



Federal Deposit Insurance Corporation  
550 17th St. NW Washington DC, 20429

Division of Supervision and Consumer Protection

January 20, 2006

**VIA FACSIMILE AND BY CERTIFIED RETURN RECEIPT REQUESTED**

Board of Directors  
Magyar Bank  
400 Somerset Street  
New Brunswick, New Jersey 08903

Dear Members of the Board:

The notice of intent to convert from a mutual to stock form filed on behalf of Magyar Bank, New Brunswick, New Jersey, has been reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160 - 303.163 and other pertinent FDIC regulations. Based on the information provided and representations made, the FDIC poses no objection to the proposed conversion transaction.

Please notify our New York Regional Office in writing when the proposed transaction has been consummated.

Sincerely,

*/s/*

John M. Lane  
Deputy Director

cc: John J. Gorman, Esq.  
Robert B. Pomerenk, Esq.  
Luse Gorman Pomerenk & Schick, P.C.  
5335 Wisconsin Avenue, NW  
Suite 400  
Washington, D.C. 20015

**FEDERAL DEPOSIT INSURANCE CORPORATION**

Magyar Bank  
New Brunswick, Middlesex County, New Jersey

Application for Consent to Merge  
to facilitate a conversion from a  
Mutual Savings Bank to a Stock Savings Bank

**ORDER AND BASIS FOR CORPORATION APPROVAL**

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act (FDI Act), an application has been filed on behalf of the Magyar Bank, New Brunswick, New Jersey (Mutual Institution), currently a New Jersey-chartered mutual savings bank and Savings Association Insurance Fund (SAIF) member with total resources of \$357,805,000 and total deposits of \$281,275,000 as of September 30, 2005, for the FDIC's consent to merge with Magyar Interim Bank II, New Brunswick, New Jersey, a proposed new, New Jersey-chartered stock savings bank.

The transaction is the result of Mutual Institution's plan of conversion, which, solely to facilitate such undertaking, provides for:

- Mutual Institution will organize an interim stock savings bank as a wholly-owned subsidiary (Magyar Interim Bank I);
- Magyar Interim Bank I will organize an interim stock savings bank as a wholly-owned subsidiary (Magyar Interim Bank II);
- Magyar Interim Bank I will organize the Magyar Bancorp, Inc. as a wholly-owned subsidiary;
- Mutual Institution will amend its charter to be in the form of a New Jersey stock savings bank charter (Resultant Bank), at which time it will become a stock savings bank and Magyar Interim Bank I will exchange its charter for a New Jersey mutual holding company charter to become Magyar Bancorp, MHC;
- Simultaneously, Magyar Interim Bank II will merge with and into the Resultant Bank, and all of the stock issued by the Resultant Bank will be transferred to Magyar Bancorp, MHC in exchange for membership interests in Magyar Bancorp, MHC;
- Magyar Bancorp, MHC will contribute the stock of the Resultant Bank to Magyar Bancorp, Inc., and the Resultant Bank will become a wholly-owned subsidiary of Magyar Bancorp, Inc.

At the conclusion of the reorganization, the deposits of Magyar Bank will continue to be insured under the SAIF. Following consummation of the merger, Magyar Bank will operate the same banking business, with the same management, and at the same locations as the Mutual Institution. The proposed transaction will not alter the competitive structure of banking in the market served by Mutual Institution. Magyar Bank's main office will continue to be located at 400 Somerset Street, New Brunswick, New Jersey.

Applications for the conversion and reorganization of Mutual Institution and the subsequent merger of the Resultant Bank with Magyar Interim Bank II have been approved by the New Jersey Department of Banks and Insurance. Applications for the establishment of Magyar Bancorp, Inc., and Magyar Bancorp, MHC have been filed with the Board of Governors of the Federal Reserve System.

Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act. A review of available information, including the Community Reinvestment Act (CRA) Statement of Mutual Institution, discloses no inconsistencies with the purposes of the CRA. The Resultant Bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

In connection with the applications, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent bank and the Resultant Bank, the convenience and needs of the community to be served, and the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities. Having found favorably on all statutory factors and having considered other relevant information, including reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, and the Attorney General of the United States, it is the FDIC's judgment that the applications should be and are hereby approved, subject to the following conditions:

1. That, the transaction may not be consummated unless the Plan of Reorganization from Mutual Savings Bank to Mutual Holding Company receives prior approval by an affirmative vote of at least a majority of the total votes eligible to be cast by Mutual Institution's depositors;
2. That, the proposed transaction may not be consummated unless and until Magyar Bank's holding companies, Magyar Bancorp, Inc. and Magyar Bancorp, MHC, are granted approval by the Board of Governors of the Federal Reserve System to become holding companies for Magyar Bank;
3. That, except for the proposed transfer of stock to Magyar Bancorp, MHC and the contribution of that stock by Magyar Bancorp, MHC to Magyar Bancorp, Inc., no shares of the stock of Magyar Savings Bank shall be sold, transferred or otherwise disposed of, to any person (including any Employee Stock

Ownership Plan) unless prior notice is provided to, and non-objection is received from, the FDIC

4. That, prior to the sale, transfer, or other disposition of any shares of Magyar Bancorp, Inc. by Magyar Bancorp, MHC to any person (including any Employee Stock Ownership Plan), or a conversion of the mutual holding company to stock form, Magyars Bank will provide written notification to the FDIC and will provide the FDIC with copies of all documents filed with state and federal banking and/or securities regulators in connection with such sale, transfer, disposition, or conversion;
5. That, should any shares of the stock of Magyar Bank or Magyar Bancorp, Inc. be issued to persons other than Magyar Bancorp, MHC, any dividends waived by Magyar Bancorp, MHC must be retained by Magyar Bancorp, Inc. or Magyar Bank and segregated, earmarked, or otherwise identified on the books and records of Magyar Bancorp, Inc. or Magyar Bank; such amounts must be taken into account in any valuation of the institution, and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of Magyar Bancorp, MHC to stock form; such amounts shall not be available for payment to, or the value thereof transferred to, minority shareholders, by any means, including through dividend payments or at liquidation;
6. That, any change in proposed management, including the board of directors or proposed ownership (10 percent or more of the stock and new acquisitions of or subscriptions to 10 percent or more of the stock), will render this approval null and void unless such proposal is approved by the FDIC prior to the consummation of the proposed transaction;
7. That, the transaction shall not be consummated within less than fifteen days after the date of this Order, or later than six months after the date of this Order, unless such period is extended for good cause by the FDIC; and
8. That, until the proposed transaction is consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

Pursuant to delegated authority.

Dated at Washington, D.C., this 14<sup>th</sup> day of November, 2005

By: \_\_\_\_\_

**/s/**

John M. Lane  
Deputy Director  
Division of Supervision and Consumer Protection