. The Board of Directors of Malvern Bancorp has established an Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The following table sets forth the membership of such committees as of the date of this proxy statement.

Directors	Audit	Compensation	Nominating and Corporate Governance
Camp			*
Hughes	*	**	
Palmer	*	*	
Steinmetz	**	*	
Woodman			*
Yerkes		*	**

* Member.

** Chair.

Audit Committee. The Board of Directors has established an Audit Committee consisting of Messrs. Steinmetz, Hughes and Palmer. The Audit Committee reviews with management and the independent registered public accounting firm the systems of internal control, reviews the annual financial statements, including the Form 10-K and monitors Malvern Federal Bancorp's adherence in accounting and financial reporting to generally accepted accounting principles. The Audit Committee is comprised of three directors who are independent directors as defined in the Nasdaq listing standards and the rules and regulations of the Securities and Exchange Commission. The Board of Directors has determined that Mr. Steinmetz meets the qualifications established for an audit committee financial expert in the regulations of the Securities and Exchange Commission. The Audit Committee met six times in fiscal 2009. The Audit Committee charter as presently in effect is available on the Company's website, www.malvernfederal.com.

Nominating and Corporate Governance Committee. It is the responsibility of the Nominating and Corporate Governance Committee to, among other functions, recommend nominees for the consideration of the Board of Directors in selecting nominees for election at the Annual Meeting. The Nominating and Corporate Governance Committee met once in fiscal 2009. The Nominating and Corporate Governance Committee members are independent directors, as defined in the Nasdaq listing standards. The committee's charter is available on our website at www.malvernfederal.com under the Investor Relations heading.

Compensation Committee. It is the responsibility of the Compensation Committee to set the compensation of our Chief Executive Officer as well as the other named executive officers. The Compensation Committee met once in fiscal 2009. Each of the members of the Compensation Committee is an independent director as defined in the Nasdaq listing standards. The committee's charter is available on our website at www.malvernfederal.com under the Investor Relations heading.

Directors' Attendance at Annual Meetings

Directors are expected to attend the annual meeting absent a valid reason for not doing so.

Directors' Compensation

We do not pay separate compensation to directors for their service on the Board of Directors of Malvern Federal Bancorp. Fees are paid to directors by the Bank only. Our directors, except for our President and Chief Executive Officer and Chairman of the Board, currently receive a fee of \$400 for attending regularly scheduled monthly Board meetings of the Bank for a maximum of \$800 per month. The Bank's Chairman of the Board currently receives an annual retainer of \$60,000 and the Vice Chairman receives \$30,000. The remaining directors, other than Mr. Anderson, receive annual retainers of \$25,000 (which was pro-rated in the case of Ms. Woodman, who joined the board of directors in January 2009). In addition, directors were paid cash bonuses ranging in amounts of \$1,300 to \$2,400.

The table below summarizes the total compensation paid by Malvern Federal Savings Bank to our non-employee directors for the fiscal year ended September 30, 2009.

Name	Fees Earned or		Total
	Paid in Cash	All Other Compensation(1)	
F. Claire Hughes, Jr.	\$ 64,520	\$ 2,058	\$ 66,578
Kristin S. Camp	36,488	--	36,488
Joseph E. Palmer, Jr.	36,540	2,761	39,301
David R. Prizer	35,552	11,442	46,994
Edward P. Shanaughy	38,004	7,155	45,159
George E. Steinmetz	36,720	--	36,720
Therese Woodman	25,127	--	25,127
John B. Yerkes, Jr.	39,824	2,585	42,409
Cordine Scartozzi(2)	14,221	10,011	24,232

(1) Consists of accruals, payments under, the Directors' Retirement Plan.

(2) Mr. Scartozzi retired from the Board of Directors on January 29, 2009.

Malvern Federal Savings Bank has entered into Director Retirement Plan ("DRP") Agreements with directors Hughes, Palmer, Prizer, Shanaughy and Yerkes and former director Cordine Scartozzi. The DRP Agreements provide the subject directors with retirement benefits for a five-year period at normal retirement age, defined as 80 years. The normal annual retirement benefit amounts are \$17,400, \$15,500, \$9,700, \$8,900, \$10,500 and \$14,300 in the case of Messrs. Hughes, Palmer, Prizer, Scartozzi, Shanaughy and Yerkes, respectively. The DRP Agreements also provide for reduced benefits upon early retirement and for benefits upon the director's death or disability or separation of service following a change-in-control, as defined, of the Bank. The DRP Agreements provide that in the event any of the payments to be made thereunder are deemed to constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then such payments and benefits received thereunder shall be reduced by the minimum amount necessary to result in no portion of the payments and benefits being non-deductible by Malvern Federal Savings Bank for federal income tax purposes. The DRP Agreements also include non-compete provisions.

REPORT OF THE AUDIT COMMITTEE

The functions of the Audit Committee include the following: performing all duties assigned by the Board of Directors, reviewing with management and independent public accountants the basis for the reports issued by Malvern Federal Saving Bank and Malvern Federal Bancorp, Inc. pursuant to federal regulatory requirements, meeting with the independent registered public accounting firm to review the scope of audit services, significant accounting changes and audit conclusions regarding significant accounting estimates, assessments as to the adequacy of internal controls

and the resolution of any significant deficiencies or material control weaknesses, and assessing compliance with laws and regulations and overseeing the internal audit function. The Audit Committee also reviews and assesses the adequacy of its Charter on an annual basis.

The Audit Committee has reviewed and discussed Malvern Federal Bancorp's audited financial statements with management. The Audit Committee has discussed with Malvern Federal Bancorp's independent registered public accounting firm, ParenteBeard LLC, the matters required to be discussed by the Statement on Auditing Standards ("SAS") No. 61, as amended (AICPA, Professional Standards, Vol. I, AU Section 380), as adopted by the Public Accounting Oversight Board in Rule 3800T. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding ParenteBeard LLC's communications with the audit committee concerning independence, and has discussed with ParenteBeard LLC, the independent auditor's independence. Based on the review and discussions referred to above in this report, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Malvern Federal Bancorp's Annual Report on Form 10-K for fiscal year 2009 for filing with the Securities and Exchange Commission.

Members of the Audit
Committee

George Steimmetz,
Chairman
F. Claire Hughes, Jr.
Joseph E. Palmer

MANAGEMENT COMPENSATION

Summary Compensation Table

The following table sets forth a summary of certain information concerning the compensation paid by Malvern Federal Savings Bank for services rendered in all capacities during the fiscal years ended September 30, 2009 and 2008 to our principal executive officer and the other three most highly compensated executive officers. Malvern Federal Bancorp, the holding company of Malvern Federal Savings, has not paid separate cash compensation to our executive officers.

Name and Principal Position	Fiscal Year	Salary	Bonus	All Other Compensation(1)	Total
Ronald Anderson President and Chief Executive Officer	2009	\$ 208,731	\$ 7,432	\$ 46,791	\$ 262,954
	2008	177,634	6,652	35,838	220,124
Dennis Boyle Senior Vice President and Chief Financial Officer	2009	169,269	6,352	46,315	221,936
	2008	156,125	5,940	42,175	204,240
Gerard M. McTear, Jr. Executive Vice President and Chief Administrative Officer	2009	137,077	5,196	22,135	164,408
	2008	128,777	5,116	20,669	154,562
	2009	132,923	4,971	25,347	163,241

William E. Hughes, Jr. Senior Vice President and Chief Lending Officer	2008	121,077	4,433	22,984	148,494
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- (1) Includes amounts accrued under the Supplemental Executive Retirement Agreements, life insurance premiums, employer matching contributions and supplemental contributions under the Bank's 401(k) plan, and, in the case of Mr. Anderson, an automobile allowance.

Malvern Federal Bancorp has not implemented any equity awards or stock option plans to date. Malvern Federal Bancorp does not maintain any non-equity incentive plans.

Employment Agreements

On August 11, 2008, the Company and the Bank entered into Employment Agreements with Messrs. Anderson and Boyle and the Bank entered into Employment Agreements with Messrs. McTear and Hughes. The Agreements have a three-year term in the case of Mr. Anderson and a two-year term in the case of the other executive officers. On each annual anniversary date, the Agreement will be extended for an additional year unless the Company and/or the Bank or the executive officer has given prior notice not to extend the term of the Agreement.

The Agreements are terminable by the Company and/or the Bank with or without cause. In the event employment was terminated for cause, as defined, the executive officer would not be entitled to any additional compensation or benefits under the terms of the Agreements. If the Agreements were terminated by the Company and/or the Bank without cause or if the executive officer terminates the Agreement because the Company and/or the Bank have materially breached the agreement or the executive officer otherwise has "good reason," as defined, to terminate, then the executive officer will be entitled to a cash severance payment equal to one times (two times in the case of Mr. Anderson) his then current base salary plus continued participation in all group insurance, life insurance, health and accident insurance and disability insurance for 12 months (24 months in the case of Mr. Anderson), unless the executive officer receives substantially similar benefits with another employer prior thereto. In the event of termination in connection with a "change in control," as defined, the executive officer will be entitled to a severance payment in an amount equal to two times (three times in the case of Mr. Anderson) his then current base salary plus his cash bonus received in the immediately preceding year, plus continuation of health insurance and certain other benefits for up to 24 months (36 months in the case of Mr. Anderson).

Supplemental Executive Retirement Agreements

In September 2004, Malvern Federal Savings Bank entered into Supplemental Executive Retirement Agreements ("SERPs") with Messrs. Boyle and Hughes and in October 2004, entered into agreements with Messrs. Anderson and McTear. The Bank also has entered into SERPs with three non-executive officers. Under the terms of the SERPs, the officer will be entitled to an annual retirement benefit payable over 15 years. The annual benefit at normal retirement age, defined as 65 years, is \$61,000, \$50,000, \$59,000 and \$45,000 in the case of Messrs. Anderson, Boyle, McTear and Hughes, respectively. Such normal retirement benefits under the SERPs can be increased by 3.5% for each year that the executive's separation of service from the Bank is delayed beyond age 65, up to age 70. The SERPs also provide for reduced benefits upon early retirement and for benefits upon the executive's death or disability or upon the executive's separation of service following a change-in-control, as defined, of the Bank. The SERP's also provide that in the event any of the payments to be made thereunder are deemed to constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments and benefits received thereunder shall be reduced by the minimum amount necessary to result in no portion of the payments and benefits being non-deductible by Malvern Federal Savings Bank for federal income tax purposes. In order not to forfeit the payment of benefits under the SERPs, the officers must honor the non-compete provisions of such agreements.

Endorsement Split Dollar Insurance Agreements

Malvern Federal Savings Bank has purchased insurance policies on the lives of its executive officers, and has entered into Split Dollar Insurance Agreements with each of those officers. The policies are owned by Malvern Federal Savings Bank which pays each premium due on the policies. Under the agreements with the named executive officers, upon an officer's death while he remains employed by Malvern Federal Savings Bank the executive's beneficiary shall receive proceeds in the amount of three times the executive's base salary at the time of death. In the case of the officer's death after termination of employment with Malvern Federal Savings Bank, provided he reached age 65 before such termination, the officer's beneficiary shall receive proceeds in the amount of two times the executive's base salary. Malvern Federal Savings Bank is entitled to receive the amount of the death benefits less those paid to the officer's beneficiary, which is expected to reimburse Malvern Federal Savings Bank in full for its life insurance investment.

The Split Dollar Insurance Agreements may be terminated at any time by Malvern Federal Savings Bank or the officer, by written notice to the other. The Split Dollar Insurance Agreements will also terminate upon cancellation of the insurance policy by Malvern Federal Savings Bank, cessation of Malvern Federal Savings Bank's business or upon bankruptcy, receivership or dissolution or by Malvern Federal Savings Bank upon the officer's termination of service to Malvern Federal Savings Bank. Upon termination, the officer forfeits any right in the death benefit and Malvern Federal Savings Bank may retain or terminate the insurance policy in its sole discretion.

Related Party Transactions

Loans and Extensions of Credit. Malvern Federal Savings Bank offers mortgage loans to its directors, officers and employees as well as members of their immediate families for the financing of their primary residences and certain other loans. These loans are generally made on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons except Malvern Federal Savings Bank waives the origination fees on real estate loans made to all employees. It is the belief of management that these loans neither involve more than the normal risk of collectibility nor present other unfavorable features to Malvern Federal Savings Bank.

The table below list all outstanding loans made by Malvern Federal Savings Bank to related persons, where the amount involved exceeds \$120,000 and loan origination fees were waived. In each case, the loans listed are loans to executive officers secured by real estate where, consistent with our policy for all employees, the typical 3.0% loan origination fee was waived.

Loan	Amount of Fees Waived	Largest Principal Amount Outstanding during	Amount Outstanding	Amounts Paid During Fiscal 2009
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