

Beneficial Mutual Bancorp Inc
Form 424B3
May 18, 2007

Filed pursuant to Rule 424(b)(3)
File Number: 333-141289

**INTERESTS IN
BENEFICIAL MUTUAL SAVINGS BANK 401(k) PLAN
AND
OFFERING OF 917,551 SHARES OF
BENEFICIAL MUTUAL BANCORP, INC.
COMMON STOCK (\$.01 PAR VALUE)**

This prospectus supplement relates to the offer and sale to participants in the Beneficial Mutual Savings Bank 401(k) Plan (the 401(k) Plan), of participation interests and shares of common stock of Beneficial Mutual Bancorp in connection with the Beneficial Mutual Bancorp initial public offering.

401(k) Plan participants may direct RSGroup Trust Company, the trustee for the Beneficial Mutual Bancorp Stock Fund, to use up to 50% of their account balances to subscribe for and purchase shares of Beneficial Mutual Bancorp common stock through the Beneficial Mutual Bancorp Stock Fund. Based upon the value of the 401(k) Plan assets as of March 31, 2007, the Beneficial Mutual Bancorp Stock Fund trustee may purchase up to 917,551 shares of Beneficial Mutual Bancorp common stock at a purchase price of \$10.00 per share. This prospectus supplement relates to the election of 401(k) Plan participants to direct the 401(k) Plan trustee to invest up to 50% of their 401(k) Plan account balances in Beneficial Mutual Bancorp common stock.

The Beneficial Mutual Bancorp prospectus dated May 15, 2007, which we have attached to this prospectus supplement, includes detailed information regarding the offering of shares of Beneficial Mutual Bancorp common stock and the financial condition, results of operations and business of Beneficial Mutual Savings Bank (Beneficial Mutual Savings). This prospectus supplement provides information regarding the 401(k) Plan. You should read this prospectus supplement together with the prospectus and keep both for future reference.

Please refer to Risk Factors beginning on page 19 of the prospectus.

Neither the Securities and Exchange Commission, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, nor any other state or federal agency or any state securities commission, has approved or disapproved these securities. Any representation to the contrary is a criminal offense.

These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

This prospectus supplement may be used only in connection with offers and sales by Beneficial Mutual Bancorp of interests or shares of common stock under the 401(k) Plan in the offering. No one may use this prospectus supplement to re-offer or resell interests or shares of common stock acquired through the 401(k) Plan.

You should rely only on the information contained in this prospectus supplement and the attached prospectus. Neither Beneficial Mutual Bancorp, Beneficial Savings Bank MHC, Beneficial Mutual Savings Bank nor the 401(k) Plan have authorized anyone to provide you with information that is different.

This prospectus supplement does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in that jurisdiction. Neither the delivery of this prospectus supplement and the prospectus nor any sale of common stock shall under any circumstances imply that there has been no change in the affairs of Beneficial Mutual Savings Bank or the 401(k) Plan since the date of this prospectus supplement, or that the information contained in this prospectus supplement or incorporated by reference is correct as of any time after the date of this prospectus supplement.

The date of this Prospectus Supplement is May 15, 2007.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

TABLE OF CONTENTS

	<u>Page</u>
<u>THE OFFERING</u>	1
<u>Securities Offered</u>	1
<u>Election to Purchase Beneficial Mutual Bancorp Common Stock in the Stock Offering</u>	1
<u>Value of Participation Interests</u>	2
<u>Method of Directing Transfer</u>	2
<u>Time for Directing Transfer</u>	2
<u>Irrevocability of Transfer Direction</u>	2
<u>Purchase Price of Beneficial Mutual Bancorp Common Stock</u>	3
<u>Nature of a Participant's Interest in Beneficial Mutual Bancorp Common Stock</u>	3
<u>Voting and Tender Rights of Beneficial Mutual Bancorp Common Stock</u>	3
<u>DESCRIPTION OF THE 401(k) PLAN</u>	4
<u>Introduction</u>	4
<u>Eligibility and Participation</u>	4
<u>Contributions Under the 401(k) Plan</u>	4
<u>Limitations on Contributions</u>	5
<u>401(k) Plan Investments</u>	6
<u>Benefits Under the 401(k) Plan</u>	8
<u>Withdrawals and Distributions from the 401(k) Plan</u>	8
<u>ADMINISTRATION OF THE 401(k) PLAN</u>	10
<u>Trustee</u>	10
<u>Reports to 401(k) Plan Participants</u>	10
<u>Plan Administrator</u>	10
<u>Amendment and Termination</u>	10
<u>Merger, Consolidation or Transfer</u>	11
<u>Federal Income Tax Consequences</u>	11
<u>Restrictions on Resale</u>	12
<u>SEC Reporting and Short-Swing Profit Liability</u>	13
<u>LEGAL OPINION</u>	13

THE OFFERING

Securities Offered

The securities offered in connection with this prospectus supplement are participation interests in the 401(k) Plan. At a purchase price of \$10.00 per share, the 401(k) Plan trustee may acquire up to 917,551 shares of Beneficial Mutual Bancorp common stock. The interests offered under this prospectus supplement are conditioned on the close of the Beneficial Mutual Bancorp minority stock offering (the *Stock Offering*). Certain subscription rights and purchase limitations also govern your investment in the Beneficial Mutual Bancorp Stock Fund in connection with the *Stock Offering*. See: *The Stock Offering Subscription Offering and Subscription Rights* and *Limitations on Purchases of Shares* in the prospectus attached to this prospectus supplement for further discussion of these subscription rights and purchase limitations.

This prospectus supplement contains information regarding the 401(k) Plan. The attached prospectus contains information regarding the *Stock Offering* and the financial condition, results of operations and business of Beneficial Mutual Savings Bank and its affiliates. The address of the principal executive office of Beneficial Mutual Savings Bank is 510 Walnut Street, Philadelphia, Pennsylvania 19106. The telephone number of Beneficial Mutual Savings Bank is (215) 864-6000.

Election to Purchase Beneficial Mutual Bancorp Common Stock in the Stock Offering

In connection with the *Stock Offering*, you may direct the trustee of the 401(k) Plan to transfer up to 50% of your 401(k) Plan account balance to the Beneficial Mutual Bancorp Stock Fund. The 401(k) Plan trustee will subscribe for Beneficial Mutual Bancorp common stock offered for sale in connection with the *Stock Offering* in accordance with each participant's direction. If there is not enough Beneficial Mutual Bancorp common stock available in the *Stock Offering* to fill all subscriptions, the common stock will be apportioned and the 401(k) Plan trustee may not be able to purchase all of the common stock you requested. In the event the *Stock Offering* is oversubscribed and your order is cut back, your 401(k) Plan funds (which are not invested in Beneficial Mutual Bancorp common stock) will be reinvested in accordance with the investment elections that you have in place for your elective deferrals.

All eligible plan participants are permitted to direct a transfer of up to 50% of their account balances in the 401(k) Plan into the Beneficial Mutual Bancorp Stock Fund. However, transfer directions are subject to subscription rights and purchase priorities. Your order for shares in the *Stock Offering* will be filled based on your subscription rights. See the prospectus section *Summary Persons Who Can Order Stock in the Offering*. Beneficial Mutual Bancorp has granted rights to subscribe for shares of Beneficial Mutual Bancorp common stock to the following persons in the following order of priority: (1) persons with \$50 or more on deposit at Beneficial Mutual Savings Bank as of November 30, 2005; (2) the Beneficial Mutual Savings Bank Employee Stock Ownership Plan; (3) persons with \$50 or more on deposit at Beneficial Mutual Savings Bank as of March 31, 2007; and (4) except for persons eligible to subscribe for shares under categories 1 and 3, Beneficial Mutual Savings Bank's depositors as of the close of business on April 30, 2007, who were not able to subscribe for shares of Beneficial Mutual Bancorp common stock under categories 1 and 3. If you fall into one of the above subscription offering categories, you have subscription rights to purchase shares of Beneficial Mutual Bancorp common stock in the *Stock Offering* and you may use up to 50% of your account balance in the 401(k) Plan to subscribe for shares of Beneficial Mutual Bancorp common stock.

The limitations on the total amount of Beneficial Mutual Bancorp common stock that you may purchase in the *Stock Offering*, as described in the prospectus (see *The Stock Offering Limitations on Purchases of Shares*) will be calculated based on the aggregate amount that you subscribed for:

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

(a) through your 401(k) Plan account and (b) through your sources of funds outside of the 401(k) Plan. Whether you place an order through the 401(k) Plan, outside the plan or both, the number of shares of Beneficial Mutual Bancorp common stock, if any, that you receive will be determined based on the total number of subscriptions, your purchase priority and the allocation priorities set forth in the prospectus. 401(k) Plan assets which have been invested in a Beneficial Mutual Savings Bank money market account in the past will not be considered for purposes of determining your subscription rights. If, as a result of the calculation, you are allocated insufficient shares to fill all of your orders, available shares will be allocated between orders on a pro rata basis.

Value of Participation Interests

As of March 31, 2007, the market value of 50% of the 401(k) Plan assets equaled approximately \$9,175,511. The plan administrator has distributed quarterly statements to each participant reflecting the value of his or her beneficial interest in the 401(k) Plan as of March 31, 2007. The value of the 401(k) Plan assets represents past contributions made to the 401(k) Plan on your behalf, plus or minus earnings or losses on the contributions, less previous withdrawals. ***Participants will be able to use up to 50% of their 401(k) Plan account balances to purchase shares in the Stock Offering through the Beneficial Mutual Bancorp Stock Fund.***

Method of Directing Transfer

In order to facilitate your investment in the Beneficial Mutual Bancorp Stock Fund in connection with the Stock Offering, you must complete, sign and submit the **blue** form included with this prospectus supplement (the Investment Form). In order to invest in the Beneficial Mutual Bancorp Stock Fund you must direct the 401(k) Plan trustee to transfer a percentage of your beneficial interest in the assets of the 401(k) Plan (up to 50%) to the Beneficial Mutual Bancorp Stock Fund (in multiples of not less than 1%). If you do not wish to invest in the Beneficial Mutual Bancorp Stock Fund at this time, you do not need to take any action. The minimum investment in the Beneficial Mutual Bancorp Stock Fund during the Stock Offering is \$250 and the maximum individual investment is \$250,000.

Time for Directing Transfer

The deadline to submit your Investment Form to Joseph M. Vetter in the Human Resources Department is 12:00 noon on **June 1, 2007, unless extended by the Bank.** If you have any questions regarding the Beneficial Mutual Bancorp Stock Fund you can call Joseph M. Vetter at (215) 864-3521.

Irrevocability of Transfer Direction

Once you have submitted your Investment Form to our Human Resources Department, you cannot change your direction to transfer amounts credited to your account in the 401(k) Plan to the Beneficial Mutual Bancorp Stock Fund. Following the closing of the Stock Offering and the initial purchase of shares in the Beneficial Mutual Bancorp Stock Fund, you may change your investment directions, in accordance with the terms of the 401(k) Plan.

Purchase Price of Beneficial Mutual Bancorp Common Stock

The trustee will use the funds transferred to the Beneficial Mutual Bancorp Stock Fund to purchase shares of Beneficial Mutual Bancorp common stock in the Stock Offering. The Beneficial Mutual Bancorp Stock Fund trustee will pay the same price for shares of Beneficial Mutual Bancorp common stock as all other persons who purchase shares of Beneficial Mutual Bancorp common stock in the Stock Offering. If there is not enough common stock available in the Stock Offering to fill all subscriptions, the common stock will be apportioned and the trustee may not be able to purchase all of the common stock you requested. In the event the Stock Offering is oversubscribed and your order is cut back, your 401(k) Plan funds (which are not invested in Beneficial Mutual Bancorp common stock) will be reinvested in accordance with the investment elections that you have in place for your elective deferrals.

Nature of a Participant's Interest in Beneficial Mutual Bancorp Common Stock

The trustee will hold Beneficial Mutual Bancorp common stock in the name of the 401(k) Plan. The trustee will credit shares of Beneficial Mutual Bancorp common stock acquired at your direction to your account under the 401(k) Plan. Therefore, the investment designations of other 401(k) Plan participants should not affect earnings on your 401(k) Plan account.

Voting and Tender Rights of Beneficial Mutual Bancorp Common Stock

RSGroup Trust Company, as the 401(k) Plan trustee, will exercise voting and tender rights attributable to all Beneficial Mutual Bancorp common stock held in the Beneficial Mutual Bancorp Stock Fund, as directed by participants with interests in the Beneficial Mutual Bancorp Stock Fund. With respect to each matter as to which holders of Beneficial Mutual Bancorp common stock have a right to vote, you will have voting instruction rights that reflect your proportionate interest in the Beneficial Mutual Bancorp Stock Fund. The number of shares of Beneficial Mutual Bancorp common stock held in the Beneficial Mutual Bancorp Stock Fund voted for and against each matter will be proportionate to the number of voting instruction rights exercised. If there is a tender offer for Beneficial Mutual Bancorp common stock, the 401(k) Plan allots each participant a number of tender instruction rights reflecting the participant's proportionate interest in the Beneficial Mutual Bancorp Stock Fund. The percentage of shares of Beneficial Mutual Bancorp common stock held in the Beneficial Mutual Bancorp Stock Fund that will be tendered will be the same as the percentage of the total number of tender instruction rights exercised in favor of the tender offer. The remaining shares of Beneficial Mutual Bancorp common stock held in the Beneficial Mutual Bancorp Stock Fund will not be tendered. The 401(k) Plan provides that participants will exercise their voting instruction rights and tender instruction rights on a confidential basis.

DESCRIPTION OF THE 401(k) PLAN

Introduction

Beneficial Mutual Savings Bank originally adopted the 401(k) Plan effective August 8, 1985 and amended and restated the plan in its entirety effective May 11, 2007. Beneficial Mutual Savings Bank intends for the 401(k) Plan to comply, in form and in operation, with all applicable provisions of the Internal Revenue Code and the Employee Retirement Income Security Act of 1974, as amended, or ERISA. Beneficial Mutual Savings Bank may change the 401(k) Plan from time to time in the future to ensure continued compliance with these laws. Beneficial Mutual Savings Bank may also amend the 401(k) Plan from time to time in the future to add, modify, or eliminate certain features of the plan, as it sees fit. Federal law provides you with various rights and protections as a participant in the 401(k) Plan, which is governed by ERISA. However, the Pension Benefit Guaranty Corporation does not guarantee your benefits under the 401(k) Plan.

Reference to Full Text of the Plan. The following portions of this prospectus supplement summarize the material provisions of the 401(k) Plan. Beneficial Mutual Savings Bank qualifies this summary in its entirety by reference to the full text of the 401(k) Plan. You may obtain copies of the 401(k) Plan document including any amendments to the plan and a summary plan description, by contacting Joseph M. Vetter at (215) 864-3521. You should carefully read the 401(k) Plan documents to understand your rights and obligations under the 401(k) Plan.

Eligibility and Participation

If you are at least 21 years old, a salaried employee of Beneficial Mutual Savings Bank and you have completed one year of service with Beneficial Mutual Savings Bank, you may elect to participate in the 401(k) Plan on the January 1st or July 1st following or coincident with the date you satisfy the 401(k) Plan eligibility requirements.

As of March 31, 2007, 369 of the 419 eligible employees of Beneficial Mutual Savings Bank actively participated in the 401(k) Plan.

Contributions Under the 401(k) Plan

Employee Pre-Tax Salary Deferrals. Subject to certain IRS limitations, the 401(k) Plan permits you to make pre-tax salary deferrals each payroll period of up to 20% of your compensation. Compensation is defined for purposes of the 401(k) Plan as each participant's total pay, including base pay, overtime, bonuses and commissions. In addition to pre-tax salary deferrals, you may make catch up contributions if you are currently age 50 or will be 50 before the end of the calendar year.

Beneficial Mutual Savings Bank Matching Contributions. The 401(k) Plan provides that Beneficial Mutual Savings Bank may make matching contributions on behalf of each participant. Beneficial Mutual Savings Bank makes matching contributions only to those participants who actively defer a percentage of their compensation into the 401(k) Plan. If you elect to defer funds into the 401(k) Plan, Beneficial Mutual Savings Bank will match 60% of the first \$1,000 you defer into the 401(k) Plan and 40% of an additional \$1,000 you may defer into the 401(k) Plan.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Rollover Contributions. Beneficial Mutual Savings Bank allows employees who receive a distribution from a previous employer's tax-qualified employee benefit plan to deposit that distribution into a Rollover Contribution account under the 401(k) Plan, provided the rollover contribution satisfies IRS requirements.

Limitations on Contributions

Limitation on Employee Salary Deferrals. By law, your total deferrals under the 401(k) Plan, together with similar plans, may not exceed \$15,500 for 2007. Eligible employees who are age 50 and over may also make additional "catch-up" contributions to the plan, up to a maximum of \$5,000 for 2007. The Internal Revenue Service periodically increases these limitations. An eligible participant who exceeds these limitations must include any excess deferrals in gross income for federal income tax purposes in the year of deferral. In addition, the participant must pay federal income taxes on any excess deferrals when distributed by the 401(k) Plan to the participant, unless the plan distributes the excess deferrals and any related income no later than the first April 15th following the close of the taxable year in which the participant made the excess deferrals. Any income on excess deferrals distributed before such date is treated, for federal income tax purposes, as earned and received by the participant in the taxable year of the distribution.

Limitation on Annual Additions and Benefits. As required by the Internal Revenue Code, the 401(k) Plan provides that the total amount of contributions and forfeitures (annual additions) credited to a participant during any year under all defined contribution plans of Beneficial Mutual Savings Bank (including the 401(k) Plan and the proposed Beneficial Mutual Savings Bank Employee Stock Ownership Plan) may not exceed the lesser of 100% of the participant's annual compensation or \$45,000 for 2007.

Limitation on Plan Contributions for Highly Compensated Employees. Special provisions of the Internal Revenue Code limit the amount of pre-tax and matching contributions that may be made to the 401(k) Plan in any year on behalf of highly compensated employees, in relation to the amount of pre-tax and matching contributions made by or on behalf of all other employees eligible to participate in the 401(k) Plan. If pre-tax and matching contributions exceed these limitations, the plan must adjust the contribution levels for highly compensated employees.

In general, a highly compensated employee includes any employee who (1) was a 5% owner of the sponsoring employer at any time during the year or the preceding year, or (2) had compensation for the preceding year in excess of \$100,000 and, if the sponsoring employer so elects, was in the top 20% of employees by compensation for such year. The preceding dollar amount applies for 2007 and may be adjusted periodically by the IRS.

Top-Heavy Plan Requirements. If the 401(k) Plan is a Top-Heavy Plan for any calendar year, Beneficial Mutual Savings Bank may be required to make certain minimum contributions to the 401(k) Plan on behalf of non-key employees. In general, the 401(k) Plan will be treated as a Top-Heavy Plan for any calendar year if, as of the last day of the preceding calendar year, the aggregate balance of the accounts of Key Employees exceeds 60% of the aggregate balance of the accounts of all employees under the plan. A Key Employee is generally any employee who, at any time during the calendar year or any of the four preceding years, is:

- (1) an officer of Beneficial Mutual Savings Bank whose annual compensation exceeds \$145,000;

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (2) a 5% owner of the employer, meaning an employee who owns more than 5% of the outstanding stock of Beneficial Mutual Bancorp, or who owns stock that possesses more than 5% of the total combined voting power of all stock of Beneficial Mutual Bancorp; or
- (3) a 1% owner of the employer, meaning an employee who owns more than 1% of the outstanding stock of Beneficial Mutual Bancorp, or who owns stock that possesses more than 1% of the total combined voting power of all stock of Beneficial Mutual Bancorp, *and* whose annual compensation exceeds \$150,000.

The foregoing dollar amounts are for 2007.

401(k) Plan Investments

Effective May 11, 2007, the 401(k) Plan offers the following investment choices:

Fund Name	Annual Rates of Return		
	2006	2005	2004
American Funds Euro-Pacific Growth Fund	22.17%	21.38%	19.98%
American Funds Growth Fund of America	11.24	14.53	12.24
Fidelity Spartan 500 Index Investor Fund	15.71	4.86	10.72
Harbor Bond Institutional Fund	3.91	2.57	5.47
Janus Fund	10.59	3.98	4.69
Selected American Shares D Fund	15.59	10.19	12.17
Sunrise Retirement Fund - Balanced Equity (1)			
Vanguard Small Cap Index Fund	15.78	7.49	20.02
Wells Fargo Stable Return Fund	4.48	4.13	4.04

- (1) The Sunrise Retirement Fund was established in April 2007. No historical performance data is available at this time. The following is a brief description of each of the investment choices offered through the 401(k) Plan.

American Funds Euro-Pacific Growth Fund. This is an international (non-U.S.) equity fund and seeks to provide long-term growth of capital by investing in companies based outside the United States. The fund invests in strong, growing companies based chiefly in Europe and the Pacific Basin, ranging from small firms to large corporations. The fund invests primarily in common and preferred stocks, convertibles, American Depositary Receipts, European Depositary Receipts, bonds and cash. Normally, at least 80% of assets must be invested in securities of issuers domiciled in Europe or the Pacific Basin.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

American Funds Growth Fund of America. This is a large-cap growth fund. The fund seeks to provide long-term growth of capital through a diversified portfolio of common stocks. The fund has the flexibility to invest wherever the best growth opportunities may be. The fund emphasizes companies that appear to offer opportunities for long-term growth, and may invest in cyclical companies, turnarounds and value situations. The fund invests primarily in common stocks, convertibles, preferred stocks, U.S. government securities, bonds and cash, and may invest up to 15% of assets in securities of issuers domiciled outside the United States and Canada and not included in the S&P 500.

Fidelity Spartan 500 Fund Investor. This is a large-cap blend fund. The fund seeks investment results that correspond to the total return (i.e., the combination of capital changes and income) of common stocks publicly traded in the United States, as represented by the Standard & Poor's 500 Index (S&P 500), while keeping transaction cost and other expenses low.

Harbor Bond Institutional Fund. This is a fixed-income fund and seeks total return (which includes dividends, interest income, realized and unrealized capital gains and changes in net asset value.) The fund invests primarily in bonds of corporate and governmental issuers located in the U.S. and foreign countries, including emerging markets. The fund invests in a diversified portfolio of bonds, which include all types of fixed-income securities. These include mortgage-related securities and asset-backed securities. The fund invests primarily in investment grade securities, (with an average weighted portfolio quality of A), but may invest up to 15% of its assets in below investment grade domestic and foreign securities, commonly referred to as high-yield.

Janus Fund. This actively managed large-cap growth fund seeks long-term growth of capital. The fund invests primarily in common stocks of larger, more established companies selected for growth potential. The fund may also invest up to 35% of assets in high-yield bonds, up to 15% of assets in illiquid investments and without limit in foreign equity and debt securities.

Selected American Shares D Fund. This is an actively managed large-cap blend fund with a value style bias that seeks durable, well-managed businesses that can be purchased at value prices and held for the long term. The fund also focuses on finding companies with top-quality management teams who respond innovatively to change, have proven records and build their business through a long-term vision.

Sunrise Retirement Fund - Balanced Equity. This portfolio targets 70% of its assets in a diversified mix of equity mutual funds and 30% in fixed income mutual funds. The equity allocation includes U.S. large cap, mid cap, and small cap as well as non-U.S. The fixed income exposure is invested in intermediate-term fixed income and money market mutual funds. This portfolio's strategic asset class targets include: 35% U.S. large cap equity, 22% U.S. mid/small cap equity, 13% non-U.S. equity, 27% fixed income and 3% cash equivalents.

Vanguard Small Cap Index Fund. The fund employs a passive management or indexing investment approach designed to track the performance of the MSCI US Small Cap 1750 Index, a broadly diversified index of stocks of smaller U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Wells Fargo Stable Return Fund. This is a stable value fund and seeks safety of principal and consistency of returns with minimal volatility. The fund invests in financial instruments issued by highly rated companies. These include guaranteed investment contracts (GICs), security-backed contracts (synthetic GICs) and cash equivalents. The weighted average quality of the portfolio is maintained at AA or better.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

In connection with the Stock Offering, Beneficial Mutual Savings Bank has added the Beneficial Mutual Bancorp Stock Fund as an additional choice to the investment alternatives described above. The Beneficial Mutual Bancorp Stock Fund invests primarily in the common stock of Beneficial Mutual Bancorp. Participants in the 401(k) Plan may direct RSGroup Trust Company, as the 401(k) Plan Trustee to invest up to 50% of their 401(k) Plan account balances in the Beneficial Mutual Bancorp Stock Fund during the offering. 401(k) Plan participants will not be limited in their investment in the Beneficial Mutual Bancorp Stock Fund following the close of the Offering.

The Beneficial Mutual Bancorp Stock Fund consists of investments in the common stock of Beneficial Mutual Bancorp made on the closing date of the Stock Offering. Your investment in the Beneficial Mutual Bancorp Stock Fund will be recorded using the *share accounting* method. Share accounting states your Beneficial Mutual Bancorp common stock position in the Beneficial Mutual Bancorp Stock Fund and in terms of shares similar to how a broker would quote your common stock position in a brokerage account. In the event cash dividends are paid on Beneficial Mutual Bancorp common stock, the 401(k) Plan trustee will, to the extent practicable, use the dividends held in the Beneficial Mutual Bancorp Stock Fund to purchase shares of the common stock. Pending investment in the common stock, assets held in the Beneficial Mutual Bancorp Stock Fund will be placed in the Federated Prime Value Obligations Fund, a money market fund.

As of the date of this prospectus supplement, no shares of Beneficial Mutual Bancorp common stock have been issued or are outstanding, and there is no established market for Beneficial Mutual Bancorp common stock. Accordingly, there is no record of the historical performance of the Beneficial Mutual Bancorp Stock Fund. Performance of the Beneficial Mutual Bancorp Stock Fund depends on a number of factors, including the financial condition and profitability of Beneficial Mutual Savings Bank and general stock market conditions.

Once you have submitted your Investment Form to the Human Resources Department, you may not change your investment directions in the Stock Offering.

Benefits Under the 401(k) Plan

Vesting. All participants are 100% vested in their pre-tax salary deferrals. This means that participants have a non-forfeitable right to these funds and any earnings on the funds at all times. Plan participants vest in employer matching contributions credited to their accounts after three years of service. Participants become 100% vested in their employer matching contributions upon termination of employment due to death, disability or retirement (normal or postponed).

Withdrawals and Distributions from the 401(k) Plan

Withdrawals Before Termination of Employment. While in active service, participants may take two non-hardship withdrawals from the 401(k) Plan per Plan Year (subject to the restrictions set forth in the 401(k) Plan). A participant may also take one hardship withdrawal per Plan Year, provided the participant has a hardship event as defined by the IRS regulations and subject to approval by the Beneficial Mutual Savings Bank Compensation Committee. Plan loans are also permitted, subject to applicable law and IRS regulations. Please see the Plan Administrator for details on the loan policies and procedures.

Distribution Upon Retirement, Death or Disability. If a participant's accounts are \$1,000 or less upon termination of employment, payment will be in the form of a lump sum as of a valuation date as soon thereafter as administratively possible. If a participant's accounts exceed \$1,000 and are \$5,000 or less upon termination of employment, and the participant does not elect to have his/her distribution paid,

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

payment will be in the form of a Direct Rollover to an individual retirement plan designated by the Plan Administrator.

If termination of employment is due to Normal, Postponed Retirement, Death, or Total and Permanent Disability, and a participant's account exceeds \$5,000, distribution of the participant's accounts will be in the form of a lump sum payment, upon the participant's attainment of Normal Retirement Date, unless the participant elects (within 30 days of receipt of an election notice) to further defer distribution beyond Normal Retirement Date to a Postponed Retirement Date (subject to an IRS minimum distribution of benefits requirement following attainment of age 70½), or unless the participant elects one of the following optional forms of payment:

Lump sum payment or in quarterly, semi-annual or annual installments over a period not exceeding the participant's life expectancy or the joint and survivor life expectancy of the participants and his/her designated beneficiary, as selected by the participant as of any valuation date following the date of termination of employment. (Note: lump sums are subject to a mandatory 20% income tax withholding and a statutory 10% additional federal tax if paid before age 55). A participant Rollover within 60 days of distribution to an Individual Retirement Account (IRA), or another employer's plan (if permitted by that plan).

Direct Rollover from the 401(k) Plan to another employer's plan (if permitted by that plan) for accounts which are lesser or greater than \$5,000.

Distribution Upon Termination for Any Other Reason. If a participant's accounts are \$1,000 or less upon termination of employment, payment will be in the form of a lump sum as of a valuation date as soon thereafter as administratively possible. If a participant's accounts exceed \$1,000 and are \$5,000 or less upon termination of employment, and the participant does not elect to have his/her distribution paid, payment will be in the form of a Direct Rollover to an individual retirement plan designated by the Plan Administrator.

If upon termination of employment, a participant's accounts exceed \$5,000, payment will be deferred to Normal Retirement Date, unless the participant elects one of the following optional forms of payment:

Lump sum payment as of any valuation date following the date of termination of employment. (Note: lump sums are subject to a mandatory 20% income tax withholding and a statutory 10% additional federal tax if paid before age 55). A participant Rollover is permitted within 60 days of distribution to an Individual Retirement Account (IRA), or another employer's plan (if permitted by that plan).

Direct Rollover from the 401(k) Plan to another employer's plan (if permitted by that plan) for accounts which are lesser or greater than \$5,000.

Nonalienation of Benefits. Except with respect to federal income tax withholding, and as provided for under a qualified domestic relations order, benefits payable under the 401(k) Plan will not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any rights to benefits payable under the 401(k) Plan will be void.

Applicable federal tax law requires the 401(k) Plan to impose substantial restrictions on your right to withdraw amounts held under the 401(k) Plan before your termination of employment with Beneficial Mutual Savings Bank. Federal law may also impose an excise tax on withdrawals from the 401(k) Plan before you attain 59½ years of age, regardless of whether the withdrawal occurs during your employment with Beneficial Mutual Savings Bank or after termination of employment.

ADMINISTRATION OF THE 401(k) PLAN

Trustee

The board of directors of Beneficial Mutual Savings Bank has appointed RSGroup Trust Company as the trustee for the Beneficial Mutual Bancorp Stock Fund. The trustee receives, holds and invests the contributions to the 401(k) Plan in trust and distributes them to participants and beneficiaries in accordance with the terms of the 401(k) Plan and the directions of the Plan Administrator. The trustee is responsible for the investment of the trust assets, as directed by the Plan Administrator and the participants.

Reports to 401(k) Plan Participants

The Plan Administrator furnishes participants quarterly statements that show the balance in their accounts as of the statement date, contributions made to their accounts during that period and any additional adjustments required to reflect earnings or losses.

Plan Administrator

Beneficial Mutual Savings Bank currently acts as Plan Administrator for the 401(k) Plan. The Plan Administrator handles the following administrative functions: interpreting the provisions of the plan, prescribing procedures for filing applications for benefits, preparing and distributing information explaining the plan, maintaining plan records, books of account and all other data necessary for the proper administration of the plan, preparing and filing all returns and reports required by the U.S. Department of Labor and the IRS and making all required disclosures to participants, beneficiaries and others under ERISA.

Amendment and Termination

Beneficial Mutual Savings Bank expects to continue the 401(k) Plan indefinitely. Nevertheless, Beneficial Mutual Savings Bank may terminate the 401(k) Plan at any time. If Beneficial Mutual Savings Bank terminates the 401(k) Plan in whole or in part, all affected participants become fully vested in their accounts, regardless of other provisions of the 401(k) Plan. Beneficial Mutual Savings Bank reserves the right to make, from time to time, changes which do not cause any part of the trust to be used for, or diverted to, any purpose other than the exclusive benefit of participants or their beneficiaries. Beneficial Mutual Savings Bank may amend the plan, however, as necessary or desirable, in order to comply with ERISA or the Internal Revenue Code.

Merger, Consolidation or Transfer

If the 401(k) Plan merges or consolidates with another plan or transfers the trust assets to another plan, and either the 401(k) Plan or the other plan is subsequently terminated, the 401(k) Plan requires that you receive a benefit immediately after the merger, consolidation or transfer that would equal or exceed the benefit you would have been entitled to receive immediately before the merger, consolidation or transfer, if the 401(k) Plan had terminated at that time.

Federal Income Tax Consequences

The following summarizes only briefly the material federal income tax aspects of the 401(k) Plan. You should not rely on this summary as a complete or definitive description of the material federal income tax consequences of the 401(k) Plan. Statutory provisions change, as do their interpretation, and their application may vary in individual circumstances. Finally, applicable state and local income tax laws may have different tax consequences than the federal income tax laws. **401(k) Plan participants should consult a tax advisor with respect to any transaction involving the 401(k) Plan, including any distribution from the 401(k) Plan.**

As a tax-qualified retirement plan, the Internal Revenue Code affords the 401(k) Plan certain tax advantages, including the following:

- (1) the sponsoring employer may take an immediate tax deduction for the amount contributed to the plan each year;
- (2) participants pay no current income tax on amounts contributed by the employer on their behalf; and
- (3) earnings of the plan are tax-deferred, thereby permitting the tax-free accumulation of income and gains on investments.

Beneficial Mutual Savings Bank administers the 401(k) Plan to comply in operation with the requirements of the Internal Revenue Code as of the applicable effective date of any change in the law. If Beneficial Mutual Savings Bank should receive an adverse determination letter from the IRS regarding the 401(k) Plan's tax exempt status, all participants would generally recognize income equal to their vested interests in the 401(k) Plan, the participants would not be permitted to transfer amounts distributed from the 401(k) Plan to an Individual Retirement Account or to another qualified retirement plan, and Beneficial Mutual Savings Bank would be denied certain tax deductions taken in connection with the 401(k) Plan.

Lump Sum Distribution. A distribution from the 401(k) Plan to a participant or the beneficiary of a participant qualifies as a lump sum distribution if it is made within one taxable year, on account of the participant's death, disability or separation from service, or after the participant attains age 59½; and consists of the balance credited to the participant under this plan and all other profit sharing plans, if any, maintained by Beneficial Mutual Savings Bank. The portion of any lump sum distribution included in taxable income for federal income tax purposes consists of the entire amount of the lump sum distribution, less the amount of after-tax contributions, if any, made to any other profit-sharing plans maintained by Beneficial Mutual Savings Bank, if the distribution includes those amounts.

Beneficial Mutual Bancorp Common Stock Included in Lump Sum Distribution. If a lump sum distribution includes Beneficial Mutual Bancorp common stock, the distribution generally is taxed in the manner described above. The total taxable amount is reduced, however, by the amount of any net

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

unrealized appreciation on Beneficial Mutual Bancorp common stock; that is, the excess of the value of Beneficial Mutual Bancorp common stock at the time of the distribution over the cost or other basis of the securities to the trust. The tax basis of Beneficial Mutual Bancorp common stock, for purposes of computing gain or loss on a subsequent sale, equals the value of Beneficial Mutual Bancorp common stock at the time of distribution, less the amount of net unrealized appreciation. Any gain on a subsequent sale or other taxable disposition of Beneficial Mutual Bancorp common stock, to the extent of the net unrealized appreciation at the time of distribution, is long-term capital gain, regardless of how long you hold the Beneficial Mutual Bancorp common stock, or the holding period. Any gain on a subsequent sale or other taxable disposition of Beneficial Mutual Bancorp common stock that exceeds the amount of net unrealized appreciation upon distribution is considered long-term capital gain, regardless of the holding period. The recipient of a distribution may elect to include the amount of any net unrealized appreciation in the total taxable amount of the distribution, to the extent allowed under IRS regulations.

We have provided you with a brief description of the material federal income tax aspects of the 401(k) Plan that are generally applicable under the Internal Revenue Code. We do not intend this description to be a complete or definitive description of the federal income tax consequences of participating in or receiving distributions from the 401(k) Plan. Accordingly, you should consult a tax advisor concerning the federal, state and local tax consequences of participating in and receiving distributions from the 401(k) Plan.

Restrictions on Resale

Any affiliate of Beneficial Mutual Bancorp under Rules 144 and 405 of the Securities Act of 1933, as amended, who receives a distribution of common stock under the 401(k) Plan, may re-offer or resell such shares only under a registration statement filed under the Securities Act of 1933, as amended, assuming the availability of a registration statement, or under Rule 144 or some other exemption from these registration requirements. An affiliate of Beneficial Mutual Bancorp is someone who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, Beneficial Mutual Bancorp. Generally, a director, principal officer or major shareholder of a corporation is deemed to be an affiliate of that corporation.

Any person who may be an affiliate of Beneficial Mutual Bancorp may wish to consult with counsel before transferring any common stock they own. In addition, participants should consult with counsel regarding the applicability to them of Section 16 of the Securities Exchange Act of 1934, as amended, which may restrict the sale of Beneficial Mutual Bancorp common stock acquired under the 401(k) Plan or other sales of Beneficial Mutual Bancorp common stock.

Persons who are *not* deemed to be affiliates of Beneficial Mutual Bancorp at the time of resale may resell freely any shares of Beneficial Mutual Bancorp common stock distributed to them under the 401(k) Plan, either publicly or privately, without regard to the registration and prospectus delivery requirements of the Securities Act of 1933, as amended, or compliance with the restrictions and conditions contained in the exemptions available under federal law. A person deemed an affiliate of Beneficial Mutual Bancorp at the time of a proposed resale may publicly resell common stock only under a re-offer prospectus or in accordance with the restrictions and conditions contained in Rule 144 of the Securities Act of 1933, as amended, or some other exemption from registration, and may not use this prospectus in connection with any such resale. In general, Rule 144 restricts the amount of common stock which an affiliate may publicly resell in any three-month period to the greater of one percent of Beneficial Mutual Bancorp common stock then outstanding or the average weekly trading volume reported on the Nasdaq Stock Market during the four calendar weeks before the sale. Affiliates may sell only through brokers without solicitation and only at a time when Beneficial Mutual Bancorp is current in filing all required reports under the Securities Exchange Act of 1934, as amended.

SEC Reporting and Short-Swing Profit Liability

Section 16 of the Securities Exchange Act of 1934, as amended, imposes reporting and liability requirements on officers, directors and persons who beneficially own more than 10% of public companies such as Beneficial Mutual Bancorp. Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the filing of reports of beneficial ownership. Within ten days of becoming a person required to file reports under Section 16(a), such person must file a Form 3 reporting initial beneficial ownership with the Securities and Exchange Commission (SEC). Such persons must also report periodically certain changes in beneficial ownership involving the allocation or reallocation of assets held in their 401(k) Plan accounts, either on a Form 4 within two days after a transaction, or annually on a Form 5 within 45 days after the close of a company's fiscal year.

In addition to the reporting requirements described above, Section 16(b) of the Securities Exchange Act of 1934, as amended, provides for the recovery by Beneficial Mutual Bancorp of profits realized from the purchase and sale or sale and purchase of its common stock within any six-month period by any officer, director or person who beneficially owns more than 10% of the common stock.

The SEC has adopted rules that exempt many transactions involving the 401(k) Plan from the short-swing profit recovery provisions of Section 16(b). The exemptions generally involve restrictions upon the timing of elections to buy or sell employer securities for the accounts of any officer, director or person who beneficially owns more than 10% of the common stock of a company.

Except for distributions of the common stock due to death, disability, retirement, termination of employment or under a qualified domestic relations order, persons who are subject to Section 16(b) may be required, under limited circumstances involving the purchase of common stock within six months of the distribution, to hold the shares of common stock distributed from the 401(k) Plan for six months after the distribution date.

LEGAL OPINION

The validity of the issuance of the common stock of Beneficial Mutual Bancorp will be passed upon by Muldoon Murphy & Aguggia LLP, Washington, DC. Muldoon Murphy & Aguggia LLP acted as special counsel for Beneficial Mutual Bancorp in connection with the Stock Offering.

**BENEFICIAL MUTUAL SAVINGS BANK
401(k) PLAN
INVESTMENT FORM**

Name of Plan Participant: _____

Social Security Number: _____

1. Instructions. In connection with the offering to the public of the common stock of Beneficial Mutual Bancorp, the Beneficial Mutual Savings Bank 401(k) Plan (the 401(k) Plan) now permits participants to direct up to 50% of their 401(k) Plan account balances into a new fund: the Beneficial Mutual Bancorp Stock Fund (Employer Stock Fund). The percentage of a participant s account (up to 50%) transferred at the direction of the participant into the Employer Stock Fund will be used to purchase shares of common stock of Beneficial Mutual Bancorp (the Common Stock) in the Stock Offering.

To direct a transfer of up to 50% of the funds credited to your accounts in the 401(k) Plan to the Employer Stock Fund, you must complete and submit this form to Joseph M. Vetter in the Human Resources Department by 12:00 noon on **June 1, 2007, unless extended by the Bank.** A representative for the Plan Administrator will retain a copy of this form and return a copy to you. If you need any assistance in completing this form, please contact Joseph M. Vetter at (215) 864-3521. If you do not complete and return this form to Joseph M. Vetter by the noted deadline, your 401(k) Plan funds will continue to be invested in accordance with your prior investment directions, or in accordance with the terms of the 401(k) Plan if no investment directions have been provided.

2. Investment Directions for the Stock Offering. I hereby authorize the Plan Administrator to direct the trustee to liquidate the following percentages (in multiples of not less than 1%) of my investments in the 401(k) Plan and use the funds to invest in the Employer Stock Fund in the Stock Offering:

American Funds Euro-Pacific Growth Fund	_____ %
American Funds Growth Fund of America	_____ %
Fidelity Spartan 500 Index Investor Fund	_____ %
Harbor Bond Institutional Fund	_____ %
Janus Fund	_____ %
Selected American Shares D Fund	_____ %
Sunrise Retirement Fund Balanced Equity	_____ %
Vanguard Small Cap Index Fund	_____ %
Wells Fargo Stable Value Fund	_____ %

I acknowledge that I WILL NOT authorize the trustee to invest more than 50% of my entire 401(k) Plan account balance in the Employer Stock Fund.

I acknowledge that in the event the Employer Stock Fund trustee cannot fill all or a portion of my order, my unused funds will be reinvested in the investment elections I have in place for my elective deferrals prior to the Stock Offering.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

3. **Purchaser Information.** The ability of participants in the 401(k) Plan to purchase Common Stock and to direct their current 401(k) Plan account balances into the Employer Stock Fund is based upon the participant's subscription rights. Please indicate your status.

- o Check here if you had \$50.00 or more on deposit with Beneficial Mutual Savings Bank as of November 30, 2005.
- o Check here if you had \$50.00 or more on deposit with Beneficial Mutual Savings Bank as of March 31, 2007.
- o Check here if you are a depositor of Beneficial Mutual Savings Bank as of April 30, 2007.

4. **Acknowledgment of Participant.** I understand that this Investment Form shall be subject to all of the terms and conditions of the 401(k) Plan. I acknowledge that I have received a copy of the Beneficial Mutual Bancorp Prospectus and the Prospectus Supplement and that I understand the terms and conditions of my investment in the Employer Stock Fund.

Signature of Participant

Date

Acknowledgment of Receipt by Administrator. This Investment Form was received by the Plan Administrator and will become effective on the date noted below.

By: _____

Date

THE PARTICIPATION INTERESTS REPRESENTED BY THE COMMON STOCK OFFERED HEREBY ARE NOT DEPOSIT ACCOUNTS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY AND ARE NOT GUARANTEED BY BENEFICIAL MUTUAL BANCORP, BENEFICIAL SAVINGS BANK MHC OR BENEFICIAL MUTUAL SAVINGS BANK. THE COMMON STOCK IS SUBJECT TO AN INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF THE PRINCIPAL INVESTED.

Minimum Stock Purchase in the Stock Offering is \$250
Maximum Stock Purchase in the Stock Offering is \$250,000

**PLEASE COMPLETE AND RETURN TO
JOSEPH M. VETTER IN THE HUMAN RESOURCES DEPARTMENT BY
12:00 NOON ON
JUNE 1, 2007, UNLESS EXTENDED BY THE BANK**

**INTERESTS IN
BENEFICIAL INSURANCE SERVICES, LLC 401(k) PLAN
AND
OFFERING OF 196,102 SHARES OF
BENEFICIAL MUTUAL BANCORP, INC.
COMMON STOCK (\$.01 PAR VALUE)**

This prospectus supplement relates to the offer and sale to participants in the Beneficial Insurance Services, LLC 401(k) Plan (the 401(k) Plan), of participation interests and shares of common stock of Beneficial Mutual Bancorp in connection with the Beneficial Mutual Bancorp initial public offering. Beneficial Insurance Services, LLC is a wholly owned subsidiary of Beneficial Mutual Savings Bank and operates under the trade name of Paul Hertel & Company.

401(k) Plan participants may direct RSGroup Trust Company, the trustee for the Beneficial Mutual Bancorp Stock Fund, to use up to 50% of their account balances to subscribe for and purchase shares of Beneficial Mutual Bancorp common stock through the Beneficial Mutual Bancorp Stock Fund. Based upon the value of the 401(k) Plan assets as of March 31, 2007, the Beneficial Mutual Bancorp Stock Fund trustee may purchase up to 196,102 shares of Beneficial Mutual Bancorp common stock at a purchase price of \$10.00 per share. This prospectus supplement relates to the election of 401(k) Plan participants to direct the 401(k) Plan trustee to invest up to 50% of their 401(k) Plan account balances in Beneficial Mutual Bancorp common stock.

The Beneficial Mutual Bancorp prospectus dated May 15, 2007, which we have attached to this prospectus supplement, includes detailed information regarding the offering of shares of Beneficial Mutual Bancorp common stock and the financial condition, results of operations and business of Beneficial Mutual Savings Bank (Beneficial Mutual Savings). This prospectus supplement provides information regarding the 401(k) Plan. You should read this prospectus supplement together with the prospectus and keep both for future reference.

Please refer to Risk Factors beginning on page 19 of the prospectus.

Neither the Securities and Exchange Commission, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, nor any other state or federal agency or any state securities commission, has approved or disapproved these securities. Any representation to the contrary is a criminal offense.

These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

This prospectus supplement may be used only in connection with offers and sales by Beneficial Mutual Bancorp of interests or shares of common stock under the 401(k) Plan in the offering. No one may use this prospectus supplement to re-offer or resell interests or shares of common stock acquired through the 401(k) Plan.

You should rely only on the information contained in this prospectus supplement and the attached prospectus. Neither Beneficial Mutual Bancorp, Beneficial Savings Bank MHC, Beneficial Mutual Savings Bank, Beneficial Insurance Services, LLC nor the 401(k) Plan have authorized anyone to provide you with information that is different.

This prospectus supplement does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in that jurisdiction. Neither the delivery of this prospectus supplement and the prospectus nor any sale of common stock shall under any circumstances imply that there has been no change in the affairs of Beneficial Mutual Savings Bank or the 401(k) Plan since the date of this prospectus supplement, or that the information contained in this prospectus supplement or incorporated by reference is correct as of any time after the date of this prospectus supplement.

The date of this Prospectus Supplement is May 15, 2007.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

TABLE OF CONTENTS

	<u>Page</u>
<u>THE OFFERING</u>	1
<u>Securities Offered</u>	1
<u>Election to Purchase Beneficial Mutual Bancorp Common Stock in the Stock Offering</u>	1
<u>Value of Participation Interests</u>	2
<u>Method of Directing Transfer</u>	2
<u>Time for Directing Transfer</u>	2
<u>Irrevocability of Transfer Direction</u>	2
<u>Purchase Price of Beneficial Mutual Bancorp Common Stock</u>	3
<u>Nature of a Participant's Interest in Beneficial Mutual Bancorp Common Stock</u>	3
<u>Voting and Tender Rights of Beneficial Mutual Bancorp Common Stock</u>	3
<u>DESCRIPTION OF THE 401(k) PLAN</u>	4
<u>Introduction</u>	4
<u>Eligibility and Participation</u>	4
<u>Contributions Under the 401(k) Plan</u>	4
<u>Limitations on Contributions</u>	5
<u>401(k) Plan Investments</u>	6
<u>Benefits Under the 401(k) Plan</u>	10
<u>Withdrawals and Distributions from the 401(k) Plan</u>	10
<u>ADMINISTRATION OF THE 401(k) PLAN</u>	11
<u>Trustee</u>	11
<u>Reports to 401(k) Plan Participants</u>	11
<u>Plan Administrator</u>	11
<u>Amendment and Termination</u>	11
<u>Merger, Consolidation or Transfer</u>	12
<u>Federal Income Tax Consequences</u>	12
<u>Restrictions on Resale</u>	13
<u>SEC Reporting and Short-Swing Profit Liability</u>	14
<u>LEGAL OPINION</u>	14

THE OFFERING

Securities Offered

The securities offered in connection with this prospectus supplement are participation interests in the 401(k) Plan. At a purchase price of \$10.00 per share, the 401(k) Plan trustee may acquire up to 196,102 shares of Beneficial Mutual Bancorp common stock. The interests offered under this prospectus supplement are conditioned on the close of the Beneficial Mutual Bancorp minority stock offering (the *Stock Offering*). Certain subscription rights and purchase limitations also govern your investment in the Beneficial Mutual Bancorp Stock Fund in connection with the *Stock Offering*. See *The Stock Offering Subscription Offering and Subscription Rights and Limitations on Purchases of Shares* in the prospectus attached to this prospectus supplement for further discussion of these subscription rights and purchase limitations.

This prospectus supplement contains information regarding the 401(k) Plan. The attached prospectus contains information regarding the *Stock Offering* and the financial condition, results of operations and business of Beneficial Mutual Savings Bank and its subsidiaries. The address of the principal executive office of Beneficial Mutual Savings Bank is 510 Walnut Street, Philadelphia, Pennsylvania 19106. The telephone number of Beneficial Mutual Savings Bank is (215) 864-6000. The address of the principal office of Beneficial Insurance Services, LLC is 325 Chestnut Street, Suite 1200, Philadelphia, Pennsylvania 19106. The telephone number is (215) 925-7656.

Election to Purchase Beneficial Mutual Bancorp Common Stock in the Stock Offering

In connection with the *Stock Offering*, you may direct the trustee of the 401(k) Plan to transfer up to 50% of your 401(k) Plan account balance to the Beneficial Mutual Bancorp Stock Fund. The 401(k) Plan trustee will subscribe for Beneficial Mutual Bancorp common stock offered for sale in connection with the *Stock Offering* in accordance with each participant's direction. If there is not enough Beneficial Mutual Bancorp common stock available in the *Stock Offering* to fill all subscriptions, the common stock will be apportioned and the 401(k) Plan trustee may not be able to purchase all of the Beneficial Mutual Bancorp common stock you requested. In the event the *Stock Offering* is oversubscribed and your order is cut back, your 401(k) Plan funds (which are not invested in Beneficial Mutual Bancorp common stock) will be reinvested in accordance with the investment elections that you have in place for your elective deferrals.

All eligible plan participants are permitted to direct a transfer of up to 50% of their account balances in the 401(k) Plan into the Beneficial Mutual Bancorp Stock Fund. However, transfer directions are subject to subscription rights and purchase priorities. Your order for shares in the *Stock Offering* will be filled based on your subscription rights in the *Stock Offering*. See the prospectus section *Summary Persons Who Can Order Stock in the Offering*. Beneficial Mutual Bancorp has granted rights to subscribe for shares of Beneficial Mutual Bancorp common stock to the following persons in the following order of priority: (1) persons with \$50 or more on deposit at Beneficial Mutual Savings Bank as of November 30, 2005; (2) the Beneficial Mutual Savings Bank Employee Stock Ownership Plan; (3) persons with \$50 or more on deposit at Beneficial Mutual Savings Bank as of March 31, 2007; and (4) except for persons eligible to subscribe for shares under categories 1 and 3, Beneficial Mutual Savings Bank's depositors as of the close of business on April 30, 2007, who were not able to subscribe for shares of Beneficial Mutual Bancorp common stock under categories 1 and 3. If you fall into one of the above subscription offering categories, you have subscription rights to purchase shares of Beneficial Mutual Bancorp common stock in the *Stock Offering* and you may use up to 50% of your account balance in the 401(k) Plan to subscribe for shares of Beneficial Mutual Bancorp common stock.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The limitations on the total amount of Beneficial Mutual Bancorp common stock that you may purchase in the Stock Offering, as described in the prospectus (see *The Stock Offering Limitations on Purchases of Shares*) will be calculated based on the aggregate amount that you subscribed for: (a) through your 401(k) Plan account, and (b) through your sources of funds outside of the 401(k) Plan. Whether you place an order through the 401(k) Plan, outside the plan or both, the number of shares of Beneficial Mutual Bancorp common stock, if any, that you receive will be determined based on the total number of subscriptions, your purchase priority and the allocation priorities set forth in the prospectus. If, as a result of the calculation, you are allocated insufficient shares to fill all of your orders, available shares will be allocated between all your subscription orders on a pro rata basis.

Value of Participation Interests

As of March 31, 2007, the market value of 50% of the 401(k) Plan assets equaled approximately \$1,961,029. The Plan Administrator has informed each participant of the value of his or her beneficial interest in the 401(k) Plan. The value of the 401(k) Plan assets represents past contributions made to the 401(k) Plan on your behalf, plus or minus earnings or losses on the contributions, less previous withdrawals.

Participants will be able to use up to 50% of their 401(k) Plan account balances to purchase shares in the Stock Offering through the Beneficial Mutual Bancorp Stock Fund.

Method of Directing Transfer

In order to facilitate your investment in the Beneficial Mutual Bancorp Stock Fund in connection with the Stock Offering, you must complete, sign and submit the **green** form included with this prospectus supplement (the *Investment Form*). In order to invest in the Beneficial Mutual Bancorp Stock Fund you must direct the 401(k) Plan trustee to transfer a percentage of your beneficial interest in the assets of the 401(k) Plan (up to 50%) to the Beneficial Mutual Bancorp Stock Fund (in multiples of not less than 1%). If you do not wish to invest in the Beneficial Mutual Bancorp Stock Fund at this time, you do not need to take any action. The minimum investment in the Beneficial Mutual Bancorp Stock Fund during the Stock Offering is \$250 and the maximum individual investment is \$250,000.

Time for Directing Transfer

The deadline to submit your Investment Form to Joseph F. Robinson is 12:00 noon on **June 1, 2007, unless extended**. If you have any questions regarding the Beneficial Mutual Bancorp Stock Fund, Joseph F. Robinson can be reached at (215) 925-7656.

Irrevocability of Transfer Direction

Once you have submitted your Investment Form to Joseph F. Robinson, you cannot change your direction to transfer amounts credited to your account in the 401(k) Plan to the Beneficial Mutual Bancorp Stock Fund. Following the closing of the Stock Offering and the initial purchase of shares in the Beneficial Mutual Bancorp Stock Fund, you may change your investment directions, in accordance with the terms of the 401(k) Plan.

Purchase Price of Beneficial Mutual Bancorp Common Stock

The trustee will use the funds transferred to the Beneficial Mutual Bancorp Stock Fund to purchase shares of Beneficial Mutual Bancorp common stock in the Stock Offering. The Beneficial Mutual Bancorp Stock Fund trustee will pay the same price for shares of Beneficial Mutual Bancorp common stock as all other persons who purchase shares of Beneficial Mutual Bancorp common stock in the Stock Offering. If there is not enough common stock available in the Stock Offering to fill all subscriptions, the common stock will be apportioned and the trustee may not be able to purchase all of the common stock you requested. In the event the Stock Offering is oversubscribed and your order is cut back, your 401(k) Plan funds (which are not invested in Beneficial Mutual Bancorp common stock) will be reinvested in accordance with the investment elections that you have in place for your elective deferrals.

Nature of a Participant's Interest in Beneficial Mutual Bancorp Common Stock

The trustee will hold Beneficial Mutual Bancorp common stock in the name of the 401(k) Plan. The trustee will credit shares of Beneficial Mutual Bancorp common stock acquired at your direction to your account under the 401(k) Plan. Therefore, the investment designations of other 401(k) Plan participants should not affect earnings on your 401(k) Plan account.

Voting and Tender Rights of Beneficial Mutual Bancorp Common Stock

RSGroup Trust Company, as the 401(k) Plan trustee, will exercise voting and tender rights attributable to all Beneficial Mutual Bancorp common stock held in the Beneficial Mutual Bancorp Stock Fund, as directed by participants with interests in the Beneficial Mutual Bancorp Stock Fund. With respect to each matter as to which holders of Beneficial Mutual Bancorp common stock have a right to vote, you will have voting instruction rights that reflect your proportionate interest in the Beneficial Mutual Bancorp Stock Fund. The number of shares of Beneficial Mutual Bancorp common stock held in the Beneficial Mutual Bancorp Stock Fund voted for and against each matter will be proportionate to the number of voting instruction rights exercised. If there is a tender offer for Beneficial Mutual Bancorp common stock, the 401(k) Plan allots each participant a number of tender instruction rights reflecting the participant's proportionate interest in the Beneficial Mutual Bancorp Stock Fund. The percentage of shares of Beneficial Mutual Bancorp common stock held in the Beneficial Mutual Bancorp Stock Fund that will be tendered will be the same as the percentage of the total number of tender instruction rights exercised in favor of the tender offer. The remaining shares of Beneficial Mutual Bancorp common stock held in the Beneficial Mutual Bancorp Stock Fund will not be tendered. The 401(k) Plan provides that participants will exercise their voting instruction rights and tender instruction rights on a confidential basis.

DESCRIPTION OF THE 401(k) PLAN

Introduction

Beneficial Insurance Services, LLC originally adopted the Paul Hertel & Company Thrift and Profit Sharing Plan for the benefit of its employees effective January 1, 1971. Effective May 11, 2007, the Paul Hertel & Company plan was amended and restated in its entirety and renamed the Beneficial Insurance Services, LLC 401(k) Plan. Beneficial Insurance Services, LLC intends for the 401(k) Plan to comply, in form and in operation, with all applicable provisions of the Internal Revenue Code and the Employee Retirement Income Security Act of 1974, as amended, or ERISA. Beneficial Insurance Services, LLC may change the 401(k) Plan from time to time in the future to ensure continued compliance with these laws. Beneficial Insurance Services, LLC may also amend the 401(k) Plan from time to time in the future to add, modify, or eliminate certain features of the plan, as it sees fit. Federal law provides you with various rights and protections as a participant in the 401(k) Plan, which is governed by ERISA. However, the Pension Benefit Guaranty Corporation does not guarantee your benefits under the 401(k) Plan.

Reference to Full Text of the Plan. The following portions of this prospectus supplement summarize the material provisions of the 401(k) Plan. Beneficial Insurance Services, LLC qualifies this summary in its entirety by reference to the full text of the 401(k) Plan. You may obtain copies of the 401(k) Plan document including any amendments to the plan and a summary plan description, by contacting Joseph F. Robinson at (215) 925-7656. You should carefully read the 401(k) Plan documents to understand your rights and obligations under the plan.

Eligibility and Participation

If you are at least 21 years old and you have completed two months of service with Beneficial Insurance Services, LLC you may elect to participate in the 401(k) Plan on the January 1st or July 1st following or coincident with the date you satisfy the 401(k) Plan eligibility requirements.

As of March 31, 2007, 28 of the 34 employees of Beneficial Insurance Services, LLC participated in the 401(k) Plan.

Contributions Under the 401(k) Plan

Employee Pre-Tax Salary Deferrals. Subject to certain IRS limitations, the 401(k) Plan permits you to make pre-tax salary deferrals each payroll period of up to 20% of your compensation. Compensation is defined for purposes of the 401(k) Plan as each participant's total pay, including base pay, overtime, bonuses and commissions. In addition to pre-tax salary deferrals, you may make catch up contributions if you are currently age 50 or will be 50 before the end of the calendar year.

Employer Matching Contributions. The 401(k) Plan provides that Beneficial Insurance Services, LLC may make matching contributions on behalf of each participant. Beneficial Insurance Services, LLC makes matching contributions only to those participants who actively defer a percentage of their compensation into the 401(k) Plan. If you elect to defer funds into the 401(k) Plan, Beneficial Insurance Services, LLC will match 10% of up to the first 6% of your elective deferrals for a maximum matching contribution of 0.6% of your compensation.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Rollover Contributions. Beneficial Insurance Services, LLC allows employees who receive a distribution from a previous employer's tax-qualified employee benefit plan to deposit that distribution into a Rollover Contribution account under the 401(k) Plan, provided the rollover contribution satisfies IRS requirements.

Limitations on Contributions

Limitation on Employee Salary Deferrals. By law, your total deferrals under the 401(k) Plan, together with similar plans, may not exceed \$15,500 for 2007. Eligible employees who are age 50 and over may also make additional catch-up contributions to the plan, up to a maximum of \$5,000 for 2007. The Internal Revenue Service (IRS) periodically increases these limitations. An eligible participant who exceeds these limitations must include any excess deferrals in gross income for federal income tax purposes in the year of deferral. In addition, the participant must pay federal income taxes on any excess deferrals when distributed by the 401(k) Plan to the participant, unless the plan distributes the excess deferrals and any related income no later than the first April 15th following the close of the taxable year in which the participant made the excess deferrals. Any income on excess deferrals distributed before such date is treated, for federal income tax purposes, as earned and received by the participant in the taxable year of the distribution.

Limitation on Annual Additions and Benefits. As required by the Internal Revenue Code, the 401(k) Plan provides that the total amount of contributions and forfeitures (annual additions) credited to a participant during any year under all defined contribution plans of Beneficial Insurance Services, LLC may not exceed the lesser of 100% of the participant's annual compensation or \$45,000 for 2007.

Limitation on Plan Contributions for Highly Compensated Employees. Special provisions of the Internal Revenue Code limit the amount of pre-tax and matching contributions that may be made to the 401(k) Plan in any year on behalf of highly compensated employees, in relation to the amount of pre-tax and matching contributions made by or on behalf of all other employees eligible to participate in the 401(k) Plan. If pre-tax and matching contributions exceed these limitations, the plan must adjust the contribution levels for highly compensated employees.

In general, a highly compensated employee includes any employee who (1) was a 5% owner of the sponsoring employer at any time during the year or the preceding year, or (2) had compensation for the preceding year in excess of \$100,000 and, if the sponsoring employer so elects, was in the top 20% of employees by compensation for such year. The preceding dollar amount applies for 2007, and may be adjusted periodically by the IRS.

Top-Heavy Plan Requirements. If the 401(k) Plan is a Top-Heavy Plan for any calendar year, Beneficial Insurance Services, LLC may be required to make certain minimum contributions to the 401(k) Plan on behalf of non-key employees. In general, the 401(k) Plan will be treated as a Top-Heavy Plan for any calendar year if, as of the last day of the preceding calendar year, the aggregate balance of the accounts of Key Employees exceeds 60% of the aggregate balance of the accounts of all employees under the plan. A Key Employee is generally any employee who, at any time during the calendar year or any of the four preceding years, is:

- (1) an officer of Beneficial Insurance Services, LLC whose annual compensation exceeds \$145,000;
- (2) a 5% owner of the employer, meaning an employee who owns more than 5% of the outstanding stock of Beneficial Mutual Bancorp, or who owns stock that possesses more than 5% of the total combined voting power of all stock of Beneficial Mutual Bancorp; or

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (3) a 1% owner of the employer, meaning an employee who owns more than 1% of the outstanding stock of Beneficial Mutual Bancorp, or who owns stock that possesses more than 1% of the total combined voting power of all stock of Beneficial Mutual Bancorp, *and* whose annual compensation exceeds \$150,000.

The foregoing dollar amounts are for 2007.

401(k) Plan Investments

Effective May 11, 2007, the 401(k) Plan offers the following investment choices:

Fund Name	Annual Rates of Return		
	2006	2005	2004
American Century Vista Fund	9.28%	9.10%	16.00%
American Funds Euro-Pacific Growth Fund	22.17	21.38	19.98
American Funds Growth Fund of America	11.24	14.53	12.24
Sunrise Retirement Fund Balanced (1)	9.16	5.34	10.81
Sunrise Retirement Fund Balanced Equity (1)			
Sunrise Retirement Fund Capital Preservation (1)			
Sunrise Retirement Fund Diversified Equity (1)			
Sunrise Retirement Fund Diversified Equity w/Income (1)			
Sunrise Retirement Fund Diversified Income (1)			
Sunrise Retirement Fund Income (1)			
T. Rowe Price Capital Opportunities Fund	15.81	4.57	11.40
Vanguard Growth Index Fund	9.02	5.09	7.20
Vanguard Mid-Cap Index Fund	13.60	13.93	20.35
Vanguard Small Cap Index Fund	15.78	7.49	20.02
Vanguard Total Bond Market Index Fund	4.27	2.39	4.24
Vanguard Value Index Fund	22.15	7.09	15.29
Wells Fargo Stable Return Fund	4.48	4.13	4.04

(1) The Sunrise Retirement Funds were established in April 2007. No historical performance data is available at this time.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following is a brief description of each of the investment choices offered through the 401(k) Plan.

American Century Vista Fund. This actively managed fund seeks long-term growth of capital by investing in medium-sized and smaller companies with earnings and revenues that are growing at an accelerating rate. The fund manager's discipline is based on bottom-up fundamental analysis and the belief that the direction of a company's growth is more important than its absolute growth. The manager looks for rising rates of growth in revenue, earnings, cash flows and operating margins. In addition, relative price and valuation are considered.

American Funds Euro-Pacific Growth Fund. This is an international (non-U.S.) equity fund and seeks to provide long-term growth of capital by investing in companies based outside the United States. The fund invests in strong, growing companies based chiefly in Europe and the Pacific Basin, ranging from small firms to large corporations. The fund invests primarily in common and preferred stocks, convertibles, American Depositary Receipts, European Depositary Receipts, bonds and cash. Normally, at least 80% of assets must be invested in securities of issuers domiciled in Europe or the Pacific Basin.

American Funds Growth Fund of America. This is a large-cap growth fund. The fund seeks to provide long-term growth of capital through a diversified portfolio of common stocks. The fund has the flexibility to invest wherever the best growth opportunities may be. The fund emphasizes companies that appear to offer opportunities for long-term growth, and may invest in cyclical companies, turnarounds and value situations. The fund invests primarily in common stocks, convertibles, preferred stocks, U.S. government securities, bonds and cash, and may invest up to 15% of assets in securities of issuers domiciled outside the United States and Canada and not included in the S&P 500.

Sunrise Retirement Fund - Balanced. This portfolio targets 55% of its assets in a diversified mix of equity mutual funds and 45% in fixed income mutual funds. The equity allocation includes U.S. large cap, mid cap, and small cap as well as non-U.S. The fixed income exposure is invested in intermediate-term fixed income and money market mutual funds. This portfolio's strategic asset class targets include: 30% U.S. large cap equity, 15% U.S. mid/small cap equity, 10% non-U.S. equity, 42% fixed income, and 3% cash equivalents.

Sunrise Retirement Fund - Balanced Equity. This portfolio targets 70% of its assets in a diversified mix of equity mutual funds and 30% in fixed income mutual funds. The equity allocation includes U.S. large cap, mid cap, and small cap as well as non-U.S. The fixed income exposure is invested in intermediate-term fixed income and money market mutual funds. This portfolio's strategic asset class targets include: 35% U.S. large cap equity, 22% U.S. mid/small cap equity, 13% non-U.S. equity, 27% fixed income, and 3% cash equivalents.

Sunrise Retirement Fund - Capital Preservation. This portfolio targets 10% of its assets in a diversified mix of equity mutual funds and 90% in fixed income mutual funds. The equity allocation includes U.S. large cap. The fixed income exposure is invested in intermediate- and short-term fixed income, and money market mutual funds. This portfolio's strategic asset class targets include: 10% U.S. large cap equity, 87% fixed income, and 3% cash equivalents.

Sunrise Retirement Fund - Diversified Equity. This portfolio is 97% invested in a diversified mix of equity mutual funds. Currently, it includes U.S. large cap, mid cap, and small cap equities as well as non-U.S. equities. The balance is invested in a money market portfolio. This portfolio's strategic asset class targets include: 42% U.S. large cap equity, 35% U.S. mid/small cap equity, 20% non-U.S. equity, and 3% cash equivalents.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Sunrise Retirement Fund Diversified Equity with Income. This portfolio targets 85% of its assets in a diversified mix of equity mutual funds and 15% in fixed income mutual funds. Currently, the equity allocation includes U.S. large cap, mid cap, and small cap as well as non-U.S. The fixed income exposure is invested in intermediate-term fixed income and money market mutual funds. This portfolio's strategic asset class targets include: 40% U.S. large cap equity, 28% U.S. mid/small cap equity, 17% non-U.S. equity, 12% fixed income, and 3% cash equivalents.

Sunrise Retirement Fund Diversified Income. This portfolio targets 40% of its assets in a diversified mix of equity mutual funds and 60% in fixed income mutual funds. The equity allocation includes U.S. large cap, mid cap, and small cap as well as non-U.S. The fixed income exposure is invested in intermediate-term fixed income and money market mutual funds. This portfolio's strategic asset class targets include: 25% U.S. large cap equity, 10% U.S. mid/small cap equity, 5% non-U.S. equity, 57% fixed income, and 3% cash equivalents.

Sunrise Retirement Fund Income. This portfolio targets 25% of its assets in a diversified mix of equity mutual funds and 75% in fixed income mutual funds. The equity allocation includes U.S. large cap and small cap. The fixed income exposure is invested in intermediate- and short-term fixed income, and money market mutual funds. This portfolio's strategic asset class targets include: 20% U.S. large cap equity, 5% U.S. small cap equity, 72% fixed income, and 3% cash equivalents.

T. Rowe Price Capital Opportunities Fund. This is an actively managed large-cap blend fund that seeks superior capital appreciation over time by investing primarily in U.S. common stocks. The fund invests in companies well positioned for significant capital appreciation. Sector diversification will approximate that of the S&P 500 Index.

Vanguard Growth Index Fund. This fund employs a passive management or indexing investment approach designed to track the performance of the MSCI US Prime Market Growth Index, a broadly diversified index predominantly made up of growth stocks of large U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Vanguard Mid-Cap Index Fund. This fund seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks. The fund employs a passive management or indexing investment approach designed to track the performance of the MSCI® US Mid Cap 450 Index, a broadly diversified index of stocks of medium-size U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting within the index.

Vanguard Small Cap Index Fund. This fund employs a passive management or indexing investment approach designed to track the performance of the MSCI US Small Cap 1750 Index, a broadly diversified index of stocks of smaller U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Vanguard Total Bond Market Index Fund. The fund employs a passive management or indexing investment approach designed to track the performance of the Lehman Brothers Aggregate Bond Index. This index measures a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The fund invests by sampling the index, meaning that it holds a range of securities that, in the aggregate, approximate the full index in terms of key risk factors and other characteristics. All of the fund's investments will be selected through the sampling process, and at least 80% of the fund's assets will be invested in bonds held in the index. The fund maintains a dollar-weighted average maturity consistent with that of the index, which currently ranges between 5 and 10 years.

Vanguard Value Index Fund. This fund employs a passive management or indexing investment approach designed to track the performance of the MSCI US Prime Market Value Index, a broadly diversified index predominantly made up of value stocks of large U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Wells Fargo Stable Return Fund. This is a stable value fund and seeks safety of principal and consistency of returns with minimal volatility. The fund invests in financial instruments issued by highly rated companies. These include guaranteed investment contracts (GICs), security-backed contracts (synthetic GICs) and cash equivalents. The weighted average quality of the portfolio is maintained at AA or better.

In connection with the Stock Offering, we have added the Beneficial Mutual Bancorp Stock Fund as an additional choice to the investment alternatives described above. The Beneficial Mutual Bancorp Stock Fund invests primarily in the common stock of Beneficial Mutual Bancorp, Inc. Participants in the 401(k) Plan may direct RSGroup Trust Company, as the 401(k) Plan Trustee, to invest up to 50% of their 401(k) Plan account balances in the Beneficial Mutual Bancorp Stock Fund during the offering. 401(k) Plan participants will not be limited in their investment in the Beneficial Mutual Bancorp Stock Fund following the close of the offering.

The Beneficial Mutual Bancorp Stock Fund consists of investments in the common stock of Beneficial Mutual Bancorp made on the closing date of the Stock Offering. Your investment in the Beneficial Mutual Bancorp Stock Fund will be recorded using the *share accounting* method. Share accounting states your Beneficial Mutual Bancorp common stock position in the 401(k) Plan in terms of shares similar to how a broker would quote your common stock position in a brokerage account. In the event cash dividends are paid on Beneficial Mutual Bancorp common stock, the 401(k) Plan Trustee will, to the extent practicable, use the dividends held in the Beneficial Mutual Bancorp Stock Fund to purchase shares of the common stock. Pending investment in the common stock, assets held in the Beneficial Mutual Bancorp Stock Fund will be placed in the Federated Prime Value Obligations Fund, a money market fund.

As of the date of this prospectus supplement, no shares of Beneficial Mutual Bancorp common stock have been issued or are outstanding, and there is no established market for Beneficial Mutual Bancorp common stock. Accordingly, there is no record of the historical performance of the Beneficial Mutual Bancorp Stock Fund. Performance of the Beneficial Mutual Bancorp Stock Fund depends on a number of factors, including the financial condition and profitability of Beneficial Mutual Savings Bank and general stock market conditions.

Once you have submitted your Investment Form to Joseph F. Robinson, you may not change your investment directions in the Stock Offering.

Benefits Under the 401(k) Plan

Vesting. All participants are 100% vested in their pre-tax salary deferrals. This means that participants have a non-forfeitable right to these funds and any earnings on the funds at all times. Plan participants vest in employer matching contributions credited to their accounts on a graded basis over a six-year period. Participants become 100% vested in their employer matching contributions upon termination of employment due to death, disability or retirement (as normal or postponed retirement).

Withdrawals and Distributions from the 401(k) Plan

Withdrawals Before Termination of Employment. While in active service, participants may take a hardship withdrawal from the 401(k) Plan once per Plan Year, provided the participant has a hardship event as defined by the IRS regulations and subject to approval by the committee administering the 401(k) Plan. Plan loans are also permitted, subject to applicable law and IRS regulations. Please see the Plan Administrator for details on the loan policies and procedures.

Distribution Upon Retirement, Death or Disability. If a participant's accounts are \$1,000 or less upon termination of employment, payment will be in the form of a lump sum as of a valuation date as soon thereafter as administratively possible. If a participant's accounts exceed \$1,000 and are \$5,000 or less upon termination of employment, and the participant does not elect to have his/her distribution paid, the funds will remain in the 401(k) Plan until distribution instructions are provided.

If termination of employment is due to Normal, Postponed Retirement, Death, or Total and Permanent Disability, and a participant's account exceeds \$5,000, distribution of the participant's accounts will be in the form of a lump sum payment, upon the participant's attainment of Normal Retirement Date, unless the participant elects (within 30 days of receipt of an election notice) to further defer distribution beyond Normal Retirement Date to a Postponed Retirement Date (subject to an IRS minimum distribution of benefits requirement following attainment of age 70½) or the participant elects a direct rollover from the 401(k) Plan to another employer's plan (if permitted by that plan).

Distribution Upon Termination for Any Other Reason. If a participant's accounts are \$1,000 or less upon termination of employment, payment will be in the form of a lump sum as of a valuation date as soon thereafter as administratively possible. If a participant's accounts exceed \$1,000 and are \$5,000 or less upon termination of employment, and the participant does not elect to have his/her distribution paid, the funds will remain in the 401(k) Plan until the participant requests a distribution.

If upon termination of employment, a participant's accounts exceed \$5,000, payment will be deferred to Normal Retirement Date, unless the participant elects one of the following optional forms of payment:

Lump sum payment as of any valuation date following the date of termination of employment. (Note: lump sums are subject to a mandatory 20% income tax withholding and a statutory 10% additional federal tax if paid before age 55). A participant's Rollover is permitted within 60 days of distribution to an Individual Retirement Account (IRA), or another employer's plan (if permitted by that plan).

Direct Rollover from the 401(k) Plan to another employer's plan (if permitted by that plan) for accounts which are lesser or greater than \$5,000.

Nonalienation of Benefits. Except with respect to federal income tax withholding, and as provided for under a qualified domestic relations order, benefits payable under the 401(k) Plan will not be

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any rights to benefits payable under the 401(k) Plan will be void.

Applicable federal tax law requires the 401(k) Plan to impose substantial restrictions on your right to withdraw amounts held under the 401(k) Plan before your termination of employment with Beneficial Insurance Services, LLC. Federal law may also impose an excise tax on withdrawals from the 401(k) Plan before you attain 59½ years of age, regardless of whether the withdrawal occurs during your employment with Beneficial Insurance Services, LLC or after termination of employment.

ADMINISTRATION OF THE 401(k) PLAN

Trustee

The RSGroup Trust Company has been engaged as the trustee for the Beneficial Mutual Bancorp Stock Fund in the 401(k) Plan. The trustee receives, holds and invests the contributions to the 401(k) Plan in trust and distributes them to participants and beneficiaries in accordance with the terms of the 401(k) Plan and the directions of the Plan Administrator. The trustee is responsible for the investment of the trust assets, as directed by the Plan Administrator and the participants.

Reports to 401(k) Plan Participants

The Plan Administrator furnishes participants quarterly statements that show the balance in their accounts as of the statement date, contributions made to their accounts during that period and any additional adjustments required to reflect earnings or losses.

Plan Administrator

Beneficial Insurance Services, LLC currently acts as Plan Administrator for the 401(k) Plan. The Plan Administrator handles the following administrative functions: interpreting the provisions of the plan, prescribing procedures for filing applications for benefits, preparing and distributing information explaining the plan, maintaining plan records, books of account and all other data necessary for the proper administration of the plan, preparing and filing all returns and reports required by the U.S. Department of Labor and the IRS and making all required disclosures to participants, beneficiaries and others under ERISA.

Amendment and Termination

Beneficial Insurance Services, LLC expects to continue the 401(k) Plan indefinitely. If the 401(k) Plan is terminated in whole or in part, all affected participants become fully vested in their accounts, regardless of other provisions of the 401(k) Plan. Beneficial Insurance Services, LLC reserves the right to make, from time to time, changes which do not cause any part of the trust to be used for, or diverted to, any purpose other than the exclusive benefit of participants or their beneficiaries. Beneficial Insurance Services, LLC may amend the plan, however, as necessary or desirable, in order to comply with ERISA or the Internal Revenue Code.

Merger, Consolidation or Transfer

If the 401(k) Plan merges or consolidates with another plan or transfers the trust assets to another plan, and either the 401(k) Plan or the other plan is subsequently terminated, the 401(k) Plan requires that you receive a benefit immediately after the merger, consolidation or transfer that would equal or exceed the benefit you would have been entitled to receive immediately before the merger, consolidation or transfer, if the 401(k) Plan had terminated at that time.

Federal Income Tax Consequences

The following summarizes only briefly the material federal income tax aspects of the 401(k) Plan. You should not rely on this summary as a complete or definitive description of the material federal income tax consequences of the 401(k) Plan. Statutory provisions change, as do their interpretation, and their application may vary in individual circumstances. Finally, applicable state and local income tax laws may have different tax consequences than the federal income tax laws. **401(k) Plan participants should consult a tax advisor with respect to any transaction involving the 401(k) Plan, including any distribution from the 401(k) Plan.**

As a tax-qualified retirement plan, the Internal Revenue Code affords the 401(k) Plan certain tax advantages, including the following:

- (1) the sponsoring employer may take an immediate tax deduction for the amount contributed to the plan each year;
- (2) participants pay no current income tax on amounts contributed by the employer on their behalf; and
- (3) earnings of the plan are tax-deferred, thereby permitting the tax-free accumulation of income and gains on investments.

Beneficial Insurance Services, LLC administers the 401(k) Plan to comply in operation with the requirements of the Internal Revenue Code as of the applicable effective date of any change in the law. If Beneficial Insurance Services, LLC should receive an adverse determination letter from the IRS regarding the 401(k) Plan's tax exempt status, all participants would generally recognize income equal to their vested interests in the 401(k) Plan, the participants would not be permitted to transfer amounts distributed from the 401(k) Plan to an Individual Retirement Account or to another qualified retirement plan, and Beneficial Insurance Services, LLC would be denied certain tax deductions taken in connection with the 401(k) Plan.

Lump Sum Distribution. A distribution from the 401(k) Plan to a participant or the beneficiary of a participant qualifies as a lump sum distribution if it is made within one taxable year, on account of the participant's death, disability or separation from service, or after the participant attains age 59½; and consists of the balance credited to the participant under this plan and all other profit sharing plans, if any, maintained by Beneficial Insurance Services, LLC. The portion of any lump sum distribution included in taxable income for federal income tax purposes consists of the entire amount of the lump sum distribution, less the amount of after-tax contributions, if any, made to any other profit-sharing plans maintained by Beneficial Insurance Services, LLC, if the distribution includes those amounts.

Beneficial Mutual Bancorp Common Stock Included in Lump Sum Distribution. If a lump sum distribution includes Beneficial Mutual Bancorp common stock, the distribution generally is taxed in the manner described above. The total taxable amount is reduced, however, by the amount of any net

unrealized appreciation on Beneficial Mutual Bancorp common stock; that is, the excess of the value of Beneficial Mutual Bancorp common stock at the time of the distribution over the cost or other basis of the securities to the trust. The tax basis of Beneficial Mutual Bancorp common stock, for purposes of computing gain or loss on a subsequent sale, equals the value of Beneficial Mutual Bancorp common stock at the time of distribution, less the amount of net unrealized appreciation. Any gain on a subsequent sale or other taxable disposition of Beneficial Mutual Bancorp common stock, to the extent of the net unrealized appreciation at the time of distribution, is long-term capital gain, regardless of how long you hold the Beneficial Mutual Bancorp common stock, or the holding period. Any gain on a subsequent sale or other taxable disposition of Beneficial Mutual Bancorp common stock that exceeds the amount of net unrealized appreciation upon distribution is considered long-term capital gain, regardless of the holding period. The recipient of a distribution may elect to include the amount of any net unrealized appreciation in the total taxable amount of the distribution, to the extent allowed under IRS regulations.

We have provided you with a brief description of the material federal income tax aspects of the 401(k) Plan that are generally applicable under the Internal Revenue Code. We do not intend this description to be a complete or definitive description of the federal income tax consequences of participating in or receiving distributions from the 401(k) Plan. Accordingly, you should consult a tax advisor concerning the federal, state and local tax consequences of participating in and receiving distributions from the 401(k) Plan.

Restrictions on Resale

Any affiliate of Beneficial Mutual Bancorp under Rules 144 and 405 of the Securities Act of 1933, as amended, who receives a distribution of common stock under the 401(k) Plan, may re-offer or resell such shares only under a registration statement filed under the Securities Act of 1933, as amended, assuming the availability of a registration statement, or under Rule 144 or some other exemption from these registration requirements. An affiliate of Beneficial Mutual Bancorp is someone who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, Beneficial Mutual Bancorp. Generally, a director, principal officer or major shareholder of a corporation is deemed to be an affiliate of that corporation.

Any person who may be an affiliate of Beneficial Mutual Bancorp may wish to consult with counsel before transferring any common stock they own. In addition, participants should consult with counsel regarding the applicability to them of Section 16 of the Securities Exchange Act of 1934, as amended, which may restrict the sale of Beneficial Mutual Bancorp common stock acquired under the 401(k) Plan or other sales of Beneficial Mutual Bancorp common stock.

Persons who are *not* deemed to be affiliates of Beneficial Mutual Bancorp at the time of resale may resell freely any shares of Beneficial Mutual Bancorp common stock distributed to them under the 401(k) Plan, either publicly or privately, without regard to the registration and prospectus delivery requirements of the Securities Act of 1933, as amended, or compliance with the restrictions and conditions contained in the exemptions available under federal law. A person deemed an affiliate of Beneficial Mutual Bancorp at the time of a proposed resale may publicly resell common stock only under a re-offer prospectus or in accordance with the restrictions and conditions contained in Rule 144 of the Securities Act of 1933, as amended, or some other exemption from registration, and may not use this prospectus in connection with any such resale. In general, Rule 144 restricts the amount of common stock which an affiliate may publicly resell in any three-month period to the greater of 1% of Beneficial Mutual Bancorp common stock then outstanding or the average weekly trading volume reported on the Nasdaq Stock Market during the four calendar weeks before the sale. Affiliates may sell only through brokers without solicitation and only at a time when Beneficial Mutual Bancorp is current in filing all required reports under the Securities Exchange Act of 1934, as amended.

SEC Reporting and Short-Swing Profit Liability

Section 16 of the Securities Exchange Act of 1934, as amended, imposes reporting and liability requirements on officers, directors and persons who beneficially own more than 10% of public companies such as Beneficial Mutual Bancorp. Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the filing of reports of beneficial ownership. Within ten days of becoming a person required to file reports under Section 16(a), such person must file a Form 3 reporting initial beneficial ownership with the Securities and Exchange Commission (SEC). Such persons must also report periodically certain changes in beneficial ownership involving the allocation or reallocation of assets held in their 401(k) Plan accounts, either on a Form 4 within two days after a transaction, or annually on a Form 5 within 45 days after the close of a company's fiscal year.

In addition to the reporting requirements described above, Section 16(b) of the Securities Exchange Act of 1934, as amended, provides for the recovery by Beneficial Mutual Bancorp of profits realized from the purchase and sale or sale and purchase of its common stock within any six-month period by any officer, director or person who beneficially owns more than 10% of the common stock of the Company.

The SEC has adopted rules that exempt many transactions involving the 401(k) Plan from the short-swing profit recovery provisions of Section 16(b). The exemptions generally involve restrictions upon the timing of elections to buy or sell employer securities for the accounts of any officer, director or person who beneficially owns more than 10% of the common stock.

Except for distributions of the common stock due to death, disability, retirement, termination of employment or under a qualified domestic relations order, persons who are subject to Section 16(b) may be required, under limited circumstances involving the purchase of common stock within six months of the distribution, to hold the shares of common stock distributed from the 401(k) Plan for six months after the distribution date.

LEGAL OPINION

The validity of the issuance of the common stock of Beneficial Mutual Bancorp will be passed upon by Muldoon Murphy & Aguggia LLP, Washington, DC. Muldoon Murphy & Aguggia LLP acted as special counsel for Beneficial Mutual Bancorp in connection with the Stock Offering.

BENEFICIAL INSURANCE SERVICES, LLC
401(k) PLAN
INVESTMENT FORM

Name of Plan Participant: _____

Social Security Number: _____

1. Instructions. In connection with the offering to the public of the common stock of Beneficial Mutual Bancorp, the Beneficial Insurance Services, LLC 401(k) Plan (the "401(k) Plan") now permits participants to direct up to 50% of their 401(k) Plan account balances into a new fund: the Beneficial Mutual Bancorp Stock Fund ("Employer Stock Fund"). The percentage of a participant's account (up to 50%) transferred at the direction of the participant into the Employer Stock Fund will be used to purchase shares of common stock of Beneficial Mutual Bancorp (the "Common Stock") in the Stock Offering.

To direct a transfer of up to 50% of the funds credited to your accounts in the 401(k) Plan to the Employer Stock Fund, you must complete and submit this form to Joseph F. Robinson by 12:00 noon on **June 1, 2007, unless extended**. A representative for the Plan Administrator will retain a copy of this form and return a copy to you. If you need any assistance in completing this form, please contact Joseph F. Robinson at (215) 925-7656. If you do not complete and return this form to Joseph F. Robinson by the noted deadline, your 401(k) Plan funds will continue to be invested in accordance with your prior investment directions, or in accordance with the terms of the 401(k) Plan if no investment directions have been provided.

2. Investment Directions for the Stock Offering. I hereby authorize the Plan Administrator to direct the trustee to invest the following percentages (in multiples of not less than 1%) of my 401(k) Plan account balance in the Employer Stock Fund:

American Century Vista Fund	_____ %
American Funds Euro-Pacific Growth Fund	_____ %
American Funds Growth Fund of America	_____ %
Sunrise Retirement Fund - Balanced	_____ %
Sunrise Retirement Fund - Balanced Equity	_____ %
Sunrise Retirement Fund - Capital Preservation	_____ %
Sunrise Retirement Fund - Diversified Equity	_____ %
Sunrise Retirement Fund - Diversified Equity w/Income	_____ %
Sunrise Retirement Fund - Diversified Income	_____ %
Sunrise Retirement Fund - Income	_____ %
T. Rowe Price Capital Opportunities Fund	_____ %
Vanguard Growth Index Fund	_____ %
Vanguard Mid-Cap Index Fund	_____ %
Vanguard Small Cap Index Fund	_____ %
Vanguard Total Bond Market Index Fund	_____ %
Vanguard Value Index Fund	_____ %
Wells Fargo Stable Return Fund	_____ %

I acknowledge that I WILL NOT authorize the trustee to invest more than 50% of my entire 401(k) Plan account balance in the Employer Stock Fund.

I also acknowledge that in the event the Employer Stock Fund trustee cannot fill all or a portion of my order, my unused funds will be reinvested in the investment elections I have in place for my elective deferrals prior to the Stock Offering.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

3. Purchaser Information. The ability of participants in the 401(k) Plan to purchase Common Stock and to direct their current 401(k) Plan account balances into the Employer Stock Fund is based upon the participant's subscription rights. Please indicate your status.

- Check here if you had \$50.00 or more on deposit with Beneficial Mutual Savings Bank as of November 30, 2005.
- Check here if you had \$50.00 or more on deposit with Beneficial Mutual Savings Bank as of March 31, 2007.
- Check here if you are a depositor of Beneficial Mutual Savings Bank as of April 30, 2007.

4. Acknowledgment of Participant. I understand that this Investment Form shall be subject to all of the terms and conditions of the 401(k) Plan. I acknowledge that I have received a copy of the Beneficial Mutual Bancorp Prospectus and the Prospectus Supplement and that I understand the terms and conditions of my investment in the Employer Stock Fund.

Signature of Participant

Date

Acknowledgment of Receipt by Administrator. This Investment Form was received by the Plan Administrator and will become effective on the date noted below.

By: _____

Date

THE PARTICIPATION INTERESTS REPRESENTED BY THE COMMON STOCK OFFERED HEREBY ARE NOT DEPOSIT ACCOUNTS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY AND ARE NOT GUARANTEED BY BENEFICIAL MUTUAL BANCORP, BENEFICIAL SAVINGS BANK MHC OR BENEFICIAL MUTUAL SAVINGS BANK. THE COMMON STOCK IS SUBJECT TO AN INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF THE PRINCIPAL INVESTED.

Minimum Stock Purchase in the Stock Offering is \$250
Maximum Stock Purchase in the Stock Offering is \$250,000

**PLEASE COMPLETE AND RETURN TO
JOSEPH F. ROBINSON BY
12:00 NOON ON
JUNE 1, 2007, UNLESS EXTENDED**

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

PROSPECTUS

(Holding Company for Beneficial Mutual Savings Bank)
Up to 20,527,500 Shares of Common Stock

This is the initial public offering of shares of common stock of Beneficial Mutual Bancorp, Inc. In addition to the shares we are offering to the public in our initial public offering, Beneficial Mutual Bancorp will be offering shares of its common stock to shareholders of FMS Financial Corporation in connection with the merger of FMS Financial with and into Beneficial Mutual Bancorp. FMS Financial shareholders may elect to exchange their FMS Financial shares for either \$28.00 in cash, 2.80 shares of Beneficial Mutual Bancorp stock for each share of FMS Financial or a combination thereof, subject to the election and proration procedures set forth in the merger agreement. **In the event that we are unable to complete the merger we will terminate the offering.** Additionally, we will contribute \$500,000 in cash and 950,000 shares to The Beneficial Foundation, a charitable foundation to be formed in connection with the initial public offering, which represents between 1.69% and 1.30% of our outstanding common stock at the minimum and maximum of the offering range, respectively. Beneficial Savings Bank MHC, our federally chartered mutual holding company parent, will own at least a majority of our outstanding common stock following the initial public offering and the merger of FMS Financial with Beneficial Mutual Bancorp. We expect that our shares of common stock will be quoted on the Nasdaq Global Select Market under the symbol BNCL.

If you are or were a depositor of Beneficial Mutual Savings Bank, you may have priority rights to purchase shares of common stock. If you are a participant in the Beneficial Mutual Savings Bank 401(k) Plan or the Beneficial Insurance Services, LLC 401(k) Plan, you may direct that up to 50% of your 401(k) Plan account balance be invested in shares of Beneficial Mutual Bancorp common stock. You will receive a separate supplement to this prospectus that describes your rights under your 401(k) Plan. If you are a shareholder of FMS Financial, you may elect to receive shares of Beneficial Mutual Bancorp common stock in exchange for your FMS Financial common stock in connection with the merger, subject to election and proration procedures set forth in the merger agreement. A maximum of 11,883,350 shares of Beneficial Mutual Bancorp common stock will be issued to FMS Financial shareholders. You will receive a separate proxy statement explaining the merger in more detail. If you fit none of the categories above, but are interested in purchasing shares of our common stock, you may have an opportunity to purchase shares of common stock after priority orders are filled.

We are offering up to 20,527,500 shares of common stock for sale on a best efforts basis, subject to certain conditions. We must issue a minimum of 15,172,500 shares to complete the offering. If, as a result of regulatory considerations, demand for the shares or changes in market conditions, the independent appraiser determines our market value has increased, we may sell up to 23,606,625 shares without giving you further notice or the opportunity to change or cancel your order.

The offering is scheduled to terminate at 4:00 p.m., Eastern time, on June 11, 2007. We may extend this termination date without notice to you until July 26, 2007, unless the Office of Thrift Supervision approves a later date. Funds received before completion of the offering will be maintained at Beneficial Mutual Savings Bank or, at our discretion, in an escrow account at an independent insured depository institution. All subscriptions received will earn interest at our passbook savings rate, which is currently 0.75% per annum.

The minimum purchase is 25 shares. Once submitted, orders are irrevocable unless the offering is terminated or extended beyond July 26, 2007. If we extend the offering beyond July 26, 2007, we will promptly return the funds of all subscribers who do not reconfirm their subscriptions. If we terminate the offering because we fail to sell the minimum number of shares, the merger is terminated, or for any other reason, we will promptly return your funds with interest at our passbook savings rate.

Sandler O'Neill & Partners, L.P. will use its best efforts to assist us in our selling efforts, but is not required to purchase any of the common stock that is offered for sale. Purchasers will not pay a commission to purchase shares of common stock in the offering. All shares offered for sale are offered at a price of \$10.00 per share.

We expect our current directors and executive officers, together with their associates, to subscribe for 311,500 shares, which equals an aggregate 1.52% of the shares offered for sale at the maximum of the offering range.

The Office of Thrift Supervision conditionally approved our plan of stock issuance on May 15, 2007. However, such approval does not constitute a recommendation or endorsement of this offering.

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

OFFERING SUMMARY Price Per Share: \$10.00

Minimum	Maximum	Maximum, as Adjusted
---------	---------	-------------------------

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Number of shares	15,172,500	20,527,500	23,606,625
Gross cash offering proceeds	\$ 151,725,000	\$ 205,275,000	\$ 236,066,250
Estimated offering expenses, excluding underwriting fees	\$ 2,445,000	\$ 2,445,000	\$ 2,445,000
Estimated underwriting fees	\$ 790,000	\$ 1,095,000	\$ 1,271,000
Estimated net cash proceeds	\$ 148,490,000	\$ 201,735,000	\$ 232,350,250
Estimated net cash proceeds per share	\$ 9.79	\$ 9.83	\$ 9.84

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Neither the Securities and Exchange Commission, the Office of Thrift Supervision nor any state securities regulator has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

 The date of this prospectus is May 15, 2007

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

PENNSYLVANIA

BUCKS COUNTY

BENSALEM

Bensalem Shopping Center
Street & Hulmeville Roads

NEWTOWN

Summit Square Shopping Center
Route 413 &
Doublewoods Road

WARMINSTER

Rosemore Shopping Center
1043W. County Line Road

WARRINGTON

Stone Manor Corporate Center
1560 Easton Road

CHESTER COUNTY

EXTON

Main Street at Exton
267 Main Street

DELAWARE COUNTY

BROOMALL

Lawrence Park Shopping Center
1991 Sproul Road

CLIFTON HEIGHTS

Baltimore Pike and Oak Avenue

DREXEL HILL

1200 Township Line Road

EDDYSTONE

Eddystone Crossing Shopping Center
Chester Pike & Simpson Street

NEWJERSEY

BURLINGTON COUNTY

BURLINGTON - MAIN OFFICE

3 Sunset Road & Route 541

BEVERLY

414 Cooper Street

BORDENTOWN

335 Farnsworth Avenue

BROWNS MILLS

93 Pemberton -
Browns Mills Road

BURLINGTON CITY

352 High Street

BURLINGTON - NECK ROAD

1029 Neck Road

EDGMONT

Edgmont Square Shopping Center
4733 West Chester Pike

FOLCROFT

Delcroft Shopping Center
Delmar Drive & Glenolden Ave.

YEADON

Church Lane & Guenther Ave.

MONTGOMERY COUNTY

ARDMORE

Ardmore West Shopping Center
177W. Lancaster Ave.

CONSHOHOCKEN

Inside Giant Supermarket
Whitemarsh Shopping Center
12 East Ridge Pike

EAST NORRITON

Germantown Pike &
Whitehall Road

FLOURTOWN

1311 Bethlehem Pike

JENKINTOWN

Baederwood Shopping Center
1601 The Fairway

MONTGOMERYVILLE

Five Points Plaza Shopping Center
640 Cowpath Road

NARBERTH

Montgomery & Gordon Ave.
901 Montgomery Avenue

SPRINGHOUSE

509 Springhouse Village Center
1111 Bethlehem Pike

CHESTERFIELD

305 Bordentown - Chesterfield Road

CINNAMINSON

1703 Highland Avenue

DELANCO

801 Burlington Avenue

DELTRAN

3002 Route 130 North

EASTAMPTON

1191 Woodlane Road

EDGEWATER PARK

1149 Cooper Street

FLORENCE

220 West Front Street

LUMBERTON

PHILADELPHIA

12TH & CHESTNUT

1139 Chestnut Street

16TH & CHESTNUT

1600 Chestnut Street

ACADEMY PLAZA

Academy Plaza Shopping Center
Academy & Red Lion Roads

ARAMINGO AVENUE

2500 Aramingo Avenue

BELLS CORNER

8400 Bustleton Avenue

BOULEVARD

6244 Bustleton Avenue

CITY LINE AVENUE

City Line Shopping Center
7622 City Line Avenue

FOX CHASE

1411 Rhawn Street

HOLME CIRCLE

Holme Circle Shopping Center
2845 Holme Ave.

KENSINGTON

Kensington & Allegheny Ave.

MAYFAIR

Frankford & Cottman Avenues

MORRELL PLAZA

Morrell Plaza Shopping Center
9910 Frankford Avenue

NORTH PHILADELPHIA

5700 N. Broad Street

MEDFORD

200 Tuckerton Road

MEDFORD LAKES

700 Stokes Road

MOORESTOWN

53 East Main Street

MOUNT HOLLY

555 High Street

LARCHMONT

3220 Route 38

MOUNT LAUREL

4522 Church Road

PEMBERTON

25 Fort Dix Road

RIVERSIDE

NORTHWEST PHILADELPHIA

Ivy Ridge Shopping Center
Ridge Avenue & Domino Lane

OLD CITY

530 Walnut Street

PARKWOOD

Parkwood Shopping Center
12377 Academy Road

SOUTH PHILADELPHIA

2037 S. Broad Street

SOUTHWEST

PHILADELPHIA

6401 Woodland Avenue

TYSON & BROUS

6918 Brous Avenue

BENEFICIAL INSURANCE

SERVICES LLC

Paul Hertel & Company
325 Chestnut Street
Philadelphia, PA 19106

NEWJERSEY

BURLINGTON COUNTY

MOUNT LAUREL

Larchmont Commons Shopping Ctr.
Route 38 and Ark Road

CAMDEN COUNTY

SICKLERVILLE

Town Square Shopping Center
483 Cross Keys Road

SOUTHAMPTON

1841 Route 70

TABERNACLE

1484 Route 206

WILLINGBORO EAST

611 Beverly - Rancocas Road

WILLINGBORO ROUTE 130

4406 Route 130 North

WILLINGBORO WEST

1 Rose Street & Beverly-
Rancocas Road

CAMDEN COUNTY

AUDUBON

149 Whitehorse Pike

PENNSAUKEN

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

BURLINGTON TOWNSHIP
809 Sunset Road

1636-61 Route 38 &
Eayrestown Road

2 Scott Street & Pavilion Avenue

Route 130 & Merchantville Ave

RIVERTON
604 Main Street

This list of office locations does not include 11 Farmers & Mechanics branches scheduled to close prior to the merger.

[This Page Intentionally Left Blank]

Table of Contents

	<i>Page</i>
<u>Summary</u>	1
<u>Risk Factors</u>	19
<u>A Warning About Forward-Looking Statements</u>	26
<u>Selected Consolidated Financial and Other Data of Beneficial Mutual Bancorp</u>	27
<u>Selected Consolidated Financial and Other Data of FMS Financial</u>	29
<u>Recent Developments of Beneficial Mutual Bancorp</u>	31
<u>Recent Developments of FMS Financial</u>	36
<u>Use of Proceeds</u>	43
<u>Our Dividend Policy</u>	45
<u>Market for Common Stock of Beneficial Mutual Bancorp</u>	45
<u>Capitalization</u>	46
<u>Regulatory Capital Compliance</u>	48
<u>Pro Forma Data</u>	50
<u>Comparison of Independent Valuation and Pro Forma Financial Information With and Without the Foundation</u>	71
<u>Business of Beneficial Mutual Bancorp</u>	72
<u>Management's Discussion and Analysis of Results of Operations and Financial Condition of Beneficial Mutual Bancorp</u>	83
<u>Business of FMS Financial</u>	111
<u>Management's Discussion and Analysis of Results of Operations and Financial Condition of FMS Financial</u>	129
<u>Our Management</u>	141
<u>Subscriptions by Executive Officers and Directors</u>	159
<u>Regulation and Supervision</u>	160
<u>Federal and State Taxation</u>	167
<u>The Acquisition of FMS Financial</u>	169
<u>The Stock Offering</u>	185
<u>The Beneficial Foundation</u>	202
<u>Restrictions on Acquisition of Beneficial Mutual Bancorp, Beneficial Savings Bank MHC and Beneficial Mutual Savings Bank</u>	205
<u>Description of Beneficial Mutual Bancorp Common Stock</u>	208
<u>Transfer Agent and Registrar</u>	209
<u>Registration Requirements</u>	209
<u>Legal and Tax Opinions</u>	209
<u>Experts</u>	209
<u>Change in FMS Financial Accountants</u>	209
<u>Where You Can Find More Information</u>	210
<u>Index to Consolidated Financial Statements of Beneficial Mutual Bancorp</u>	211
<u>Index to Consolidated Financial Statements of FMS Financial</u>	212

[This Page Intentionally Left Blank]

Summary

This summary highlights material information from this document and may not contain all the information that is important to you. To understand the stock offering and merger fully, you should read this entire document carefully. For assistance, please call our Stock Information Center at 866.254.1216.

The Companies

Beneficial Savings Bank MHC
Beneficial Mutual Bancorp, Inc.
Beneficial Mutual Savings Bank
530 Walnut Street
Philadelphia, Pennsylvania 19106
(215) 864-6000

Beneficial Savings Bank MHC is our federally chartered mutual holding company parent. As a mutual holding company, Beneficial Savings Bank MHC is a non-stock company. Upon completion of the offering and merger, Beneficial Savings Bank MHC will own at least a majority of Beneficial Mutual Bancorp's common stock. So long as Beneficial Savings Bank MHC exists, it will own a majority of the voting stock of Beneficial Mutual Bancorp and, through its board of directors, will be able to exercise voting control over most matters put to a vote of stockholders. Following the offering and merger, Beneficial Savings Bank MHC is not expected to engage in any business activity other than owning a majority of the common stock of Beneficial Mutual Bancorp. The officers of Beneficial Savings Bank MHC are also the officers of Beneficial Mutual Bancorp and Beneficial Mutual Savings Bank. The directors of Beneficial Savings Bank MHC are the directors of Beneficial Mutual Bancorp and Beneficial Mutual Savings Bank. Beneficial Savings Bank MHC has no members.

Beneficial Mutual Bancorp, Inc. is a federally chartered mid-tier stock holding company that was formed in 2004 by Beneficial Mutual Savings Bank to be its holding company. This offering is made by Beneficial Mutual Bancorp. Beneficial Mutual Bancorp owns all of Beneficial Mutual Savings Bank's capital stock and directs, plans and coordinates Beneficial Mutual Savings Bank's business activities.

In October 2006, Beneficial Mutual Bancorp entered into an Agreement and Plan of Merger pursuant to which Beneficial Mutual Bancorp will acquire FMS Financial Corporation, a New Jersey corporation and sole stockholder of Farmers & Mechanics Bank, a federal savings bank headquartered in Burlington, New Jersey with \$1.2 billion in assets as of December 31, 2006. In the future, Beneficial Mutual Bancorp might also acquire or organize other operating subsidiaries, including other financial institutions or financial services companies, although it currently has no specific plans or agreements to do so. At December 31, 2006, Beneficial Mutual Bancorp had total assets of \$2.3 billion, deposits of \$1.7 billion and total equity of \$280.0 million on a consolidated basis.

Beneficial Mutual Savings Bank is a Pennsylvania chartered savings bank that operates from 39 full-service locations in Chester, Delaware, Montgomery, Philadelphia and Bucks Counties in Pennsylvania and one full-service location in each of Burlington and Camden Counties, New Jersey. We offer a variety of deposit and loan products to individuals and small businesses, most of which are located in our primary market, which consists of Chester, Delaware, Montgomery, Philadelphia and Bucks Counties, Pennsylvania and Burlington, Camden and Gloucester Counties, New Jersey. The acquisition of FMS Financial and its wholly owned subsidiary, Farmers & Mechanics Bank, will expand our market presence in Burlington, Camden and Mercer Counties, New Jersey.

Our website address is www.beneficialsavings.com. Information on our website should not be considered a part of this prospectus.

Acquisition of FMS Financial

In connection with the offering, we will acquire FMS Financial in a merger, whereby FMS Financial will be merged with and into Beneficial Mutual Bancorp and FMS Financial's wholly owned subsidiary, Farmers & Mechanics Bank, will be merged with and into Beneficial Mutual Savings Bank. In connection with the merger, FMS Financial's shareholders will be given the opportunity to exchange their shares of FMS Financial common stock for \$28.00 in cash, 2.80 shares of Beneficial Mutual Bancorp common stock for each share of FMS Financial, or a combination thereof, subject to the election and proration procedures set forth in the merger agreement.

Completion of the merger is expected to increase Beneficial Mutual Savings Bank's deposit base and its loan portfolio, and provide Beneficial Mutual Savings Bank with greater access to customers in New Jersey, particularly in Burlington County, New Jersey. In addition, the merger, in combination with the offering, will permit Beneficial Mutual Savings Bank to utilize a significant portion of its capital, while continuing to be a well capitalized institution for regulatory purposes. The merger is also expected to reduce the pressure to leverage Beneficial Mutual Savings Bank's balance sheet that typically exists when a well capitalized institution raises capital.

Immediately following the acquisition of FMS Financial, Beneficial Mutual Bancorp will appoint Craig W. Yates and Roy D. Yates, currently directors of FMS Financial, to the boards of directors of Beneficial Mutual Bancorp and Beneficial Savings Bank MHC and the board of trustees of Beneficial Mutual Savings Bank.

Impact of the Termination of the Acquisition of FMS Financial on the Offering

The merger agreement sets forth many conditions to the completion of the merger that must be met. In the event those conditions cannot be met or are not waived, or other termination events occur that result in the merger agreement being terminated and the merger is not completed, the offering will be terminated and we will promptly return your funds with interest at our passbook savings rate.

Our Corporate Structure

The following diagram depicts our corporate structure after the offering and merger:

Our Business Strategy (page 85)

Our business strategy is to operate and grow a profitable community-oriented financial institution. We plan to achieve this by executing our strategy of:

expanding our franchise through acquisition opportunities, including our merger with FMS Financial, and through the opening of additional branch offices in our primary market area;

pursuing opportunities to increase commercial lending in our primary market area;

continuing to use conservative underwriting practices to maintain the high quality of our loan portfolio;

growing non-interest income by expanding the products and services we offer our customers, including the expansion of our insurance services; and

building profitable business and consumer relationships by providing superior customer service with an emphasis on growing transaction deposit accounts and deposit balances.

Regulation and Supervision (page 160)

Beneficial Savings Bank MHC and Beneficial Mutual Bancorp are subject to regulation, supervision and examination by the Office of Thrift Supervision. Beneficial Mutual Savings Bank is also subject to regulation by the Pennsylvania Department of Banking and the Federal Deposit Insurance Corporation.

The Offering

Purchase Price

The purchase price is \$10.00 per share. You will not pay a commission to buy any shares in the offering.

Number of Shares to be Sold

We are offering for sale between 15,172,500 and 20,527,500 shares of Beneficial Mutual Bancorp common stock in this offering. The amount of capital being raised is based on an appraisal of Beneficial Mutual Bancorp. Most of the terms of this offering are required by Office of Thrift Supervision regulations. With regulatory approval, we may increase the number of shares to be issued to 23,606,625 shares without giving you further notice or the opportunity to change or cancel your order. In considering whether to increase the offering size, the Office of Thrift Supervision will consider the level of subscriptions, the views of our independent appraiser, our financial condition and results of operations and changes in market conditions.

How We Determined the Offering Range (page 196)

We decided to offer between 15,172,500 and 20,527,500 shares, which is our offering range, based on an independent appraisal of our pro forma market value prepared by RP Financial, LC., an appraisal firm experienced in appraisals of financial institutions. RP Financial will receive fees totaling \$140,000 for the preparation and delivery of the original appraisal report, plus reimbursement of out-of-pocket expenses and \$15,000 for the preparation and delivery of each required updated appraisal report. RP Financial estimates that as of February 23, 2007, our pro forma market value on a fully converted basis, which includes: (1) the total number of shares that will be issued to Beneficial Savings Bank MHC; (2) the total number of shares that will be sold in the offering; (3) the total number of shares that will be issued to FMS Financial shareholders in connection with the merger; and (4) the 950,000 shares that will be issued to The Beneficial Foundation, was between \$560,871,940 and \$728,758,900, with a midpoint of \$644,031,030. The term fully converted means that RP Financial assumed that 100% of our common stock had been sold to the public, rather than the minority percentage of the total outstanding shares that will be held publicly by individuals and entities other than Beneficial Savings Bank MHC. The percentage of stock

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

that will be held publicly by individuals and entities other than Beneficial Savings Bank MHC will be 47.49%, 46.20% and 45.32% if the shares in the offering are sold at the minimum, midpoint and maximum of the offering range, respectively. In the event we increase the number of shares we issue in the offering to 23,606,625 shares, the percentage of shares publicly outstanding will decrease to 44.30%.

Based upon our pro forma market value, and taking into consideration: (1) the number of shares that must be issued to FMS Financial shareholders pursuant to the merger agreement; (2) the 950,000 shares that will be issued to The Beneficial Foundation; and (3) the need to ensure that less than 49.9% of the total shares that will be issued by us will be issued to individuals and entities other than Beneficial Savings Bank MHC, the board of directors determined how many shares would be issued in the offering. In the event the offering were not being made in connection with the merger and the related issuance of shares to FMS Financial shareholders as partial merger consideration, and had no shares been issued to The Beneficial Foundation, the percentage of shares being offered to the public would have equaled 34% of the outstanding shares at each point in the offering range. The contribution of 950,000 shares to The Beneficial Foundation at each point in the offering range causes the percentage of stock that is being offered as a percentage of the total outstanding shares to be different at each point in the offering range because the contribution of 950,000 shares is more dilutive at the minimum of the offering range than at the maximum of the offering range. The issuance of the shares in the merger further decreases the percentage that the shares being offered will represent of the total outstanding shares because the issuance of the merger shares causes further dilution to the interests of those purchasing shares in the offering. For a more detailed discussion of how many shares will be issued in connection with the offering and the merger, see *Pro Forma Data Analysis of Pro Forma Outstanding Shares of Beneficial Mutual Bancorp Common Stock*.

In preparing its appraisal, RP Financial considered the information in this prospectus, including our consolidated financial statements, as well as the impact of the merger with FMS Financial and the impact of the contribution of shares of Beneficial Mutual Bancorp and cash to The Beneficial Foundation. RP Financial also considered the following factors, among others:

our historical, present and projected operating results and financial condition and the economic and demographic characteristics of our market area;

a comparative evaluation of the operating and financial statistics of Beneficial Mutual Savings Bank with those of other similarly-situated, publicly-traded savings associations and savings association holding companies;

the effect of the capital raised in this offering on our net worth and earnings potential; and

the trading market for securities of comparable institutions and general conditions in the market for such securities.

Our board of directors determined that the common stock should be sold at \$10.00 per share and that a maximum of 36,439,975 shares of our common stock should be issued through the exchange of Beneficial Mutual Bancorp shares for shares of FMS Financial in the merger, the sale of common stock to the public through the offering and the issuance of shares to The Beneficial Foundation.

Two measures that some investors use to analyze whether a stock might be a good investment are the ratio of the offering price to the issuer's tangible book value and the ratio of the offering price to the issuer's annual core earnings. RP Financial considered these ratios in preparing its appraisal, among other factors. Tangible book value is the same as total equity, less intangibles, and represents the difference between the issuer's tangible assets and liabilities. Core earnings, for purposes of the appraisal, was defined as net earnings after taxes, excluding the after-tax portion of income from nonrecurring items. RP Financial's appraisal also incorporates an analysis of a peer group of publicly-traded fully-converted savings associations and fully-converted savings association holding companies that RP Financial considered to be comparable to us.

The following table presents a summary of selected pricing ratios for the peer group companies, which were all first step mutual holding companies, and for us utilized by RP Financial in its appraisal. These ratios are

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

based on earnings for the 12 months ended December 31, 2006 and book value as of December 31, 2006 and are shown on a fully-converted equivalent basis.

	<u>Price to Earnings Multiple</u>	<u>Price to Book Value Ratio</u>	<u>Price to Tangible to Book Value Ratio</u>
Beneficial Mutual Bancorp (pro forma):			
Minimum	32.04x	74.25%	91.37%
Maximum	36.96x	80.98%	96.08%
Maximum, as adjusted	39.26x	83.88%	98.02%
Peer group companies as of February 23, 2007:			
Average	32.61x	103.72%	106.37%
Median	32.94x	102.10%	103.60%

Compared to the average pricing ratios of the peer group at the maximum of the offering range, our stock would be priced at a premium of 13.3% to the peer group on a price-to-earnings basis, a discount of 21.9% to the peer group on a price-to-book basis and a discount of 9.7% to the peer group on a price-to-tangible book basis. This means that, at the maximum of the offering range, a share of our common stock would be more expensive than the peer group based on an earnings per share basis and less expensive than the peer group based on a book value per share basis and a tangible book value per share basis.

The independent appraisal does not indicate market value. You should not assume or expect that the valuation described above means that our common stock will trade at or above the \$10.00 purchase price after the public offering.

Mutual Holding Company Data

The following table presents a summary of selected pricing ratios for publicly traded mutual holding companies and the pricing ratios for us, without the ratios being adjusted to the hypothetical case of being fully converted.

	<u>Non-Fully Converted Price to Earnings Multiple</u>	<u>Non-Fully Converted Price to Book Value Ratio</u>	<u>Non-Fully Converted Price to Tangible Book Value</u>
Beneficial Mutual Bancorp (pro forma):			
Minimum	40.00x	111.98%	155.76%
Maximum	50.00x	131.41%	176.06%
Maximum, as adjusted	55.56x	141.04%	185.87%
Peer group companies as of February 23, 2007 (1):			
Average	32.04x	237.58%	253.53%
Median	32.04x	225.91%	258.09%

- (1) The information for publicly traded mutual holding companies may not be meaningful for investors because it presents average and median information for mutual holding companies that issued a different percentage of their stock in their offerings than the 47.49%, 46.20%, 45.32% and 44.30% that we are issuing to the public if we sell our shares at the minimum, midpoint, maximum and maximum, as adjusted, of the offering range, respectively. In addition, the effect of stock repurchases also affects the ratios to a greater or lesser degree depending upon repurchase activity.

Possible Change in Offering Range (page 198)

RP Financial will update its appraisal before we complete the offering. If, as a result of regulatory considerations, demand for the shares or changes in market conditions, RP Financial determines that our pro forma market value has increased, we may sell up to 23,606,625 shares without further notice to you. If our pro forma market value including shares issued to FMS Financial and contributed to The Beneficial Foundation at that time is either below \$560.9 million or above \$822.6 million, then, after consulting with the Office of Thrift Supervision, we may: terminate the stock offering and promptly return all funds; promptly return all funds, set a new offering range and give all subscribers the opportunity to

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

modify or rescind their purchase orders for shares of Beneficial Mutual Bancorp's common stock; or take such other actions as may be permitted by the Office of Thrift Supervision and the Securities and Exchange Commission.

Possible Termination of the Offering

We must sell a minimum of 15,172,500 shares to complete the offering. If we terminate the offering because the merger is terminated or because we fail to sell the minimum number of shares or for any other reason, we will promptly return your funds with interest at our passbook savings rate.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

After-Market Performance of First-Step Mutual Holding Company Offerings

The following table provides information regarding the after-market performance of the first-step mutual holding company offerings completed from January 1, 2005 through February 23, 2007. First-step mutual holding company offerings are initial public offerings by companies in the mutual holding company form of organization.

Issuer (Market/Symbol)	Date of IPO	Appreciation from Initial Offering Price			
		After 1 Day	After 1 Week	After 4 Weeks	Through 2/23/07
Oritani Financial Corp. (Nasdaq: ORIT)	01/24/2007	59.7	53.5	54.8	55.0
Polonia Bancorp (OTCBB: PBCP)	01/16/2007	1.0	0.1	1.0	2.0
MSB Financial Corp. (Nasdaq: NSBF)	01/05/2007	23.0	21.0	19.3	17.5
Mainstreet Financial Corp. (OTCBB: MSFN)	12/27/2006	10.0	10.0	(2.5)	(1.5)
Ben Franklin Financial, Inc. (OTCBB: BFFI)	10/19/2006	7.0	5.7	6.5	10.0
ViewPoint Financial Group (Nasdaq: VPFQ)	10/03/2006	49.9	50.7	54.0	72.3
Fox Chase Bancorp, Inc. (Nasdaq: FXCB)	10/02/2006	29.5	28.1	29.4	42.6
Roma Financial Corporation (Nasdaq: ROMA)	07/12/2006	41.0	42.4	44.5	53.5
Seneca-Cayuga Bancorp, Inc. (OTCBB: SCAY)	07/12/2006	0.0	(4.0)	(7.0)	(6.5)
Northeast Community Bancorp, Inc. (Nasdaq: NECB)	07/06/2006	10.0	12.8	11.5	23.9
Mutual Federal Bancorp, Inc. (OTCBB: MFDB)	04/06/2006	11.3	10.0	14.0	44.1
Lake Shore Bancorp, Inc. (Nasdaq: LSBK)	04/04/2006	7.0	4.8	2.8	24.5
United Community Bancorp (Nasdaq: UCBA)	03/31/2006	8.0	7.0	5.5	21.5
Magyar Bancorp, Inc. (Nasdaq: MGYR)	01/24/2006	6.5	5.5	6.0	47.5
Greenville Federal Financial Corporation (OTCBB: GVFF)	01/10/2006	2.5	0.0	0.0	4.5
Equitable Financial Corp. (OTCBB: EQFC)	11/09/2005	0.0	0.0	(6.0)	5.0
Investors Bancorp, Inc. (Nasdaq: ISBC)	10/12/2005	0.2	1.0	5.2	56.7
Wauwatosa Holdings, Inc. (Nasdaq: WAUW)	10/05/2005	12.5	7.3	8.0	77.9
Ottawa Savings Bancorp, Inc. (OTCBB: OTTW)	07/15/2005	10.0	2.5	5.0	36.0
United Financial Bancorp, Inc. (Nasdaq: UBNK)	07/13/2005	17.5	16.0	17.7	48.4
Heritage Financial Group (Nasdaq: HBOS)	06/30/2005	7.5	7.5	9.0	65.8
Colonial Bankshares, Inc. (Nasdaq: COBK)	06/30/2005	6.0	9.9	7.5	37.8
North Penn Bancorp, Inc. (OTCBB: NPEN)	06/02/2005	10.0	2.5	1.5	11.5
Rockville Financial, Inc. (Nasdaq: RCKB)	05/28/2005	4.8	11.4	21.1	53.2
FedFirst Financial Corporation (Nasdaq: FFCO)	04/07/2005	(6.6)	(9.3)	(14.9)	(5.0)
Brooklyn Federal Bancorp, Inc. (Nasdaq: BFSB)	04/06/2005	(0.5)	(1.0)	(4.5)	44.0
Prudential Bancorp, Inc. of PA (Nasdaq: PBIP)	03/30/2005	(1.5)	(6.5)	(12.0)	37.0
Kentucky First Federal Bancorp (Nasdaq: KFFB)	03/03/2005	7.9	12.0	12.1	2.5
Kearny Financial Corp. (Nasdaq: KRNY)	02/24/2005	13.9	15.0	11.3	47.5
Home Federal Bancorp, Inc. of LA (OTCBB: HFBL)	01/21/2005	(1.0)	0.5	(0.8)	3.5
BV Financial, Inc. (OTCBB: BVFL)	01/14/2005	(6.5)	(5.0)	(1.5)	(7.5)
Georgetown Bancorp, Inc. (OTCBB: GTWN)	01/06/2005	2.0	(0.5)	0.1	(11.9)
All Transactions:					
Average		10.7	9.7	9.3	28.5
Median		7.3	6.4	5.8	30.3
Nasdaq Traded Companies:					
Average		14.8	14.5	14.4	41.2
Median		8.0	10.7	10.2	45.8
OTCBB Traded Companies:					
Average		3.9	1.8	0.9	7.4
Median		2.3	0.3	0.1	4.0

This table is not intended to be indicative of how our stock may perform. Furthermore, this table presents only short-term price performance with respect to several companies that only recently completed their initial public offerings and may not be indicative of the longer term stock price performance of these companies. Stock price appreciation is affected by many factors, including, but not limited to: general market and economic conditions; the interest rate environment; the amount of proceeds a company raises in its offering; and numerous factors relating to the specific company, including the experience and ability of management, historical and anticipated operating results, the nature and quality of the company's assets, and the company's market area. The

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

companies listed in the table above may not be similar to Beneficial Mutual Bancorp, the pricing ratios for their stock offerings were in some cases different from the pricing ratios for Beneficial Mutual Bancorp's common stock and the market conditions in which these offerings were completed were, in some cases, different from current market conditions. Any or all of these differences may cause our stock to perform differently from these other offerings. Before you make an investment decision, we urge you to carefully read this prospectus, including, but not limited to, the *Risk Factors* section beginning on page 19.

You should be aware that, in certain market conditions, stock prices of thrift initial public offerings have decreased. For example, as the above table illustrates, the stock of several companies traded at or below their initial offering price at various times through February 23, 2007. We can give you no assurance that our stock will not trade below the \$10.00 purchase price or that our stock will perform similarly to other recent mutual-to-stock conversions.

Conditions to Completing the Offering

We are conducting the offering under the terms of our plan of stock issuance. We cannot complete the offering unless we sell at least the minimum number of shares offered and we receive the final approval of the Office of Thrift Supervision to complete the offering, and we consummate the merger.

Reasons for the Offering (page 185)

Our primary reasons for this offering are to:

issue stock and raise capital to provide the stock and funds necessary to acquire FMS Financial and support future expansion through branching and possibly through acquisition;

enhance profitability and earnings through investing and leveraging the proceeds, primarily through the acquisition of FMS Financial and also through traditional funding and lending activities; and

implement equity compensation plans to retain and attract qualified directors, officers and staff and to enhance our current compensation programs.

As part of our business planning process, our board of directors concluded that additional capital was needed in order to increase our profitability and support asset growth and that the best way to accomplish this would be through a stock offering. The board of directors determined that a minority offering by Beneficial Mutual Bancorp was appropriate because engaging in a full mutual-to-stock conversion would raise more capital than we had current plans to deploy. Further, the minority stock issuance permits us to control the amount of capital being raised by selecting the percentage of shares to be sold in the offering. Additionally, the board of directors preferred to remain in the mutual holding company structure because it provides for the continued control of Beneficial Mutual Bancorp by Beneficial Savings Bank MHC through its majority ownership position. We chose to offer up to 20,527,500 shares, subject to adjustment up to 23,606,625 shares, rather than a smaller number of shares, which, when combined with the shares we are exchanging in the merger and issuing to The Beneficial Foundation will result in 33,028,390 shares, or 45.32% of our total outstanding stock, being issued to the public at the maximum of the offering range, because we believe that we are raising the amount of capital we can effectively deploy and because the sale of a smaller number of shares would make it less likely that an active trading market for the shares would develop. We chose not to issue more shares to the public so that we would have the flexibility to issue authorized but unissued shares to fund future stock benefit plans without exceeding the regulatory limit on the percentage of shares that can be owned by persons other than Beneficial Savings Bank MHC.

We Will Form The Beneficial Foundation

To continue our long-standing commitment to our local communities, we intend to establish a charitable foundation, named The Beneficial Foundation, as part of the offering. The charitable foundation will be funded with up to 950,000 shares of Beneficial Mutual Bancorp common stock and \$500,000 in cash. The common stock contributed to the charitable foundation is in addition to the shares being offered for sale and exchanged in the

merger and will not be included in determining whether the minimum number of shares of common stock has been sold to complete the offering. Our contribution to the charitable foundation would reduce net earnings by up to \$6.5 million, after tax, in the year in which the charitable foundation is established, which is expected to be fiscal 2007. The Beneficial Foundation will make charitable grants and donations and support projects located within our market areas.

The amount of common stock that we would offer for sale would be greater if the offering were to be completed without the formation of The Beneficial Foundation. For a further discussion of the financial impact of the charitable foundation, including its effect on those who purchase shares in the offering and on the shares issued to stockholders of Beneficial Mutual Bancorp, see *Comparison of Independent Valuation and Pro Forma Financial Information With and Without the Foundation*.

Benefits of the Offering to Management (pages 151 to 157)

We intend to adopt the benefit plans and employment agreements described below. Beneficial Mutual Bancorp will recognize compensation expense related to the employee stock ownership plan and the equity incentive plan. The actual expense will depend on the market value of Beneficial Mutual Bancorp's common stock and, with respect to the employee stock ownership plan, will fluctuate in response to changes in the trading price of Beneficial Mutual Bancorp's common stock, increasing if the trading price increases. As reflected under *Pro Forma Data*, based upon assumptions set forth therein, the annual filer-tax expense related to the employee stock ownership plan and the equity incentive plan would be \$928,000 and \$1.9 million, respectively, assuming shares are sold in the offering at the maximum of the offering range. See *Pro Forma Data* for a detailed analysis of the effects of each of these plans.

Employee Stock Ownership Plan. We intend to establish an employee stock ownership plan that will purchase an amount of shares equal to 3.92% of the shares sold in the offering, as well as shares issued to Beneficial Savings Bank MHC, shares issued in connection with the merger and contributed to The Beneficial Foundation. The plan will use the proceeds from a 20-year loan from Beneficial Mutual Bancorp to purchase these shares. As the loan is repaid and shares are released from collateral, the shares will be allocated to the accounts of employee participants. Allocations will be based on a participant's individual compensation as a percentage of total plan compensation. Non-employee directors are not eligible to participate in the employee stock ownership plan. We will incur additional compensation expense as a result of this plan. See *Pro Forma Data* for an illustration of the effects of this plan.

Equity Incentive Plan. We intend to implement an equity incentive plan no earlier than six months after completion of the offering. Under current Office of Thrift Supervision regulations, this plan must be approved by a majority of the total votes eligible to be cast by our stockholders, other than Beneficial Savings Bank MHC. Under this plan, we may grant stock options in an amount up to 4.9% of the number of shares sold in the offering, as well as shares issued to Beneficial Savings Bank MHC, shares issued in connection with the merger and contributed to The Beneficial Foundation and restricted stock awards in an amount equal to 1.96% of the shares issued in the offering, as well as shares issued to Beneficial Savings Bank MHC, shares issued in connection with the merger and shares contributed to The Beneficial Foundation. Shares of restricted stock will be awarded at no cost to the recipient. Stock options will be granted at an exercise price equal to 100% of the fair market value of our common stock on the option grant date. We will incur additional compensation expense as a result of this plan. See *Pro Forma Data* for an illustration of the effects of this plan. The equity incentive plan will comply with all applicable Office of Thrift Supervision regulations.

The Office of Thrift Supervision has proposed amendments to its existing regulations regarding stock-based benefit plans that are intended to clarify and simplify such regulations. Specifically, the amendments would clarify that we may grant options and award shares of common stock under one or more equity incentive plans in excess of 4.90% and 1.96%, respectively, of our total outstanding shares if the equity incentive plans are adopted more than one year following the stock offering, provided shares used to fund the plans in excess of these amounts are obtained through stock repurchases. The proposed amendments would also require that if the equity incentive plans are adopted less than one year following the stock offering, the equity incentive plans must be approved by a majority of the votes of Beneficial Mutual Bancorp stockholders cast at an annual or special meeting of stockholders, excluding votes eligible to be cast by Beneficial Savings Bank MHC. Under the proposed amendments, there would be no separate vote required of minority shareholders if the equity incentive plans are

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

adopted more than one year following the stock offering. The proposed amendments would further clarify that the current regulatory restrictions set forth above regarding the amount of individual and group awards, and restrictions on accelerated vesting of awards, would not apply if the equity incentive plans are adopted more than one year following the stock offering.

In the event the Office of Thrift Supervision adopts these regulations as proposed, or otherwise changes its existing regulations or policies, we may implement equity incentive plans that exceed the current limits applicable to the overall size of such plans and individual awards thereunder, and otherwise grant awards with terms that are different than those required by current Office of Thrift Supervision regulations and policy. Moreover, to the extent that any new regulations or policies contain a more flexible voting standard for stockholder approval than that currently required, we intend to use the more flexible voting standard, which could result in the vote of Beneficial Savings Bank MHC controlling the outcome of a stockholder vote on our equity incentive plans.

The following tables are based upon current Office of Thrift Supervision regulations and policy. Proposed Office of Thrift Supervision regulations would clarify that the amount of stock options and stock awards available for grant under the equity incentive plan could be greater than the amounts reflected in the tables below, provided shares used to fund the equity incentive plan are excess of the amounts reflected below are obtained through stock purchases.

The following table presents the total value of all shares to be available for restricted stock awards under the equity incentive plan, based on a range of market prices from \$8.00 per share to \$14.00 per share. Ultimately, the value of the grants will depend on the actual trading price of our common stock, which depends on numerous factors.

Share Price	Value of			
	1,099,309 Shares Awarded at Minimum of Range	1,262,301 Shares Awarded at Midpoint of Range	1,428,367 Shares Awarded at Maximum of Range	1,612,386 Shares Awarded at 15% Above Maximum of Range
(In thousands)				
\$ 8.00	\$ 8,794	\$ 10,098	\$ 11,427	\$ 12,899
10.00	10,993	12,623	14,284	16,124
12.00	13,192	15,148	17,140	19,349
14.00	15,390	17,672	19,997	22,573

The following table presents the total value of all stock options available for grant under the equity incentive plan, based on a range of market prices from \$8.00 per share to \$14.00 per share. For purposes of this table, the value of the stock options was determined using the Black-Scholes option-pricing formula. See *Pro Forma Data*. Ultimately, financial gains can be realized on a stock option only if the market price of the common stock increases above the price at which the option is granted.

Exercise Price	Option Value	Value of			
		2,748,273 Options Granted at Minimum of Range	3,155,752 Options Granted at Midpoint of Range	3,570,919 Options Granted at Maximum of Range	4,030,965 Options Granted at 15% Above Maximum of Range
(In thousands)					
\$ 8.00	\$ 3.05	\$ 8,382	\$ 9,625	\$ 10,891	\$ 12,294
10.00	3.81	10,471	12,023	13,605	15,358
12.00	4.57	12,560	14,422	16,319	18,422
14.00	5.34	14,676	16,852	19,069	21,525

The following table summarizes, at the maximum of the offering range, the total number and value of the shares of common stock that the employee stock ownership plan expects to acquire and the total value of all restricted stock awards and stock options that are expected to be available under the equity incentive plan. At the maximum of the offering range, we will sell 20,527,500 shares and have 72,875,890 shares outstanding. The

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

number of shares reflected for the benefit plans in the table below assumes that Beneficial Mutual Savings Bank's tangible capital will be 10% or more following the completion of the offering and the application of the net proceeds as described under *Use of Proceeds*.

Number of Shares to be Granted or Purchased

	At Maximum of Offering Range	As a % of Common Stock Issued at Maximum of Offering Range (1)	As a % of Common Stock Outstanding (2)	Total Estimated Value of Grants
(In thousands)				
Employee stock ownership plan (3)	2,856,735	13.92%	3.92%	\$ 28,567
Restricted stock awards (3)	1,428,367	6.96	1.96	14,284
Stock options (4)	3,570,919	17.40	4.90	13,605
Total	7,856,021	38.27%	10.78%	\$ 56,456

- (1) Reflects the amount of shares in the respective plans as a percentage of total sold in the offering.
- (2) Reflects the amount of shares in the respective plans as a percentage of total issued and outstanding shares immediately subsequent to the offering and merger, including shares sold in the offering and issued in the merger, issued to Beneficial Savings Bank MHC and contributed to The Beneficial Foundation.
- (3) Assumes the value of Beneficial Mutual Bancorp common stock is \$10.00 per share for purposes of determining the total estimated value of the grants.
- (4) Assumes the value of a stock option is \$3.81, which was determined using the Black-Scholes option-pricing formula assuming a share price of \$10.00 as the date of grant. See *Pro Forma Data*.

Employment Agreement. We intend to enter into a new employment agreement with Gerard P. Cuddy that will replace his existing contract in its entirety. The new employment agreement will provide for severance benefits if Mr. Cuddy is terminated following a change in control of Beneficial Mutual Bancorp or Beneficial Mutual Savings Bank. Based solely on current cash compensation and excluding any benefits that would be payable under any employee benefit plan, if a change in control of Beneficial Mutual Bancorp or Beneficial Mutual Savings Bank occurred on December 31, 2006 and we terminated Mr. Cuddy's employment at that time, the total cash payments due under Mr. Cuddy's employment agreement would be approximately \$448,352.

The Offering Will Not be Taxable to Persons Receiving Subscription Rights (page 200)

As a general matter, the offering will not be a taxable transaction for purposes of federal or state income taxes to persons who receive or exercise subscription rights. We have received an opinion from our counsel, Muldoon Murphy & Aguggia LLP that, for federal and state income tax purposes:

it is more likely than not that the depositors of Beneficial Mutual Savings Bank will not realize any income upon the issuance or exercise of the subscription rights;

it is more likely than not that the tax basis to the purchasers in the offering will be the amount paid for our common stock, and that the holding period for shares of common stock will begin on the date of completion of the offering; and

the holding period for shares of common stock purchased in the direct community offering or syndicated community offering will begin on the day after the date of the purchase.

Persons Who Can Order Stock in the Offering (page 186)

We have granted rights to subscribe for shares of Beneficial Mutual Bancorp common stock in a subscription offering to the following persons in the following order of priority:

1. Persons with \$50 or more on deposit at Beneficial Mutual Savings Bank as of November 30, 2005.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

2. Our employee stock ownership plan, which provides retirement benefits to our employees.
3. Persons with \$50 or more on deposit at Beneficial Mutual Savings Bank as of March 31, 2007.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

4. Beneficial Mutual Savings Bank's depositors as of April 30, 2007, who were not able to subscribe for shares under categories 1 and 3.

If we receive subscriptions for more shares than are to be sold in this offering, we may be unable to fill or may only partially fill your order. Shares will be allocated in order of the priorities described above under a formula outlined in the plan of stock issuance. Generally, shares first will be allocated so as to permit each eligible subscriber, if possible, to purchase a number of shares sufficient to make the subscriber's total allocation equal to 100 shares or the number of shares actually subscribed for, whichever is less. After that, unallocated shares will be allocated among the remaining eligible subscribers whose subscriptions remain unfilled in proportion to the amounts their respective qualifying deposits bear to the total qualifying deposits of all remaining eligible subscribers whose subscriptions remain unfilled. If we increase the number of shares to be sold in the offering above 20,527,500, Beneficial Mutual Savings Bank's employee stock ownership plan will have the first priority right to purchase any shares exceeding that amount to the extent that its subscription has not previously been filled. Any shares remaining will be allocated in the order of priorities described above. See *The Stock Offering Subscription Offering and Subscription Rights* for a description of the allocation procedure.

We may offer shares not sold in the subscription offering to the general public in a direct community offering that can begin concurrently with, during or immediately following the subscription offering. Orders received in the direct community offering will be subordinate to subscription offering orders. Natural persons who are residents of Bucks, Chester, Philadelphia, Montgomery and Delaware Counties, Pennsylvania and Burlington, Camden and Gloucester Counties, New Jersey will have first preference to purchase shares in the direct community offering. Shares of common stock not purchased in the subscription offering or the direct community offering may be offered for sale through a syndicated community offering managed by Sandler O'Neill & Partners, L.P. We have the right to accept or reject, in our sole discretion, orders we receive in the direct community offering and syndicated community offering.

Subscription Rights are Not Transferable

You are not allowed to transfer your subscription rights and we will act to ensure that you do not do so. You will be required to certify that you are purchasing shares solely for your own account and that you have no agreement or understanding with another person to sell or transfer subscription rights or the shares that you purchase. We will not accept any stock orders that we believe involve the transfer of subscription rights. **Eligible depositors who enter into agreements to allow ineligible investors to participate in the subscription offering may be violating federal and state law and may be subject to civil enforcement actions or criminal prosecution. With the exception of IRA and Keogh account stock purchases, shares purchased in the subscription offering must be registered in the names of all depositors on the qualifying account(s). Deleting names of depositors or adding non-depositors or otherwise altering the form of beneficial ownership of a qualifying account will result on the loss of your subscription rights.**

How to Purchase Common Stock (page 194)

In the subscription offering and the community offering, you may pay for your shares by:

1. personal check, bank check or money order made payable directly to Beneficial Mutual Bancorp (third-party checks of any type will not be accepted); or
2. authorizing us to withdraw money from your Beneficial Mutual Savings Bank deposit account(s) other than checking accounts or individual retirement accounts (IRAs). To use funds from accounts with checkwriting privileges, please submit a check. To use IRA funds, please see the next section.

Beneficial Mutual Savings Bank is not permitted to lend funds (including funds drawn on a Beneficial Mutual Savings Bank line of credit) to anyone for the purpose of purchasing shares of common stock in the offering. Also, payment may not be made by wire transfer.

Checks and money orders will be immediately cashed, so the funds must be available within the account when we receive your stock order form. Do not overdraw your account. The funds will be deposited by us into a Beneficial Mutual Savings Bank segregated escrow account, or at our discretion, in an escrow account at an independent insured depository institution. We will pay interest at Beneficial Mutual Savings Bank's passbook savings rate, which is currently 0.75% per annum, from the date those funds are received until completion or termination of the offering. Withdrawals from certificates of deposit at Beneficial Mutual Savings Bank for the purpose of purchasing common stock in the offering may be made without incurring an early withdrawal penalty. All funds authorized for withdrawal from deposit accounts with Beneficial Mutual Savings Bank must be available within the deposit accounts at the time the stock order form is received. A hold will be placed on the amount of funds designated on your stock order form. Those funds will be unavailable to you during the offering; however, the funds will not be withdrawn from the accounts until the offering is completed and will continue to earn interest at the applicable contractual deposit account rate until the completion of the offering.

You may submit your order form in one of three ways: by mail, using the reply envelope provided; by overnight courier to the address indicated on the order form; or by hand delivery to the main office of Beneficial Mutual Savings Bank located at 530 Walnut Street, Philadelphia, Pennsylvania 19106. Stock order forms may *not* be hand-delivered to our branch offices other than the main office. Our branch offices will not have stock offering materials on hand. Once submitted, your order is irrevocable. We are not required to accept copies or facsimiles of order forms.

Using IRA Funds to Purchase Shares in the Offering (page 196)

You may be able to subscribe for shares of common stock using funds in your individual retirement account(s), or IRA, provided that such IRAs are not maintained at Beneficial Mutual Savings Bank. If you wish to use some or all of the funds in your Beneficial Mutual Savings Bank IRA, the applicable funds must first be transferred to a self-directed account maintained by an unaffiliated institutional trustee or custodian, such as a

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

brokerage firm. If you do not have such an account, you will need to establish one and transfer your funds before placing your stock order. Our Stock Information Center can give you guidance in this regard. Because processing this type of order takes additional time, we recommend that you contact our Stock Information Center promptly, preferably at least two weeks before the June 11, 2007 offering deadline. Whether you may use retirement funds for the purchase of shares in the stock offering will depend on timing constraints and, possibly, limitations imposed by the institution where the funds are held.

Purchase Limitations (page 191)

Our plan of stock issuance establishes limitations on the purchase of stock in the public offering. These limitations include the following:

The minimum purchase is 25 shares.

The maximum purchase of common stock by an individual, through one or more individual and/or joint deposit accounts, is \$250,000 of common stock (which equals 25,000 shares) in the public offering. The maximum purchase of common stock by a group of persons through a single deposit account is \$250,000 of common stock (which equals 25,000 shares) in the public offering.

No individual, together with any associates, and no group of persons acting in concert may purchase more than \$500,000 of common stock (which equals 50,000 shares) in the public offering. For purposes of applying this limitation, your associates include:

- o your spouse, or any relative of your spouse, who either lives in your home or who is a director or officer of Beneficial Mutual Savings Bank;
- o companies or other entities in which you are a director, officer or partner or have a 10% or greater beneficial ownership interest; and
- o trusts or other estates in which you have a substantial beneficial interest or as to which you serve as a trustee or in another fiduciary capacity.

Unless we determine otherwise, persons having the same address and persons exercising subscription rights through qualifying deposit accounts registered to the same address will be subject to this overall purchase limitation. We have the right to determine, in our sole discretion, whether prospective purchasers are associates or acting in concert .

Subject to the Office of Thrift Supervision's approval, we may increase or decrease the purchase limitations at any time. Our tax-qualified employee benefit plans, including our employee stock ownership plan, are authorized to purchase up to 3.92% of the shares sold in the offering, as well as shares issued to Beneficial Savings Bank MHC, shares issued in the merger and shares contributed to The Beneficial Foundation without regard to these purchase limitations.

Deadline for Ordering Stock (page 194)

The subscription offering will end at 4:00 p.m., Eastern time, on June 11, 2007. If you wish to purchase shares, a properly completed and signed original stock order form, together with full payment for the shares of common stock, must be *received* by us (not postmarked) no later than this time. We expect that the direct community offering will terminate at the same time, although it may continue for up to 45 days after the end of the subscription offering, or longer if regulators approve a later date. No single extension may be for more than 90 days. If we extend the offering beyond July 26, 2007, all subscribers will be notified and given the opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will promptly return your funds with interest at our passbook rate or cancel your deposit account withdrawal authorization. If we intend to sell fewer than 15,172,500 shares or more than 23,606,625 shares (in each case after taking into account shares to be exchanged in the merger), we will promptly return all funds, set a new offering range and all subscribers will be notified and given the opportunity to confirm, change or cancel their orders.

How We Will Use the Proceeds of this Offering (page 43)

The following table summarizes how we will use the proceeds of this offering, based on the sale of shares at the minimum and maximum of the offering range.

(In thousands)	Minimum 15,172,500 Shares at \$10.00 per Share	Maximum 20,527,500 Shares at \$10.00 per Share
Gross offering proceeds	\$ 151,725	\$ 205,275
Less: offering expenses	(3,235)	(3,540)
Net offering proceeds	\$ 148,490	\$ 201,735
Less:		
Proceeds contributed to Beneficial Mutual Savings Bank	(29,073)	(60,889)
Proceeds used for loan to employee stock ownership plan	(21,986)	(28,567)
Proceeds contributed to The Beneficial Foundation	(500)	(500)
Cash needed to pay cash portion of merger consideration	(90,344)	(79,957)
Proceeds remaining for Beneficial Mutual Bancorp	\$ 6,587	\$ 31,822

Initially, Beneficial Mutual Bancorp intends to invest the proceeds not used to acquire FMS Financial in short-term liquid investments. In the future, Beneficial Mutual Bancorp may use the portion of the proceeds that it retains to, among other things, invest in securities, pay cash dividends or repurchase shares of common stock, subject to regulatory restrictions. Beneficial Mutual Savings Bank intends to use the proceeds it receives for investment in short-term liquid investments. In the future, Beneficial Mutual Savings Bank may use the portion of the proceeds that it receives to fund new loans, open new branches, invest in securities and expand its business activities. Beneficial Mutual Bancorp and Beneficial Mutual Savings Bank may also use the proceeds of the offering to diversify their businesses and acquire other companies, although we have no specific plans to do so at this time.

Purchases and Stock Elections by Directors and Executive Officers (page 159)

We expect that our directors and executive officers, together with their associates, will subscribe for 311,500 shares, which equals 0.427% of the shares that would be outstanding assuming shares are sold at the maximum of the offering range. Our directors and executive officers will pay the same \$10.00 per share price as everyone else who purchases shares in the offering. Like all of our depositors, our directors and executive officers have subscription rights based on their deposits and, in the event of an oversubscription, their orders will be subject to the allocation provisions set forth in our plan of stock issuance. Purchases by our directors and executive officers will count towards the minimum number of shares we must sell to close the offering. In addition, Craig W. Yates and Roy D. Yates, who are currently directors of FMS Financial and will become directors of Beneficial Mutual Bancorp following the merger, own 1,854,045 shares of FMS Financial in the aggregate. In the event Messrs. Craig Yates and Roy Yates choose to elect shares of Beneficial Mutual Bancorp in exchange for their FMS Financial stock in the merger, they could receive a maximum of 5,191,325 shares of Beneficial Mutual Bancorp stock in the merger, which equals 7.12% of the total shares of Beneficial Mutual Bancorp that would be outstanding following the offering and the merger.

Market for Beneficial Mutual Bancorp's Common Stock (page 45)

We intend to have the common stock of Beneficial Mutual Bancorp quoted on the Nasdaq Global Select Market. Sandler O'Neill currently intends to become a market maker in the common stock, but it is under no obligation to do so. We cannot assure you that other market makers will be obtained or that an active and liquid trading market for our common stock will develop or, if developed, will be maintained. After shares of the common stock begin trading, you may contact a stock broker to buy or sell shares. There can be no assurance that persons purchasing the common stock in the offering will be able to sell their shares at or above the \$10.00 offering price, and brokerage firms typically charge commissions related to the purchase or sale of securities.

Beneficial Mutual Bancorp's Dividend Policy (page 45)

We have not determined whether we will pay dividends on the common stock. After the offering, we will consider a policy of paying regular cash dividends. Our ability to pay dividends will depend on a number of factors, including capital requirements, regulatory limitations and our operating results and financial condition. Initially, our ability to pay dividends will be limited to the net proceeds of the offering retained by Beneficial Mutual Bancorp and earnings from the investment of such proceeds. At the maximum of the offering range, Beneficial Mutual Bancorp will retain approximately \$31.8 million of the net proceeds. Additionally, funds could be contributed from Beneficial Mutual Savings Bank through dividends; however, the ability of Beneficial Mutual Savings Bank to dividend funds to Beneficial Mutual Bancorp is subject to regulatory limitations described in more detail in *Our Dividend Policy*. We anticipate that Beneficial Savings Bank MHC will waive receipt of any dividends that we pay.

Possible Conversion of Beneficial Savings Bank MHC to Stock Form (page 186)

In the future, we may undertake a transaction commonly known as a second-step conversion in which we would sell to the public the shares held by Beneficial Savings Bank MHC. In a second-step conversion, members of Beneficial Savings Bank MHC would have subscription rights to purchase common stock of Beneficial Mutual Bancorp or its successor, and the public stockholders of Beneficial Mutual Bancorp would be entitled to exchange their shares of common stock for an equal percentage of shares of the new holding company. This percentage may be adjusted to reflect any assets owned by Beneficial Savings Bank MHC. Beneficial Mutual Bancorp's public stockholders, therefore, would own approximately the same percentage of the resulting entity as they owned before the second-step conversion.

Each Share of FMS Financial Common Stock Will be Exchanged for \$28.00 in Cash, 2.80 Shares of Beneficial Mutual Bancorp Stock for Each Share of FMS Financial, or a Combination of Cash and Stock

Upon the completion of the merger, each share of FMS Financial common stock will automatically be converted into the right to receive \$28.00 in cash, 2.80 shares of Beneficial Mutual Bancorp stock for each share of FMS Financial, or a combination of cash and stock, subject to the election and proration procedures set forth in the merger agreement. Pursuant to the merger agreement, 57.5% of FMS Financial common stock may be exchanged for Beneficial Mutual Bancorp stock; provided that, to the extent necessary to maintain the aggregate pro forma tangible book value of the shares of Beneficial Mutual Bancorp stock to be issued in the merger at \$65.6 million, up to 65% of FMS Financial common stock will be exchanged for Beneficial Mutual Bancorp common stock. However, under no circumstances will FMS Financial shareholders receive more than 49% of the Beneficial Mutual Bancorp shares issued in the offering to persons other than Beneficial Savings Bank MHC. It is expected that 10,512,194, 10,953,103, 11,550,890 and 11,883,350 shares of Beneficial Mutual Bancorp will be exchanged for FMS Financial shares in connection with the merger assuming shares are sold at the minimum, midpoint, maximum and maximum, as adjusted, of the offering range, respectively.

Neither we nor FMS Financial make any recommendation about whether FMS Financial shareholders should elect to receive cash or stock in the merger. The United States federal income tax treatment will depend primarily on whether a shareholder exchanges FMS Financial shares solely for cash, stock or a combination of both. FMS Financial shareholders must make their own decision with respect to their elections.

Options to purchase FMS Financial common stock will be cancelled in the merger and option holders will receive a cash payment equal to the difference between \$28.00 and the exercise price of each stock option multiplied by the number of options held.

Conditions to Completing the Merger (page 175)

We cannot complete the merger unless we receive the approval of the Office of Thrift Supervision, Federal Deposit Insurance Corporation and Pennsylvania Department of Banking. We have made the necessary filings with the Office of Thrift Supervision, Federal Deposit Insurance Corporation and Pennsylvania Department of Banking

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

and received the requisite approvals from the Office of Thrift Supervision and the Pennsylvania Department of Banking. We expect to receive the approval of the Federal Deposit Insurance Corporation prior to the termination of the offering on June 11, 2007.

In addition, we cannot complete the merger unless FMS Financial's shareholders approve the merger agreement. FMS Financial's shareholders will vote on the merger at a meeting to be held on June 28, 2007. Each director of FMS Financial has signed an agreement to vote his or her shares of FMS Financial common stock in favor of the merger. In the aggregate, FMS Financial directors and executive officers own 29.95% of the outstanding FMS common stock. In addition, a shareholder with a 9.11% ownership interest in FMS Financial also signed a voting agreement.

Delivery of Prospectus

To ensure that each purchaser in the subscription and community offering receives a prospectus at least 48 hours before the offering deadline in accordance with Rule 15c2-8 of the Securities Exchange Act of 1934, we will not mail a prospectus any later than five days prior to such date or hand-deliver a prospectus later than two days prior to that date. Stock order forms may only be delivered if accompanied or preceded by a prospectus. We are not obligated to deliver a prospectus or order form by means other than United States mail.

We will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights. The subscription offering and all subscription rights will expire at 4:00 p.m., Eastern time, on June 11, 2007 whether or not we have been able to locate each person entitled to subscription rights.

Delivery of Stock Certificates (page 199)

Certificates representing shares of common stock issued in the offering will be mailed to purchasers at the address provided on the order form as soon as practicable following completion of the offering and receipt of all necessary regulatory approvals.

Stock Information Center

If you have any questions regarding the offering, please call the Stock Information Center at 866.254.1216 to speak to a registered representative of Sandler O'Neill. The stock information center is open Monday through Friday, except bank holidays, from 10:00 a.m. to 4:00 p.m., Eastern time.

Risk Factors

You should consider carefully the following risk factors before purchasing Beneficial Mutual Bancorp common stock.

Risks Related to Our Business

Rising interest rates may hurt our profits and asset values.

Interest rates have recently been at historically low levels. However, between June 30, 2004 and December 31, 2006, the United States Federal Reserve Board increased its target for the federal funds rate 17 times in 25 basis point increments from 1.00% to 5.25%. The increase in the federal funds rate has had the effect of increasing short-term market interest rates. While short-term market interest rates (which we use as a guide to price our deposits) have increased, longer term market interest rates (which we use as a guide to price our longer term loans) have not, which has recently resulted in short-term rates being higher than long-term rates. This inversion of the market yield curve has had a negative impact on our interest rate spread and net interest margin, which has reduced our profitability. If short-term interest rates continue to rise, and if rates on our deposits continue to reprice upwards faster than the rates on our long-term loans and investments, we would continue to experience compression of our interest rate spread and net interest margin, which would have a negative effect on our profitability. For further discussion of how changes in interest rates could impact us, see *Management's Discussion and Analysis of Results of Operations and Financial Condition of Beneficial Mutual Bancorp Risk Management Interest Rate Risk Management*.

Our increased emphasis on commercial real estate loans and commercial business loans may expose us to increased lending risks.

At December 31, 2006, \$409.7 million, or 24.4%, of our loan portfolio consisted of commercial real estate loans, including loans for the acquisition and development of property. Commercial real estate loans constitute a greater percentage of our loan portfolio than any other loan category, including one-to-four family loans, which totaled only \$279.0 million, or 16.6%, of our total loan portfolio at December 31, 2006. In addition, at December 31, 2006, \$98.6 million, or 5.87%, of our loan portfolio consisted of commercial business loans. We have increased the percentage of commercial real estate and commercial business loans in our loan portfolio in recent years and intend to continue to emphasize these types of lending. Commercial real estate loans and commercial business loans generally expose a lender to a greater risk of loss than one-to-four family residential loans. Repayment of commercial real estate and commercial business loans generally is dependent, in large part, on sufficient income from the property to cover operating expenses and debt service. Commercial real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one-to-four family residential mortgage loans. Changes in economic conditions that are out of the control of the borrower and lender could impact the value of the security for the loan, the future cash flow of the affected property, or the marketability of a construction project with respect to loans originated for the acquisition and development of property. Additionally, any decline in real estate values may be more pronounced with respect to commercial real estate properties than residential properties.

A substantial portion of our loan portfolio consists of consumer loans secured by rapidly depreciable assets.

At December 31, 2006, our loan portfolio included \$232.7 million in automobile loans representing 13.8% of our total loan portfolio. In addition, at December 31, 2006, other consumer loans totaled \$265.9 million, or 15.8%, of our loan portfolio. Included in other consumer loans is \$14.8 million in automobile lease financing, \$9.3 million in loans secured by manufactured housing, \$70.0 million in loans secured by recreational vehicles and \$84.1 million in loans secured by boats. Consumer loans secured by rapidly depreciable assets such as automobiles, recreational vehicles and boats, may subject us to greater risk of loss than loans secured by real estate because any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance.

A downturn in the local economy or a decline in real estate values could hurt our profits.

A majority of our loans, including our commercial real estate and commercial loans, are secured by real estate or made to businesses in areas where our offices are located. As a result of this concentration, a downturn in the local economy could cause significant increases in nonperforming loans, which would hurt our profits. In recent years, there has been a significant increase in real estate values in our market area. As a result of rising real estate prices in recent years, our loans have been well collateralized. A decline in real estate values could cause some of our mortgage loans to become inadequately collateralized, which would expose us to a greater risk of loss. Additionally, a decline in real estate values could adversely impact our portfolio of commercial real estate loans and could result in a decline in the origination of such loans. For a discussion of our market areas, see *Business of Beneficial Mutual Bancorp Market Area*.

Strong competition within our market area could hurt our profits and slow growth.

We face intense competition in making loans, attracting deposits and hiring and retaining experienced employees. This competition has made it more difficult for us to make new loans and attract deposits. Price competition for loans and deposits sometimes results in us charging lower interest rates on our loans and paying higher interest rates on our deposits, which reduces our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. At June 30, 2006, which is the most recent date for which data is available from the Federal Deposit Insurance Corporation, we held 0.66% of the deposits in the Philadelphia metropolitan statistical area. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability depends upon our continued ability to compete successfully in our market area. For more information about our market area and the competition we face, see *Our Business Market Area* and *Our Business of Beneficial Mutual Bancorp Competition*.

We operate in a highly regulated environment and we may be adversely affected by changes in laws and regulations.

We are subject to extensive regulation, supervision and examination by the Federal Deposit Insurance Corporation, as insurer of our deposits, and by the Pennsylvania Department of Banking as our primary regulator. Beneficial Savings Bank MHC and Beneficial Mutual Bancorp are subject to regulation and supervision by the Office of Thrift Supervision. Such regulation and supervision governs the activities in which an institution and its holding company may engage and are intended primarily for the protection of the insurance fund and the depositors and borrowers of Beneficial Mutual Savings Bank rather than for holders of Beneficial Mutual Bancorp common stock. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations.

The Federal Deposit Insurance Corporation has issued new rules on how it imposes deposit insurance assessments that will increase our deposit insurance assessments and will reduce our income.

Under its current rules, the Federal Deposit Insurance Corporation does not impose a deposit insurance assessment on financial institutions, such as Beneficial Mutual Savings Bank, that are, among other criteria, well-capitalized. On November 2, 2006, the Federal Deposit Insurance Corporation adopted final regulations establishing a risk-based assessment system that will enable the Federal Deposit Insurance Corporation to more closely tie each financial institution's premiums to the risk it poses to the Deposit Insurance Fund. Under the new risk-based assessment system, which becomes effective in the beginning of 2007, the Federal Deposit Insurance Corporation will evaluate the risk of each financial institution based on three primary sources of information: (1) its supervisory rating; (2) its financial ratios; and (3) its long-term debt issuer rating, if the institution has one. The new rates for nearly all of the financial institution industry will vary between five and seven cents for every \$100 of domestic deposits. Once effective, this increased assessment will reduce our income.

Risks Related to the Merger

There is a possibility Beneficial Mutual Savings Bank will be unable to effectively integrate Farmers & Mechanics Bank with and into its operations.

The future growth of Beneficial Mutual Savings Bank and Beneficial Mutual Bancorp will depend, in part, on the success of the merger of FMS Financial with Beneficial Mutual Bancorp. The success of the merger will, in turn, depend on a number of factors, including: Beneficial Mutual Savings Bank's ability to integrate the Farmers & Mechanics Bank's branches into the current operations of Beneficial Mutual Savings Bank; Beneficial Mutual Savings Bank's ability to limit the outflow of deposits held by customers of the Farmers & Mechanics Bank branches; Beneficial Mutual Savings Bank's ability to control the incremental non-interest expense from the merger in a manner that enables Beneficial Mutual Savings Bank to improve its overall operating efficiencies; and Beneficial Mutual Savings Bank's ability to retain and integrate the appropriate personnel of Farmers & Mechanics Bank into the operations of Beneficial Mutual Savings Bank.

Subscribers who purchase shares in the offering will experience dilution of their investment as a result of the intangible assets resulting from the merger.

The acquisition of FMS Financial culminates with the recording of new intangible assets totaling approximately \$132.3 million and, combined with existing intangible assets from Beneficial Mutual Savings Bank, result in total pro forma intangible assets of \$141.0 million. As a result, subscribers to the offering will experience per share dilution in tangible capital of \$2.51, \$2.19, \$1.93 and \$1.71 at the minimum, midpoint, maximum and maximum, as adjusted, of the offering range.

Subscribers who purchase shares in the offering will have their interests diluted by the issuance of shares in the merger.

Upon completion of the merger, each issued and outstanding share of FMS Financial common stock will be converted into the right to receive \$28.00 in cash, 2.80 shares of Beneficial Mutual Bancorp stock for each share of FMS Financial common stock, or a combination thereof, subject to election and proration procedures set forth in the merger agreement. At the midpoint of the offering range, assuming 10,953,103 of the shares are issued to former FMS Financial shareholders in the merger, then the issuance of the shares in the merger would dilute the interests of purchasers in the offering by approximately 17.0%.

Following the offering and the merger, at the maximum of the offering range, of the 72,875,890 shares that will be outstanding, a total of 39,847,500 shares, or 54.68% of the total outstanding shares, will be held by Beneficial Savings Bank MHC and 33,028,390 shares, or 45.32% of the total outstanding shares, will be issued to the public. At the maximum of the offering range, a total of 11,550,890 shares of Beneficial Mutual Bancorp stock may be exchanged for FMS Financial stock in the merger. Craig W. Yates and Roy D. Yates currently own 1,386,889 and 467,156 shares of FMS Financial stock, respectively, which would entitle them to exchange their FMS Financial stock for a maximum of 3,883,289 and 1,308,036 shares of Beneficial Mutual Bancorp stock in connection with the merger, respectively. In the event Craig W. Yates and Roy D. Yates were able to receive 3,883,289 and 1,308,036 shares of Beneficial Mutual Bancorp stock, respectively, in connection with the merger, they would own 5.329% and 1.795% of the outstanding common stock of Beneficial Mutual Bancorp, respectively, or 6.924% and 2.332% of the publicly held shares, respectively, immediately following the offering. However, because the maximum amount of Beneficial Mutual Bancorp stock that can be issued in the merger at the maximum of the offering range is 11,550,890 shares and all stock elections are subject to the proration procedures set forth in the merger agreement, it is possible Craig W. Yates and Roy D. Yates would not receive all of their merger consideration in the form of Beneficial Mutual Bancorp stock.

Risks Related to This Offering

Additional expenses following the offering from new equity benefit plans will adversely affect our profitability.

Following the offering, we will recognize additional annual employee compensation expenses stemming from options and shares granted to employees, directors and executives under new benefit plans. These additional

expenses will adversely affect our profitability. We cannot determine the actual amount of these new stock-related compensation expenses at this time because applicable accounting practices generally require that they be based on the fair market value of the options or shares of common stock at the date of the grant; however, we expect them to be material. We will recognize expenses for our employee stock ownership plan when shares are committed to be released to participants' accounts and will recognize expenses for restricted stock awards and stock options over the vesting period of awards made to recipients. These benefit expenses in the first year following the offering have been estimated to be approximately \$5.3 million on a filer-tax basis at the maximum of the offering range, as set forth in the pro forma financial information under *Pro Forma Data* assuming the \$10.00 per share purchase price as fair market value. Actual expenses, however, may be higher or lower, depending on the price of our common stock, the number of shares awarded under the plans and the timing of the implementation of the plans. For further discussion of these plans, see *Our Management Benefit Plans*.

We may need to implement additional finance and accounting systems, procedures and controls in order to satisfy our new public company reporting requirements, which may increase our operating expenses.

As a result of the completion of this offering, we will become a public reporting company. The federal securities laws and the regulations of the Securities and Exchange Commission require that we file annual, quarterly and current reports and that we maintain effective disclosure controls and procedures and internal controls over financial reporting. We expect that the obligations of being a public company, including substantial public reporting obligations, may require significant expenditures and place additional demands on our management team. Compliance with the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission will require us to certify the adequacy of our internal controls and procedures, which may require us to upgrade our accounting systems. These reporting and compliance obligations may increase our operating expenses.

Our return on equity will initially be low compared to other publicly traded financial institutions. A low return on equity may negatively impact the trading price of our common stock.

Net income divided by average equity, known as return on equity, is a ratio used by many investors to compare the performance of a financial institution with its peers. For the year ended December 31, 2006, our return on equity was 4.04%. Although we expect that our net income will increase following the offering, as well as the merger, we expect that our return on equity will be reduced as a result of the additional capital that we will raise in the offering. For example, our pro forma return on equity for the year ended December 31, 2006 is 2.50%, assuming the sale of shares at the maximum of the offering range and giving effect to the merger. In comparison, the peer group used by RP Financial in its appraisal had an average return on equity of 4.41% for the year ended December 31, 2006. Over time, we intend to use the net proceeds from this offering to increase earnings per share and book value per share, without assuming undue risk, with the goal of achieving a return on equity that is competitive with other publicly held companies. This goal could take a number of years to achieve, and we cannot assure you that it will be attained. Consequently, you should not expect a competitive return on equity in the near future. Failure to achieve a competitive return on equity might make an investment in our common stock unattractive to some investors and might cause our common stock to trade at lower prices than comparable companies with higher returns on equity. See *Pro Forma Data* for an illustration of the financial impact of this offering.

Issuance of shares for benefit programs may dilute your ownership interest.

We intend to adopt an equity incentive plan following the offering. If stockholders approve the new equity incentive plan, we intend to issue shares to our officers, employees and directors through this plan. We may fund the equity incentive plan through the purchase of common stock in the open market, subject to regulatory restrictions, by a trust established in connection with the plan, or from authorized but unissued shares of Beneficial Mutual Bancorp common stock. If the restricted stock awards under the equity incentive plan are funded from authorized but unissued stock, your ownership interest in the shares could be diluted by up to approximately 1.9%, assuming awards of common stock equal to 1.96% of the shares issued in the offering, including shares issued to Beneficial Savings Bank MHC, issued in connection with the merger and contributed to The Beneficial Foundation are awarded under the plan. If the shares issued upon the exercise of stock options under the equity incentive plan are issued from authorized but unissued stock, your ownership interest in the shares could be diluted by up to approximately 4.7%, assuming stock option grants equal to 4.9% of the shares issued in the offering, including

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

shares issued to Beneficial Savings Bank MHC, issued in connection with the merger and contributed to The Beneficial Foundation are granted under the plan. See *Pro Forma Data* and *Our Management Benefit Plans*.

The contribution of shares to the charitable foundation will dilute your ownership interests and adversely affect net income in fiscal year 2007.

We intend to establish a charitable foundation in connection with the stock offering. We will make a contribution to the charitable foundation in the form of shares of Beneficial Mutual Bancorp common stock and will contribute \$500,000 in cash. The contribution of cash and shares of common stock will total \$10.0 million. The aggregate contribution will also have an adverse effect on our net income for the quarter and year in which we make the issuance and contribution to the charitable foundation. The after-tax expense of the contribution will reduce net income in our 2007 fiscal year by approximately \$6.5 million. We had net income of \$11.6 million for the fiscal year ended December 31, 2006. Persons purchasing shares in the stock offering will have their ownership and voting interests in Beneficial Mutual Bancorp diluted by up to 1.69% due to the issuance of 950,000 shares of common stock to the charitable foundation.

Under the Internal Revenue Code, an entity is permitted to deduct up to 10% of its taxable income (income before income taxes) in any one year for charitable contributions. Any contribution in excess of the 10% limit may be deducted for federal income tax purposes over each of the five years following the year in which the charitable contribution was made. Accordingly, a charitable contribution by an entity to a charitable foundation could, if necessary, be deducted over a six-year period. Based on \$14.0 million of income before income tax expense for the fiscal year ended December 31, 2006, and assuming that our income before income tax expense remained at that level in future years following the stock offering, we estimate that we would only be able to deduct for federal income tax purposes \$8.4 million of the contribution to the charitable foundation. This would result in after-tax expense of \$5.5 million and not \$6.5 million as we currently estimate.

Our contribution to the charitable foundation may not be tax deductible, which could reduce our profits.

We believe that the contribution to The Beneficial Foundation will be deductible for federal income tax purposes. However, we cannot assure you that the Internal Revenue Service will grant tax-exempt status to the charitable foundation. If the contribution is not deductible, we would not receive any tax benefit from the contribution. In addition, even if the contribution is tax deductible, we may not have sufficient profits to be able to use the deduction fully. The value of the contribution would be \$10.0 million in cash and shares of common stock, which would result in after-tax expense of approximately \$6.5 million during the fiscal year ended December 31, 2007. In the event that the Internal Revenue Service does not grant tax-exempt status to the charitable foundation or the contribution to the charitable foundation is otherwise not tax deductible, we would recognize as after tax expense the value of the entire contribution, or \$10.0 million.

Beneficial Savings Bank MHC's majority control of our common stock will enable it to exercise voting control over most matters put to a vote of stockholders and will prevent stockholders from forcing a sale or a second-step conversion transaction you may find advantageous.

Beneficial Savings Bank MHC will own a majority of Beneficial Mutual Bancorp's common stock after the offering and, through its board of directors, will be able to exercise voting control over most matters put to a vote of stockholders. The members of the boards of Beneficial Mutual Bancorp, Beneficial Savings Bank MHC and Beneficial Mutual Savings Bank are the same. As a federally chartered mutual holding company, the board of directors of Beneficial Savings Bank MHC must ensure that the interests of depositors of Beneficial Mutual Savings Bank are represented and considered in matters put to a vote of stockholders of Beneficial Mutual Bancorp. Therefore, the votes cast by Beneficial Savings Bank MHC may not be in your personal best interests as a stockholder. For example, Beneficial Savings Bank MHC may exercise its voting control to defeat a stockholder nominee for election to the board of directors of Beneficial Mutual Bancorp. Beneficial Savings Bank MHC's ability to control the outcome of the election of the board of directors of Beneficial Mutual Bancorp restricts the ability of minority stockholders to effect a change of management. In addition, stockholders will not be able to force a merger or second-step conversion transaction without the consent of Beneficial Savings Bank MHC, as such transactions require the approval of at least two-thirds of all outstanding voting stock, which can only be achieved if Beneficial Savings Bank MHC voted to approve such transactions. Some stockholders may desire a sale or merger

transaction, since stockholders typically receive a premium for their shares, or a second-step conversion transaction, since fully converted institutions tend to trade at higher multiples than mutual holding companies.

A significant percentage of our common stock held publicly will be held by directors and officers of Beneficial Mutual Bancorp and our benefit plans.

Assuming we sell our stock at the maximum of the offering range, we will have 33,028,390 shares, or 45.32% of our total outstanding stock, publicly issued to individuals and entities other than Beneficial Savings Bank MHC. We expect our current directors and executive officers, together with their associates, to subscribe for 311,500 shares. In addition, we intend to establish an employee stock ownership plan that will purchase an amount of shares equal to 3.92% of the shares sold in the offering, as well as shares issued to Beneficial Savings Bank MHC, shares issued in connection with the merger and shares contributed to The Beneficial Foundation, which would total 2,856,700 shares at the maximum of the offering range. Additionally, Craig W. Yates and Roy D. Yates, who are currently directors of FMS Financial and will become directors of Beneficial Mutual Bancorp following the merger, own 1,854,045 shares of FMS Financial in the aggregate, which would entitle them to exchange their FMS Financial stock for up to a maximum of 5,191,325 shares of Beneficial Mutual Bancorp stock in connection with the merger. As a result, a total of up to 8,727,625 shares, or 23.95% or 28.92% of our publicly held shares at the maximum, as adjusted, or minimum of the offering range, respectively, will be held by our officers and directors and our employee stock ownership plan immediately following the offering and merger. Further shares will be held by management following the implementation of an equity incentive plan, which we intend to implement no earlier than six months following completion of the offering.

Office of Thrift Supervision policy on remutualization transactions could prevent acquisition of Beneficial Mutual Bancorp, which may adversely affect our stock price.

Current Office of Thrift Supervision regulations permit a mutual holding company to be acquired by a mutual institution in what is commonly called a remutualization transaction. In the past, remutualization transactions often resulted in minority stockholders receiving a premium for their shares. However, in 2003, the Office of Thrift Supervision issued a policy statement indicating that it views remutualization transactions as raising significant issues concerning disparate treatment of minority stockholders and mutual members of the target entity and raising issues concerning the effect on the mutual members of the acquiring entity. Under certain circumstances, the Office of Thrift Supervision tends to give these issues special scrutiny and reject applications providing for the remutualization of a mutual holding company unless the applicant can clearly demonstrate that the Office of Thrift Supervision's concerns are not warranted in the particular case. Should the Office of Thrift Supervision prohibit or further restrict these transactions in the future, our per share stock price may be adversely affected. For further information, see *Restrictions on Acquisition of Beneficial Mutual Bancorp, Beneficial Savings Bank MHC and Beneficial Mutual Savings Bank Regulatory Restrictions*.

Office of Thrift Supervision regulations and anti-takeover provisions in our charter restrict the accumulation of our common stock, which may adversely affect our stock price.

Office of Thrift Supervision regulations provide that for a period of three years following the date of the completion of the stock offering, no person, acting alone, together with associates or in a group of persons acting in concert, will directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of our common stock without the prior written approval of the Office of Thrift Supervision. In addition, Beneficial Mutual Bancorp's charter provides that, for a period of five years from the date of the stock offering, no person, other than Beneficial Savings Bank MHC may acquire directly or indirectly the beneficial ownership of more than 10% of any class of any equity security of Beneficial Mutual Bancorp. In the event a person acquires shares in violation of this charter provision, all shares beneficially owned by such person in excess of 10% will be considered excess shares and will not be counted as shares entitled to vote or counted as voting shares in connection with any matters submitted to the stockholders for a vote. These restrictions make it more difficult and less attractive for stockholders to acquire a significant amount of our common stock, which may adversely affect our stock price.

Proposed Office of Thrift Supervision regulations may permit us to adopt stock-based benefit plans that exceed limits applicable under current regulations, and may permit us to approve stock benefit plans without a separate vote of minority stockholders.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The Office of Thrift Supervision has proposed amendments to its existing regulations regarding stock-based benefit plans that are intended to clarify and simplify such regulations. Specifically, the amendments would clarify that we may grant options and award shares of common stock under our stock-based benefit plans in excess of 4.90% and 1.96%, respectively, of our total outstanding shares if the stock-based benefit plans are adopted more than one year following the stock offering, provided shares used to fund the plans in excess of these amounts are obtained through stock repurchases. The proposed amendments would also require that, if the stock-based plans are adopted less than one year following the stock offering, the stock-based benefit plans must be approved by a majority of the votes of Beneficial Mutual Bancorp shareholders and cast at an annual or special meeting of shareholders, excluding votes eligible to be cast by Beneficial Savings Bank MHC. Under the proposed amendments, there would be no separate vote required of minority shareholders if the stock-based benefit plans are adopted more than one year following the stock offering. The proposed amendments would further clarify that the restrictions set forth above regarding the maximum amount of individual and group awards and restrictions on accelerated vesting of awards, would not apply if the stock-based benefit plans are adopted more than one year following the stock offering.

In the event the Office of Thrift Supervision adopts these regulations as proposed, or otherwise changes its existing regulations or policies, we may implement stock-based benefit plans that exceed the current limits applicable to the overall size of such plans, the relative amounts of stock options and stock awards and individual awards thereunder, and otherwise grant awards with terms that are different than those required by current Office of Thrift Supervision regulations and policy. Implementing stock-based benefit plans that exceed current limits could result in expense that exceeds the amounts we have estimated based up on the current limitations imposed by the Office of Thrift Supervision. However, until we implement our stock-based benefit plans, and until the proposed Office of Thrift Supervision regulations are adopted in final form, we cannot estimate the cost of stock-based benefit plans that we may adopt in the future.

Moreover, to the extent that any new regulations or policies contain a more flexible voting standard for shareholder approval than that currently required, we intend to use the more flexible voting standard, which could result in the vote of Beneficial Savings Bank MHC controlling the outcome of a shareholder vote on stock-based benefit plans.

Our stock price may decline when trading commences.

You may not be able to sell the shares you purchase in the offering at or above the \$10.00 purchase price. After the shares of our common stock begin trading, the trading price of the common stock will be determined by the marketplace, and will be influenced by many factors outside of our control, including prevailing interest rates, investor perceptions, securities analyst research reports and general industry, geopolitical and economic conditions. Publicly traded stocks, including stocks of financial institutions, often experience substantial market price volatility. These market fluctuations might not be related to the operating performance of particular companies whose shares are traded.

There may be a limited market for our common stock, which may adversely affect our stock price.

We have applied to have our shares of common stock listed for trading on the Nasdaq Global Select Market under the symbol BNCL. Sandler O'Neill currently intends to become a market maker in the common stock, but is under no obligation to do so. There is no way of determining at this time whether other market makers will be obtained or that an active and liquid trading market for the shares of common stock will develop or if developed, will be maintained. After shares of the common stock begin trading, you may contact a stock broker to buy or sell shares.

A Warning About Forward-Looking Statements

This prospectus contains forward-looking statements, which can be identified by the use of words such as believes, expects, anticipates, estimates or similar expressions. Forward-looking statements include:

- statements of goals, intentions and expectations;
- statements regarding business plans, prospects, growth and operating strategies;
- statements regarding the quality of loan and investment portfolios; and
- estimates of risks and future costs and benefits.

These forward-looking statements are subject to significant risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- general economic conditions, either nationally or locally, that are worse than expected;
- changes in the interest rate environment that reduce interest margins or reduce the fair value of financial instruments;
- increased competitive pressures among financial services companies;
- changes in consumer spending, borrowing and savings habits;
- legislative or regulatory changes that adversely affect business;
- Beneficial Mutual Savings Bank's ability to integrate successfully the operations of FMS Financial following the merger;
- adverse changes in the securities markets; and
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board or the Public Company Accounting Oversight Board.

Any of the forward-looking statements made in this prospectus and in other public statements may later prove incorrect because of inaccurate assumptions, the factors illustrated above or other factors that cannot be foreseen. Consequently, no forward-looking statement can be guaranteed.

**Selected Consolidated Financial and Other Data of
Beneficial Mutual Bancorp**

The summary financial information presented below is derived in part from our consolidated financial statements. The following is only a summary and you should read it in conjunction with our consolidated financial statements and notes beginning on page F-1. The information at December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 is derived in part from our audited consolidated financial statements that appear in this prospectus. The information at December 31, 2004 and at and for the years ended December 31, 2003 and 2002 is derived in part from our audited consolidated financial statements that do not appear in this prospectus.

**At and For the Year Ended December 31,
(Dollars in thousands)**

	2006	2005	2004	2003	2002
Financial Condition Data:					
Total assets	\$ 2,300,219	\$ 2,392,394	\$ 2,332,730	\$ 2,255,277	\$ 2,164,898
Cash and cash equivalents	23,147	32,930	32,358	25,125	22,398
Investment securities available-for-sale	346,411	359,441	434,736	379,697	369,421
Investment securities held-to-maturity	130,357	163,320	205,584	264,812	314,749
Loans receivable, net	1,671,457	1,716,057	1,558,159	1,481,223	1,374,770
Deposits	1,667,876	1,655,033	1,597,933	1,546,412	1,506,967
Federal Home Loan Bank	196,550	312,797	395,104	371,484	356,100
Other borrowed funds	98,346	95,414	14,232	20,000	
Stockholders equity	280,415	278,372	270,116	258,414	243,577
Operating Data:					
Interest income	\$ 127,326	\$ 117,091	\$ 108,080	\$ 113,629	\$ 125,178
Interest expense	62,899	51,366	41,947	46,494	55,745
Net interest income	64,427	65,725	66,133	67,135	69,433
Provision for loan losses	1,575	1,703	2,400	2,775	1,950
Net interest income after provision for loan losses	62,852	64,022	63,733	64,360	67,483
Other income	10,531	10,862	3,168	7,073	6,735
Operating expenses	59,436	56,956	50,573	49,651	46,087
Income before income taxes	13,947	17,928	16,328	21,782	28,131
Income taxes	2,322	4,728	4,704	6,322	8,075
Net income	\$ 11,625	\$ 13,200	\$ 11,624	\$ 15,460	\$ 20,056

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

At or for the Year Ended December 31,

Selected Financial Ratios and Other Data	2006	2005	2004	2003	2002
Performance Ratios:					
Return on average assets	0.49%	0.56%	0.51%	0.69%	0.96%
Return on average equity	4.04	4.83	4.44	6.24	8.71
Interest rate spread (1)	2.45	2.57	2.73	2.81	3.03
Net interest margin (2)	2.87	2.90	3.03	3.15	3.47
Other expenses to average assets	2.51	2.40	2.22	2.23	2.20
Efficiency ratio (3)	79.29	74.37	72.98	66.91	60.51
Average interest-earning assets to average interest-bearing liabilities	114.86	114.80	115.75	115.43	115.42
Average equity to average assets	12.20	11.52	11.49	11.12	11.03
Capital Ratios (4):					
Tier 1 capital to average assets	11.73	11.37	11.40	11.29	10.99
Tier 1 capital to risk-weighted assets	17.66	16.83	17.95	17.77	17.17
Total risk-based capital to risk-weighted assets	18.78	17.91	19.18	18.99	18.38
Asset Quality Ratios:					
Allowance for loan losses as a percent of total loans	1.03	0.99	1.09	1.13	1.21
Allowance for loan losses as a percent of non-performing loans	213.09	331.32	278.17	252.90	256.67
Net charge-offs to average outstanding loans during the period	0.07	0.10	0.14	0.18	0.11
Non-performing loans as a percent of total loans	0.48	0.30	0.39	0.45	0.47
Non-performing assets as a percent of total assets	0.48	0.35	0.39	0.44	0.45
Other Data:					
Number of offices (5)	39	38	35	33	33
Number of deposit accounts	163,140	163,740	164,827	169,915	177,182
Number of loans	61,478	67,242	70,430	73,327	73,264

-
- (1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost on average interest-bearing liabilities.
 - (2) Represents net interest income as a percent of average interest-earning assets.
 - (3) Represents other non-interest expenses divided by the sum of net interest income and non-interest income.
 - (4) Ratios are for Beneficial Mutual Savings Bank.
 - (5) Two additional offices were opened in the first quarter of 2007.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

**Selected Consolidated Financial and Other Data of
FMS Financial**

The following tables set forth certain financial and other data of FMS Financial at and for the periods indicated. The summary financial information presented below is derived in part from FMS Financial's consolidated financial statements. The following is only a summary and you should read it in conjunction with the FMS Financial consolidated financial statements and notes beginning on page F-27. The information at December 31, 2006 and 2005 and for each of the three years ended December 31, 2006 is derived in part from the audited consolidated financial statements of FMS Financial that appear in this prospectus. The information at December 31, 2004 and at and for the years ended December 31, 2003 and 2002 is derived in part from audited consolidated financial statements of FMS Financial that do not appear in this prospectus.

**At and For the Year Ended December 31,
(In thousands)**

	2006	2005	2004	2003	2002
Financial Condition Data:					
Total assets	\$ 1,188,112	\$ 1,231,263	\$ 1,250,006	\$ 1,225,557	\$ 1,126,557
Cash and cash equivalents	109,761	93,841	110,577	72,335	88,410
Investment securities available-for-sale	146,006	155,632	141,999	149,231	118,613
Investment securities held-to-maturity	428,441	483,536	524,056	545,299	506,350
Loans receivable, net	450,099	442,571	418,799	402,606	361,674
Deposits	933,103	947,067	941,507	893,006	800,340
Federal Home Loan Bank advances			10,000	11,191	11,232
FMS Statutory Trust I and II debentures	51,548	25,774	25,774	25,774	25,000
Other borrowed funds	115,000	175,000	195,000	225,000	225,000
Stockholders' equity	78,361	75,082	70,337	62,830	57,638
Operating Data:					
Interest income	\$ 60,993	\$ 57,906	\$ 55,819	\$ 50,814	\$ 57,748
Interest expense	27,415	21,537	18,414	19,362	24,756
Net interest income	33,578	36,369	37,405	31,452	32,992
Provision for loan losses	330	360	330	270	149
Net interest income after provision for loan losses	33,248	36,009	37,075	31,182	32,843
Other income	7,164	5,423	6,060	6,056	4,504
Operating expenses	31,726	30,067	28,385	26,970	24,580
Income before income taxes	8,686	11,365	14,750	10,268	12,767
Income taxes	3,367	4,647	5,982	4,067	4,806
Net income	5,319	6,718	8,768	6,201	7,961
Basic earnings per common share	0.82	1.03	1.35	0.96	1.22
Diluted earnings per common share	0.81	1.03	1.34	0.95	1.21

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

At or for the Year Ended December 31,

Selected Financial Ratios and Other Data	2006	2005	2004	2003	2002
Performance Ratios:					
Return on average assets	0.45%	0.55%	0.71%	0.49%	0.77%
Return on average equity	6.95	9.22	13.21	9.52	14.61
Dividend payout ratio	14.81	11.65	8.95	12.63	9.92
Interest rate spread (1)	3.05	3.23	3.29	2.98	3.44
Net interest margin (2)	3.03	3.22	3.26	2.92	3.40
Other expenses to average assets	2.62	2.47	2.29	2.30	2.34
Efficiency ratio (3)	77.87	71.94	65.30	71.90	65.56
Average interest-earning assets to average interest-bearing liabilities	99.30	99.29	98.57	96.80	98.71
Average equity to average assets	6.60	6.10	5.63	5.13	5.12
Capital Ratios (4):					
Tier 1 capital to average assets	7.98	7.29	6.60	6.10	6.34
Tier 1 capital to risk-weighted assets	18.31	17.24	16.35	15.60	17.10
Tier 1 capital to adjusted tangible assets	7.98	7.29	6.60	6.10	6.34
Total capital to risk-weighted assets	19.27	18.13	17.21	16.43	18.04
Asset Quality Ratios:					
Allowance for loan losses as a percent of total loans	1.18	1.13	1.11	1.08	1.18
Allowance for loan losses as a percent of non-performing loans	189	285	262	260	157
Net charge-offs to average outstanding loans during the period	0.0004	0.005	0.005	0.046	0.017
Non-performing loans as a percent of total loans	0.63	0.40	0.43	0.42	0.76
Non-performing assets as a percent of total assets	0.24	0.16	0.20	0.23	0.37
Other Data:					
Number of offices	42	42	41	40	39
Number of deposit accounts	152,611	154,146	155,198	157,705	155,914
Number of loans	6,320	6,317	6,426	6,720	7,063

- (1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost on average interest-bearing liabilities. (Tax exempt income is reported on a tax-equivalent basis using a combined federal and state marginal tax rate of 34%.)
- (2) Represents net interest income as a percent of average interest-earning assets. (Tax exempt income is reported on a tax-equivalent basis using a combined federal and state marginal tax rate of 34%.)
- (3) Represents other expenses divided by the sum of net interest income and other income.
- (4) Ratios are for Farmers & Mechanics Bank.

Recent Developments of Beneficial Mutual Bancorp

The following tables contain certain information concerning the consolidated financial position and results of operations of Beneficial Mutual Bancorp. The data at December 31, 2006 is derived from Beneficial Mutual Bancorp's audited financial statements. You should read this information in connection with the audited financial statements included in this prospectus. The data at March 31, 2007 and for the three months ended March 31, 2007 and March 31, 2006 was not audited but, in the opinion of our management, reflects all adjustments necessary for a fair presentation. No adjustments were made other than normal recurring entries. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results of operation that may be expected for the entire year.

(Dollars in thousands)	At March 31, 2007 (unaudited)	At December 31, 2006	% Change
Financial Condition Data:			
Total assets	\$ 2,277,324	\$ 2,300,219	(1.00)%
Cash and cash equivalents	31,475	23,147	35.98
Investment securities available-for-sale	339,373	346,411	(2.03)
Investment securities held-to-maturity	125,428	130,357	(3.78)
Loans receivable, net	1,644,148	1,671,457	(1.63)
Deposits	1,633,525	1,667,876	(2.06)
Federal Home Loan Bank advances	196,550	196,550	0.00
Other borrowed funds	102,646	98,346	4.37
Stockholders' equity	282,776	280,415	0.84
Three Months Ended March 31,			
	2007	2006	% Change
	(unaudited)		
Operating Data:			
Interest income	\$ 31,381	\$ 30,491	2.92%
Interest expense	15,994	14,419	10.92
Net interest income	15,387	16,072	(4.26)
Provision for loan losses	300	600	(50.00)
Net interest income after provision for loan losses	15,087	15,472	(2.49)
Other income	2,844	3,068	(7.30)
Operating expenses	15,981	14,843	7.67
Income before income taxes	1,950	3,697	(47.25)
Income taxes	200	927	(78.43)
Net income	\$ 1,750	\$ 2,770	(36.82)

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

	At or for the Three Months Ended March 31,		
	2007	2006	% Change
Performance Ratios:			
Return on average assets	0.31%	0.47%	(34.71)%
Return on average equity	2.49	3.95	(36.95)
Interest rate spread (1)	2.40	2.46	(2.44)
Net interest margin (2)	2.85	2.84	0.35
Other expenses to average assets	2.79	2.51	11.26
Efficiency ratio (3)	89.12	80.06	11.32
Average interest-earning assets to average interest-bearing liabilities	115.06	114.95	0.10
Average equity to average assets	12.27	11.85	3.55
Capital Ratios (4):			
Tier I capital to average assets	12.11	11.56	4.76
Tier I capital to risk-weighted assets	17.89	17.19	4.07
Total risk-based capital to risk-weighted assets	19.03	18.30	3.99
Asset Quality Ratios:			
Allowance for loan losses as a percent of total loans	1.05	0.99	6.20
Allowance for loan losses as a percent of non-performing loans	207.44	204.31	1.53
Net charge-offs to average outstanding loans during the period	0.05	0.10	(52.30)
Non-performing loans as a percent of total loans	0.51	0.48	6.25
Non-performing assets as a percent of total assets	0.50	0.49	1.00
Other Data:			
Number of offices	41	39	5.13
Number of deposit accounts	161,856	158,978	1.81
Number of loans	59,148	65,654	(9.91)

-
- (1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost on interest-bearing liabilities.
- (2) Represents net interest income as a percent of average interest-earning assets.
- (3) Represents other non-interest expenses divided by the sum of net interest income and non-interest income.
- (4) Ratios are for Beneficial Mutual Savings Bank.

Comparison of Financial Condition at March 31, 2007 and December 31, 2006

At March 31, 2007, total assets decreased \$22.9 million, or 1.00% to \$2.28 billion from \$2.30 billion at December 31, 2006. This decrease was primarily due to decreases of \$12.0 million or 2.51% in investment securities and \$27.3 million, or 1.63% in net loans receivable, partially offset by an increase in cash and cash equivalents of \$8.3 million, or 35.98%, which was due to an increase in federal funds sold. Deposits decreased to \$1.63 billion at March 31, 2007 from \$1.67 billion at December 31, 2006 as reductions in time deposits, including brokered time deposits, were partially offset by increases in money market, savings and checking accounts, and total borrowings increased from \$294.9 million at December 31, 2006 to \$299.2 million at March 31, 2007, while Federal Home Loan Bank advances remained constant at \$196.6 million. Equity increased \$2.4 million or 0.84% between December 31, 2006 and March 31, 2007 due to net income of \$1.8 million, along with a decrease in unrealized losses in the available for sale investment portfolio.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Comparison of Operating Results for the Three Months Ended March 31, 2007 and March 31, 2006

General. Net income decreased by \$1.1 million, or 36.82% to \$1.8 million for the three months ended March 31, 2007, compared to \$2.8 million for the same period in 2006. The change in net income was primarily due to decreases in net interest income and non-interest income, and an increase in non-interest expenses, partially offset by decreases in the provisions for loan losses and income taxes.

Net Interest Income. Net interest income decreased \$685,000 or 4.26% to \$15.4 million for the three months ended March 31, 2007, compared to \$16.1 million for the same period in 2006. The decrease in net interest income in the 2007 period compared to the same period in 2006 was primarily due to continued pressure on the Bank's interest rate spread. The Bank's interest rate spread equaled 2.40% for the three months ended March 31, 2007, compared to 2.46% for the three months ended March 31, 2006.

Analysis of Net Interest Income.

(Dollars in thousands)	March 31,		Change 2007/2006	
	2007	2006	\$ Change	% Change
Components of net interest income				
Loans	\$ 25,766	\$ 24,786	\$ 980	3.95%
Investment securities	5,516	5,637	(121)	(2.15)
Other interest-earning assets	99	68	31	45.59
Total interest income	31,381	30,491	890	2.92
Deposits	12,288	9,886	2,402	24.30
Borrowings	3,706	4,533	(827)	(18.24)
Total interest expense	15,994	14,419	1,575	10.92
Net interest income	15,387	16,072	(685)	(4.26)
Average yield and rates paid				
Interest-earning assets	5.81%	5.40%	0.41	7.59
Interest-bearing liabilities	3.41%	2.93%	0.48	16.38
Interest rate spread	2.40%	2.46%	(0.06)	(2.44)
Net interest margin	2.85%	2.84%	0.01	0.35
Average balances				
Loans	1,679,741	1,740,222	(60,481)	(3.48)
Investment securities	471,350	513,694	(42,344)	(8.24)
Other interest-earning assets	7,911	6,354	1,557	24.50
Deposits	1,577,271	1,571,489	5,782	0.37
Borrowings	299,176	394,895	(95,719)	(24.24)

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table summarizes average balances and average yields and costs for the three month periods ended March 31, 2007 and 2006.

March 31, (Dollars in thousands)	2007			2006		
	Average Balance	Interest And Dividends	Yield/ Cost	Average Balance	Interest And Dividends	Yield/ Cost
Assets:						
Interest-bearing demand deposits	\$ 7,000	\$ 87	4.97%	\$ 2,049	\$ 22	4.29%
Loans	1,679,741	25,766	6.14	1,740,222	24,786	5.70
Investment securities	151,267	1,625	4.30	153,051	1,424	3.72
Mortgage-backed securities	184,682	2,190	4.74	210,383	2,379	4.52
Collateralized mortgage obligations	135,401	1,701	5.03	150,260	1,834	4.88
Other interest-earning assets	911	12	5.27	4,305	46	4.27
Total interest-earning assets	2,159,002	31,381	5.81	2,260,270	30,491	5.40
Non-interest earning assets	131,751			106,999		
	2,290,753	31,381		2,367,269	30,491	
Liabilities and stockholders equity:						
Interest-earning checking accounts	164,912	424	1.03	167,175	429	1.03
Money market accounts	292,323	2,215	3.03	264,928	1,513	2.28
Savings accounts	247,421	454	0.73	280,926	516	0.73
Time deposits	872,615	9,195	4.21	858,460	7,428	3.46
Total interest-bearing deposits	1,577,271	12,288	3.12	1,571,489	9,886	2.52
Federal Home Loan Bank advances	195,272	2,436	4.99	253,597	2,919	4.60
Repurchase agreements	88,600	1,082	4.88	92,646	1,049	4.53
Federal Home Loan Bank overnight borrowings				37,288	420	4.51
Other borrowings	15,304	188	4.91	11,364	145	5.10
Total interest-bearing liabilities	1,876,447	15,994	3.41	1,966,384	14,419	2.93
Non-interest-bearing deposits	73,541			80,811		
Other non-interest-bearing liabilities	59,711			39,587		
Total liabilities	2,009,699	15,994		2,086,782	14,419	
Total stockholders equity	281,054			280,487		
Total liabilities and stockholders equity	2,290,753			2,367,269		
Net interest income		\$ 15,387			\$ 16,072	
Interest rate spread			2.40%			2.46%
Net interest margin			2.85%			2.84%
Average interest-earning assets to average interest-bearing liabilities			115.06%			114.95%

Provision for Loan Losses. The provision for loan losses amounted to \$300,000 for three months ended March 31, 2007, compared to \$600,000 for the same period in 2006, and was determined by management to be an amount necessary to maintain a balance of allowance for loan losses at a level that considers all known and current losses in the loan portfolio. The change in the provision for loan losses in the 2007 period compared to the same period in 2006 reflects the lower level of net charge-offs and the decrease in average loans outstanding.

Non-interest Income. Non-interest income decreased \$224,000 or 7.30% from \$3.1 million for the three months ended March 31, 2007, to \$2.8 million for the same period in 2006. This change was primarily due to a decrease in profit on the sale of available for sale equity securities to \$313,000 during the quarter ended March 31, 2007 from \$617,000 during the period ended March 31, 2006. This decrease was partially offset by a \$107,000 reduction in losses on other assets, including operating losses on limited partnerships established to support low to moderate income housing in the local market.

Non-interest Expense. Non-interest expenses increased \$1.1 million, or 7.67% to \$15.9 million for the three months ended March 31, 2007 from \$14.8 million during the same period in 2006. The increase was primarily due to an increase of \$507,000 or 5.88% in salary and employee benefits, an increase of \$308,000 or 120.30% in

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

professional fees and an increase of \$245,000 or 55.53% in advertising expense. The increase in salaries and employee benefits was primarily attributable to increases in post-retirement and pension benefits expense and the salary and benefits expense of sales and marketing personnel. The increase in professional fees relates primarily to expenses related to Sarbanes Oxley and to expenses associated with the acquisition of FMS Financial. The increase in advertising expense can be attributed to the Bank's increased efforts to promote its products and services.

Income Tax Expense. The provision for income taxes was \$200,000 for the period ended March 31, 2007, reflecting an effective tax rate of 10.26%, compared to \$927,000 for the period ended March 31, 2006, reflecting an effective tax rate of 25.08%. The change in 2007 from 2006 was primarily due to a decrease in income before income taxes of \$1.7 million, while tax-exempt income on tax-exempt securities and Bank-owned life insurance, and federal income tax credits remained fairly constant.

Recent Developments of FMS Financial

The financial information and other data in this section is derived in part from and should be read in conjunction with FMS Financial's Form 10-K for the year ended December 31, 2006. Financial information at or for the three-month periods ended March 31, 2007 and 2006 was derived from our unaudited consolidated financial statements, which in the opinion of management, include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results for such periods. The unaudited results of operations and other data presented for the three month period ended March 31, 2007 do not necessarily indicate the results that may be expected for the year ending December 31, 2007 or any other period.

(Dollars in thousands)	At March 31, 2007	December 31, 2006
	(unaudited)	
Financial Condition:		
Assets	\$ 1,169,314	\$ 1,188,112
Loans receivable, net	447,466	450,099
Deposits	942,798	933,103
Stockholders' equity	79,458	78,361
	Three Months Ended	
	March 31, 2007	March 31, 2006
	(unaudited) (unaudited)	
Operations:		
Interest income	\$ 14,912	\$ 15,177
Interest expense	7,249	6,345
Net interest income	7,663	8,832
Net income	886	1,334
Basic earnings per common share	0.14	0.20
Diluted earnings per common share	0.14	0.20
Dividends declared per common share	0.03	0.03
Weighted average common shares outstanding	6,536	6,515
Weighted average common shares outstanding and common stock equivalents outstanding	6,540	6,530
Other selected data:		
Net interest rate spread	2.83%	3.15%
Net interest margin	2.83	3.15
Return on average assets	0.30	0.44
Return on average equity	4.32	6.75
Dividend payout ratio	21.43	15.00
Equity-to-asset ratio	6.80	6.60
Number of employees (full-time equivalents)	477	547

Comparisons of Financial Condition at March 31, 2007 and December 31, 2006

Total assets of FMS Financial decreased \$18.8 million or 1.6% to \$1.17 billion at March 31, 2007 from \$1.19 billion at December 31, 2006. Investment securities held to maturity decreased \$13.4 million or 3.1% to \$415.0 million at March 31, 2007 from \$428.4 million at December 31, 2006 primarily due to \$8.8 million in principal paydowns and \$4.6 million in investment maturities during this period. Investment securities available for sale decreased \$4.9 million or 3.4% to \$141.1 million at March 31, 2007 from \$146.0 million at December 31, 2006, due to principal paydowns of \$2.7 million and investment calls of \$2.6 million during this period. Loans receivable decreased \$2.6 million or 0.6% to \$447.5 million at March 31, 2007 from \$450.1 million at December 31, 2006 primarily due to \$17.8 million of principal collected on loans, partially offset by \$15.1 million of loans originated during this period. Short-term funds increased \$9.2 million or 17.2% to \$62.6 million at March 31, 2007 from \$53.4 million at December 31, 2006, primarily due to an increase in short-term money market accounts.

Total liabilities decreased \$19.9 million or 1.8% to \$1.09 billion at March 31, 2007 from \$1.11 billion at December 31, 2006. FMS Statutory Trust I and II debentures decreased \$25.8 million or 50% to \$25.8 million at March 31, 2007 from \$51.5 million at December 31, 2006. In March 2007, FMS Financial redeemed FMS Statutory Trust 1, which had issued \$25.0 million of floating rate capital securities and \$774,000 of common securities. These debentures were redeemed at par and required the mandatory redemption of the Trust's capital and common securities. Deposits increased \$9.7 million or 1.0% to \$942.8 million at March 31, 2007 from \$933.1 million at December 31, 2006. The increase in total deposits during the year was due to increases in time deposits of \$24.9 million and savings accounts of \$1.2 million, partially offset by decreases in checking accounts of \$10.3 million, money market accounts of \$3.1 million and non-interest checking accounts of \$3.0 million during this period. Securities sold under agreements to repurchase decreased \$5.0 million or 4.4% to \$110.0 million at March 31, 2007 from \$115.0 million at December 31, 2006 due to the repayment of these borrowings during the period. These borrowings are collateralized by U.S. Government agency notes, MBSs and CMOs and had a weighted average rate of 5.31% and 5.24% at March 31, 2007 and December 31, 2006, respectively.

Stockholders' equity increased \$1.1 million or 1.4% to \$79.5 million at March 31, 2007 from \$78.4 million at December 31, 2006. The increase was due to net income of \$886,000, an increase in accumulated comprehensive income of \$277,000 and the exercise of stock options of \$130,000, partially offset by \$196,000 of dividends declared on common stock.

Results of Operations for the Three Months Ended March 31, 2007 and 2006

General. The earnings of FMS Financial depend primarily upon the level of net interest income, which is the difference between interest earned on its interest-earning assets such as loans and investments, and the interest paid on interest-bearing liabilities, such as deposits including non-interest checking accounts, long-term debts and borrowings. Net interest income is a function of the interest rate spread, which is the difference between the weighted average yield earned on interest-earning assets and the weighted average rate paid on interest-bearing liabilities, as well as the average balance of interest-earning assets as compared to interest-bearing liabilities. Net income is also affected by non-interest income, such as gains (losses) on the sale of loans and investments, provision for loan losses and real estate owned, service charges and other fees, and operating expenses, such as salaries, employee benefits, deposit insurance premiums, depreciation, occupancy and equipment expense and purchased services expense.

FMS Financial recorded net income for the three months ended March 31, 2007 of \$886,000, or \$0.14 diluted earnings per share as compared to \$1.3 million, or \$0.20 diluted earnings per share for the comparable period in 2006.

Interest Rate Spread. FMS Financial's interest income is affected by the difference or interest rate spread between yields received by FMS Financial on its interest-earning assets and the interest rates paid by FMS Financial on its interest-bearing liabilities including non-interest checking accounts. Net interest income is affected by (i) the spread between the yield earned on interest-earning assets and the interest rates paid on interest-bearing savings deposits including non-interest checking accounts and borrowings (liabilities), and (ii) the relative amounts of interest-earning assets versus interest-bearing liabilities. FMS Financial's interest rate spread varies over time because money fund accounts and other flexible rate accounts have become significant sources of savings deposits.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Income from investment securities and mortgage-backed securities depends upon the amount invested during the period and the yields earned on such securities. The yield on loans changes principally as a result of existing mortgage loan repayments, adjustable-rate loan adjustments, sales and the interest rates and volume of new mortgage loans. The average yields and rates are derived by dividing income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively, for the periods presented.

The following table sets forth certain information relating to FMS Financial's average balance sheet and reflects the average yield on assets and average rates paid on liabilities for the periods indicated. Such yields and rates are derived by dividing interest income or expense, on a tax-equivalent basis, by the average balance of interest-earning assets or liabilities, respectively, for the periods presented.

(Dollars in thousands)	2007			2006		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest-earning assets:						
Loans receivable	\$ 453,991	\$ 6,915	6.09%	\$ 454,145	\$ 6,805	5.99%
Interest-bearing deposits	54,750	704	5.14	24,108	260	4.31
Mortgage-backed securities	225,270	2,847	5.06	274,898	3,472	5.05
Investment securities	349,203	4,459	5.11	375,518	4,684	4.99
Total interest-earning assets	1,083,214	14,925	5.51	1,128,669	15,221	5.39
Interest-bearing liabilities:						
Checking deposits	392,654	1,634	1.66	401,228	1,469	1.46
Savings deposits	172,968	302	0.70	189,662	279	0.59
Money market deposits	111,630	369	1.32	130,297	344	1.06
Time deposits	243,209	2,433	4.00	212,554	1,562	2.94
Borrowings	110,376	1,463	5.30	171,614	2,124	4.95
Long-term debt	49,890	1,048	8.40	25,774	567	8.80
Total interest-bearing liabilities	\$ 1,080,727	7,249	2.68%	\$ 1,131,129	6,345	2.24%
Net interest income		\$ 7,676			\$ 8,876	
Interest rate spread			2.83%			3.15%
Net yield on average interest-earning assets			2.83%			3.15%
Ratio of average interest-earning assets to average interest-bearing liabilities			100.23%			99.78%

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Rate/Volume Analysis. The following table describes the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities have affected FMS Financial's interest income and interest expense, on a tax equivalent basis, during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in rate, (ii) changes in volume, and (iii) total changes in rate and volume (the combined effect of changes in both volume and rate, not separately identified, has been allocated to rate). A higher level of non-performing loans affects the changes in both volume and rate.

Three Months Ended March 31, 2007 vs. 2006			
Increase (Decrease) due to Change in:			
	Rate	Volume	Total
(In thousands)			
Interest income:			
Loans receivable	\$ 112	\$ (2)	\$ 110
Interest-bearing deposits	114	330	444
Mortgage-backed securities	2	(627)	(625)
Investment securities	103	(328)	(225)
	331	(627)	(296)
Interest expense:			
Checking deposits	196	(31)	165
Savings deposits	48	(25)	23
Money market deposits	74	(49)	25
Time deposits	646	225	871
Borrowings	97	(758)	(661)
Long-term debt	(50)	531	481
Total change - interest expense	1,011	(107)	904
Net change in net interest income	\$ (680)	\$ (520)	\$ (1,200)

Net Income. FMS Financial and its subsidiary recorded net income of \$886,000 for the quarter ended March 31, 2007, or \$0.14 diluted earnings per share, as compared to net income of \$1.3 million, or \$0.20 diluted earnings per share for the quarter ended March 31, 2006. Net interest income on a tax equivalent basis was \$7.7 million for the three months ended March 31, 2007 compared to \$8.9 million for the same period in 2006. Provisions for loan losses were \$15,000 and \$90,000 for the quarters ended March 31, 2007 and 2006, respectively. Non-interest income was \$1.4 million for the three months ended March 31, 2007 and 2006. Total noninterest expense for the quarter ended March 31, 2007 was \$7.5 million compared to \$7.9 million for the same quarter in 2006.

Interest Income. Total interest income on a tax equivalent basis decreased \$296,000 to \$14.9 million for the quarter ended March 31, 2007 from \$15.2 million for the same period in 2006. The decrease is attributable to decreases in interest income on mortgage-backed securities (MBS's) of \$625,000 and investment securities of \$225,000, partially offset by increases in interest income on interest-bearing deposits of \$444,000 and loans receivable of \$110,000. Interest income on mortgage-backed securities decreased by \$625,000 to \$2.8 million for the three months ended March 31, 2007 from \$3.5 million for the same period in 2006. The average balance of MBS's decreased \$49.6 million to \$225.3 million for the three months ended March 31, 2007 from \$274.9 million for the same period in 2006, which resulted in an interest income volume decrease of \$627,000. The decrease in the average balance during this period was due to principal paydowns of \$29.2 million and calls and maturities of \$12.0 million, partially offset by purchases of MBS's of \$3.1 million from the first quarter of 2006. The average yield of the MBS portfolio increased 1 basis points to 5.06% for the quarter ended March 31, 2007 from 5.05% for the same period in 2006, which resulted in an interest income increase of \$2,000 due to changes in rates.

Interest income on investment securities decreased \$225,000 to \$4.5 million for the three months ended March 31, 2007 from \$4.7 million for the same period in 2006. The average balance of investment securities decreased \$26.3 million to \$349.2 million for the three months ended March 31, 2007 from \$375.5 million for the same period in 2006, which resulted in a volume decrease in interest income of \$328,000. The decrease in the

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

average volume during this period is due to investment principal paydowns of \$23.8 million and calls and maturities of \$22.5 million, partially offset by investment purchases of \$8.1 million since the first quarter 2006. The average yield of the investment portfolio increased 12 basis points to 5.11% for the quarter ended March 31, 2007 from 4.99% for the same period in 2006, which resulted in an interest income increase of \$103,000 due to rate changes.

Interest income on interest-bearing deposit investments increased \$444,000 to \$704,000 for the three months ended March 31, 2007 from \$260,000 for the same period in 2006. The average balance of interest-bearing deposit investments increased \$30.7 million to \$54.8 million for the quarter ended March 31, 2007 from \$24.1 million for the same period in 2006, which resulted in a volume increase in interest income of \$330,000. The average yield of interest-bearing deposit investments increased 83 basis points to 5.14% for the three months ended March 31, 2007 from 4.31% for the same period in 2006, which resulted in an increase in interest income of \$114,000 due to rate changes.

Interest income on loans increased \$110,000 to \$6.9 million for the three months ended March 31, 2007 from \$6.8 million for the same period in 2006. The average rate on loans increased 10 basis points to 6.09% for the three months ended March 31, 2007 from 5.99% for the same period in 2006, which resulted in an increase in interest income of \$112,000 due to rate changes. The average balance of the loan portfolio decreased \$154,000 to \$454.0 million for the three months ended March 31, 2007 from \$454.1 million for the same period in 2006, which resulted in a volume decrease in interest income of \$2,000. The decrease in the average balance is primarily due to principal collected on loans of \$89.0 million, partially offset by \$86.3 of loan originated since the first quarter of 2006.

Interest Expense. Total interest expense increased \$904,000 to \$7.2 million for the three months ended March 31, 2007 from \$6.3 million for the same period in 2006. The increases in interest expense on time deposits, long-term debt, checking deposits, money market deposits and savings deposits were partially offset by a decrease in interest expense on borrowings.

Interest expense on time deposits increased \$871,000 to \$2.4 million for the three months ended March 31, 2007 from \$1.6 million for the same period in 2006. The average rate on time deposits increased 106 basis points to 4.00% for the quarter ended March 31, 2007 from 2.94% for the same period in 2006, which resulted in a rate increase in interest expense of \$646,000. The average balance of time deposits increased \$30.6 million to \$243.2 million for the quarter ended March 31, 2007 from \$212.6 million for the same period in 2006, which resulted in an increase in interest expense of \$225,000. The increase in the average balance of time deposits is the result of a promotional 5 month and 13 month certificate of deposit program that began in September 2006.

Interest expense on long-term debt increased \$481,000 to \$1.0 million for the three months ended March 31, 2007 from \$567,000 for the same period in 2006. The average balance on debentures increased \$24.1 million to \$49.9 million for the quarter ended March 31, 2007 from \$25.8 million for the same period in 2006, which resulted in an increase in interest expense of \$531,000. This increase is primarily due to the Trust II issuance in June 2006 of \$25.0 million of floating rate debentures. The average rate decreased 40 basis points to 8.40% for the three months ended March 31, 2007 from 8.80% for the same period in 2006, which decreased interest expense on long-term debt \$50,000.

Interest expense on checking deposits increased \$165,000 to \$1.6 million for the three months ended March 31, 2007 from \$1.5 million for the same period in 2006. The average rate on checking deposits increased 20 basis points to 1.66% for the quarter ended March 31, 2007 from 1.46% for the same period in 2006, which resulted in an increase in interest expense of \$196,000. This increase was primarily due to an increase in the average rate paid on municipal government checking accounts to 5.25% for the three months ended March 31, 2007 from 4.67% for the same period in 2006. The average balance of checking deposits decreased \$8.5 million to \$392.7 million for the three months ended March 31, 2007 from \$401.2 million for the same period in 2006, which resulted in a volume decrease in interest expense of \$31,000.

Interest expense on money market deposits increased \$25,000 to \$369,000 for the three months ended March 31, 2007 from \$344,000 for the same period in 2006. The average rate on money market deposits increased 26 basis points to 1.32% for the quarter ended March 31, 2007 from 1.06% for the same period in 2006, which

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

resulted in an increase in interest expense of \$74,000. The average balance of money market deposits decreased \$18.7 million to \$111.6 million for the three months ended March 31, 2007 from \$130.3 million for the same period in 2006, which resulted in a volume decrease in interest expense of \$49,000.

Interest expense on savings deposits increased \$23,000 to \$302,000 for the three months ended March 31, 2007 from \$279,000 for the same period in 2006. The average rate on savings deposits increased 11 basis points to 0.70% for the quarter ended March 31, 2007 from 0.59% for the same period in 2006, which resulted in an increase in interest expense of \$48,000. The average balance of savings deposits decreased \$16.7 million to \$173.0 million for the three months ended March 31, 2007 from \$189.7 million for the same period in 2006, which resulted in a volume decrease in interest expense of \$25,000.

Interest expense on borrowings decreased \$661,000 to \$1.5 million for the three months ended March 31, 2007 from \$2.1 million for the same period in 2006. The average balance of borrowings decreased \$61.2 million to \$110.4 million at March 31, 2007 from \$171.6 million for the same period in 2006, which resulted in a volume decrease in interest expense of \$758,000. The average rate paid on borrowings increased 35 basis points to 5.30% for the quarter ended March 31, 2007 from 4.95% for the same period in 2006, which resulted in an increase in interest expense of \$97,000 due to rate changes.

Critical Accounting Estimate-Provision for Loan Losses. A critical accounting estimate is the provision for loan losses. The provision decreased to \$15,000 for the three months ended March 31, 2007 compared to \$90,000 for the same period in 2006. The allowance for loan losses amounted to \$5.4 million at March 31, 2007 and December 31, 2006. The determination of the allowance level for loan losses is based on management's analysis of the risk characteristics of various types of loans, levels of classified loans, previous loan loss experience, the estimated fair market value of the underlying collateral and current economic conditions. Additionally, the mix within the FMS Financial's portfolio continues to change as FMS Financial offers a wider variety of products. Within the loan portfolio, a change is also occurring as a shift is made from lower yielding loans (i.e., one-to-four family loans) to higher yielding loans (i.e., commercial real estate mortgages, commercial construction, consumer and commercial business loans). These types of loans contain a higher degree of risk. FMS Financial will continue to monitor its allowance for loan losses and make future adjustments to the allowance through the provision for loan losses as changing conditions dictate. Although FMS Financial maintains its allowance for loan losses at a level that it considers to be adequate to provide for the inherent risk of loss in its loan portfolio, there can be no assurance that future losses will not exceed estimated amounts or that additional provisions for loan losses will not be required in future periods due to the higher degree of credit risk which might result from the change in the mix of the loan portfolio or changes in economic conditions. Most of FMS Financial's lending activity is with customers located within southern New Jersey. Generally, the loans are secured by real estate consisting of single-family residential properties. While this represents a concentration of credit risk, the credit losses arising from this type of lending compare favorably with FMS Financial's credit loss experience on its portfolio as a whole. The ultimate repayment of these loans is dependent to a certain degree on the local economy and real estate market.

Deferred Tax Assets and Liabilities. FMS Financial recognizes deferred tax assets and liabilities for the future tax effects of temporary differences. Deferred tax assets are subject to management's judgment based upon available evidence that future realization is more likely than not. If management determines that FMS Financial may be unable to realize all or part of net deferred tax assets in the future, a direct charge to income tax expense may be required to reduce the recorded value of the net deferred tax asset to the expected realizable amount.

Non-interest Income. Non-interest income remained constant at \$1.4 million for the three month period ended March 31, 2007 and 2006.

Non-interest Expense. Non-interest expense decreased \$400,000 to \$7.5 million for the three month period ended March 31, 2007 from \$7.9 million for the same period in 2006 primarily due to a decrease in salaries and employee benefits expense, partially offset by an increase in occupancy and equipment expense.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Salaries and Employee Benefits. Salaries and employee benefits decreased \$356,000 to \$4.5 million for the three month period ended March 31, 2007 compared to \$4.8 million for the same period in 2006. The decrease was due to a reduction in overtime pay of \$69,000 as well as a current moratorium on hiring is in effect. Average full time equivalent employees were 477 at March 31, 2007 as compared to 547 at March 31, 2006.

Occupancy and Equipment. Occupancy and equipment increased \$116,000 to \$1.6 million for the three month period ended March 31, 2007 compared to \$1.5 million for the same period in 2006 due primarily to increases in maintenance expense of \$77,000, equipment expense of \$18,000 and property taxes of \$12,000.

Branch Closings. On March 7, 2007, FMS Financial announced that it intends to close eleven New Jersey branch locations of its wholly-owned bank subsidiary, Farmers & Mechanics Bank, including all seven Wal-Mart branch locations, at an estimated net cost of approximately \$1.5 million or \$.23 per share, substantially all of which is expected to be incurred and recorded during the quarter ending June 30, 2007. The costs associated with the branch closings consist primarily of employee costs, fixed assets and early lease cancellation fees as all of the Wal-Mart branches are operated under long-term leases. FMS Financial also announced that it had entered into an agreement with Beneficial Mutual Saving Bank to indemnify FMS Financial for any and all costs associated with the branch closures in the event that the proposed merger with Beneficial Mutual Bancorp is not consummated for any reason.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Use of Proceeds

The following table shows how we intend to use the net proceeds of the offering. The actual net proceeds will depend on the number of shares of common stock sold in the offering and the expenses incurred in connection with the offering and merger and the number of shares of FMS Financial that are exchanged for shares of Beneficial Mutual Bancorp common stock. Payments for shares made through withdrawals from deposit accounts at Beneficial Mutual Savings Bank will reduce Beneficial Mutual Savings Bank's deposits and will not result in the receipt of new funds for investment. See *Pro Forma Data* for the assumptions used to arrive at these amounts.

(Dollars in thousands)	Minimum of Offering Range (1)		Midpoint of Offering Range (1)		Maximum of Offering Range (1)		Adjusted Maximum (1)	
	15,172,500 Shares at \$10.00 Per Share	Percent of Net Proceeds	17,850,000 Shares at \$10.00 Per Share	Percent of Net Proceeds	20,527,500 Shares at \$10.00 Per Share	Percent of Net Proceeds	23,606,625 Shares at \$10.00 Per Share (3)	Percent of Net Proceeds
Gross offering proceeds	\$ 151,725		\$ 178,500		\$ 205,275		\$ 236,066	
Less: offering expenses	(3,235)		(3,387)		(3,540)		(3,716)	
Net offering proceeds	148,490	100.00%	175,113	100.00%	201,735	100.00%	232,350	100.00%
Less:								
Proceeds contributed to Beneficial Mutual Savings Bank (2)	(106,977)	(72.04)	(118,084)	(67.43)	(128,406)	(63.65)	(142,051)	(61.14)
Merger costs and restructuring charges (3)	(12,440)	(8.38)	(12,440)	(7.10)	(12,440)	(6.17)	(12,440)	(5.35)
Proceeds used for loan to employee stock ownership plan	(21,986)	(14.81)	(25,246)	(14.42)	(28,567)	(14.16)	(32,248)	(13.88)
Proceeds contributed to The Beneficial Foundation	(500)	(0.34)	(500)	(0.29)	(500)	(0.25)	(500)	(0.22)
Proceeds remaining for Beneficial Mutual Bancorp	\$ 6,587	4.44%	\$ 18,843	10.76%	\$ 31,822	15.77%	\$ 45,111	19.42%

- (1) Assumes that 57.5%, 59.7%, 63.0% and 65.0% of the shares of FMS Financial are exchanged for Beneficial Mutual Bancorp common stock at the minimum, midpoint, maximum and maximum, as adjusted, of the offering range, respectively.
- (2) Approximately \$77.9 million, \$73.5 million, \$67.5 million and \$64.2 million of the funds contributed to Beneficial Mutual Savings Bank at the minimum, midpoint, maximum and adjusted maximum, respectively, will be used to fund the cash portion of the purchase price for FMS Financial.
- (3) Includes \$3.5 million, \$4.0 million and \$4.9 million, respectively, of non-tax deductible merger costs, tax deductible merger costs and restructuring costs.

The net offering proceeds will be used primarily to pay the cash portion of the merger consideration to FMS Financial stockholders and merger expenses. Beneficial Mutual Bancorp intends to contribute between 72.04% and 61.14% of the net offering proceeds to Beneficial Mutual Savings Bank. Beneficial Mutual Bancorp intends to invest the remaining proceeds in short-term, liquid investments, such as United States treasury and government agency securities, mortgage-backed securities and cash and cash equivalents, in order to supplement the interest income of Beneficial Mutual Savings Bank and increase consolidated interest income. The actual amounts to be invested in different instruments will depend on the interest rate environment and Beneficial Mutual Bancorp's liquidity requirements. In the future, Beneficial Mutual Bancorp may liquidate its investments and use those funds:

to pay dividends to stockholders;

to repurchase shares of its common stock, subject to regulatory restrictions;

to finance the possible acquisition of financial institutions or other businesses that are related to banking; and

for general corporate purposes.

Under current Office of Thrift Supervision regulations, Beneficial Mutual Bancorp may not repurchase shares of its common stock during the first year following the offering, except to fund equity benefit plans or, with prior regulatory approval, when extraordinary circumstances exist.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Beneficial Mutual Savings Bank intends to invest the proceeds it receives from the offering initially in short-term liquid investments. Over time, Beneficial Mutual Savings Bank may use the proceeds that it receives from the offering, which are shown in the table above as the amount contributed to Beneficial Mutual Savings Bank:

to fund new loans;

to invest in securities, primarily obligations of U.S. government agencies and mortgage-backed securities;

to finance the possible expansion of its business activities, including developing new branch locations; and

for general purposes.

Beneficial Mutual Savings Bank may need regulatory approval to engage in some of the activities listed above.

Except as described above, neither Beneficial Mutual Bancorp nor Beneficial Mutual Savings Bank has any specific plans for the investment of the proceeds of this offering and has not allocated a specific portion of the proceeds to any particular use. For a discussion of our business reasons for undertaking the offering, see *The Stock Offering Reasons for the Offering*.

Our Dividend Policy

We have not yet determined whether we will pay a dividend on the common stock. After the offering, our board of directors will consider a policy of paying regular cash dividends. The board of directors may declare and pay periodic special cash dividends in addition to, or in lieu of, regular cash dividends. In determining whether to declare or pay any dividends, whether regular or special, the board of directors will take into account our financial condition and results of operations, tax considerations, capital requirements, industry standards and economic conditions. The regulatory restrictions that affect the payment of dividends by Beneficial Mutual Savings Bank to us discussed below will also be considered. We cannot guarantee that we will pay dividends or that, if paid, we will not reduce or eliminate dividends in the future.

If Beneficial Mutual Bancorp pays dividends to its stockholders, it also will be required to pay dividends to Beneficial Savings Bank MHC, unless Beneficial Savings Bank MHC elects to waive the receipt of dividends. We anticipate that Beneficial Savings Bank MHC will waive any dividends that Beneficial Mutual Bancorp may pay. Any decision to waive dividends will be subject to regulatory approval.

We will not be subject to Office of Thrift Supervision regulatory restrictions on the payment of dividends. However, our ability to pay dividends may depend, in part, upon dividends we receive from Beneficial Mutual Savings Bank because we initially will have no source of income other than dividends from Beneficial Mutual Savings Bank and earnings from the investment of the net proceeds from the offering that we retain. We expect that Beneficial Mutual Bancorp will retain approximately \$31.8 million from the net proceeds raised in the offering at the maximum of the offering range based upon our estimate of offering and merger-related expenses and other assumptions described in *Pro Forma Data*. Office of Thrift Supervision regulations limit dividends and other distributions from Beneficial Mutual Savings Bank to us. In addition, Beneficial Mutual Savings Bank may not make a distribution that would constitute a return of capital during the three-year term of the business plan submitted in connection with the offering. No insured depository institution may make a capital distribution if, after making the distribution, the institution would be undercapitalized.

Any payment of dividends by Beneficial Mutual Savings Bank to us that would be deemed to be drawn out of Beneficial Mutual Savings Bank's bad debt reserves would require Beneficial Mutual Savings Bank to pay federal income taxes at the then current income tax rate on the amount deemed distributed. See *Federal and State Taxation - Federal Income Taxation*. We do not contemplate any distribution by Beneficial Mutual Savings Bank that would result in this type of tax liability.

Market for Common Stock of Beneficial Mutual Bancorp

We have not previously issued common stock and there is currently no established market for the common stock. Upon completion of the offering, we expect that our shares of common stock will trade on the Nasdaq Global Select Market under the symbol BNCL. Sandler O'Neill intends to become a market maker in our common stock following the offering, but it is under no obligation to do so. We cannot assure you that other market makers will be obtained or that an active and liquid trading market for the common stock will develop or, if developed, will be maintained.

The development of a public market having the desirable characteristics of depth, liquidity and orderliness depends on the existence of willing buyers and sellers, the presence of which is not within our control or that of any market maker. The number of active buyers and sellers of our common stock at any particular time may be limited, which may have an adverse effect on the price at which our common stock can be sold. There can be no assurance that persons purchasing the common stock will be able to sell their shares at or above the \$10.00 price per share in the offering. Purchasers of our common stock should have a long-term investment intent and should recognize that there may be a limited trading market in the common stock.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Capitalization

The following table presents the historical capitalization of Beneficial Mutual Bancorp and FMS Financial at December 31, 2006 and the capitalization of Beneficial Mutual Bancorp after giving effect to the offering proceeds and the merger (referred to as pro forma information). The table depicts adjustments to capitalization resulting first from the offering and then from the merger only at the minimum of the offering range and then depicts Beneficial Mutual Bancorp's capitalization following the offering and merger at the minimum, midpoint, maximum and maximum, as adjusted, of the offering range. The pro forma capitalization gives effect to the assumptions listed under *Pro Forma Data*, based on the sale of the number of shares of common stock indicated in the table. This table does not reflect the issuance of additional shares as a result of the exercise of options granted under the proposed equity incentive plan. **A change in the number of shares to be issued in the offering may materially affect pro forma capitalization.** We are offering our common stock on a best efforts basis. We must sell a minimum of 15,172,500 shares to complete the offering.

(Dollars in thousands)	Beneficial Mutual Bancorp	Pro Forma Capitalization Based Upon the Sale of (1)							
		Offering Adjustments: 15,172,500 at Minimum of Offering Range	Beneficial Mutual Bancorp Post-offering	FMS Financial	Merger Adjustments	Minimum 15,172,500 Shares at \$10.00 per share (2)	Midpoint 17,850,000 Shares at \$10.00 per share (2)	Maximum 20,527,500 Shares at \$10.00 per share (2)	Maximum, as adjusted, 23,606,625 Shares at \$10.00 per share (2)
Deposits (3)	\$ 1,667,876	\$	\$ 1,667,876	\$ 933,103	\$ (870)	\$ 2,600,109	\$ 2,600,109	\$ 2,600,109	\$ 2,600,109
Borrowings	294,896		294,896	115,000	1,690	411,586	411,586	411,586	411,586
Subordinated debt				51,548	(144)	51,404	51,404	51,404	51,404
Total deposits and borrowed funds	1,962,772		1,962,772	1,099,651	676	3,063,099	3,063,099	3,063,099	3,063,099
Stockholders equity:									
Preferred stock	\$	\$	\$	\$	\$	\$	\$	\$	\$
Common stock (4)		456	456	802	(697)	561	644	729	823
Additional paid-in capital		157,534	157,534	8,931	96,086	262,551	293,500	326,015	359,861
Stockholders equity (5)	293,157		293,157	82,120	(85,337)	289,940	289,940	289,940	289,940
Accumulated other comprehensive income	(12,742)		(12,742)	(2,485)	2,485	(12,742)	(12,742)	(12,742)	(12,742)
Treasury shares				(11,007)	11,007				
Less:									
Contribution to foundation		(10,000)	(10,000)			(10,000)	(10,000)	(10,000)	(10,000)
Plus: Tax benefit of contribution to foundation		3,500	3,500			3,500	3,500	3,500	3,500
Less: Common stock acquired by employee stock ownership plan (6)		(21,986)	(21,986)			(21,986)	(25,246)	(28,567)	(32,248)
Less: Common stock acquired by equity incentive plan (7)		(10,993)	(10,993)			(10,993)	(12,623)	(14,284)	(16,124)

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Total stockholders equity	\$	280,415	\$	118,511	\$	398,926	\$	78,361	\$	23,544	\$	500,831	\$	526,973	\$	554,591	\$	583,010
---------------------------------	----	---------	----	---------	----	---------	----	--------	----	--------	----	---------	----	---------	----	---------	----	---------

-
- (1) For a discussion of the assumptions used in calculating the expenses of the offering, see *Pro Forma Data*. Shares issued and outstanding total 56,087,194, 64,403,103, 72,875,890 and 82,264,600, respectively, at the minimum, midpoint, maximum and maximum, as adjusted, of the offering range including shares sold in the offering, issued to Beneficial Savings Bank MHC, issued to FMS Financial stockholders, and contributed to The Beneficial Foundation.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (2) Reflects the issuance of shares to FMS Financial shareholders in the merger as follows:

	Shares issued to FMS Financial Shareholders	Percent of Merger Consideration in the Form of Beneficial Mutual Bancorp Shares
Minimum	10,512,194	57.500%
Midpoint	10,953,103	59.912%
Maximum	11,550,890	63.182%
Adjusted Maximum	11,883,350	65.000%

- (3) Does not reflect withdrawals from deposit accounts for the purchase of common stock in the offering. Withdrawals to purchase common stock will reduce pro forma deposits by the amounts of the withdrawals.
- (4) Reflects total shares issued, including shares sold in the offering, as well as all shares to be issued in the merger; issued to Beneficial Savings Bank MHC and contributed to The Beneficial Foundation.
- (5) Stockholders' equity are restricted by applicable regulatory capital requirements.
- (6) Assumes that 3.92% of the outstanding common stock, including shares issued to Beneficial Savings Bank MHC, issued in the merger and contributed to The Beneficial Foundation will be acquired by the employee stock ownership plan in the offering with funds borrowed from Beneficial Mutual Bancorp. Under United States generally accepted accounting principles, the amount of common stock to be purchased by the employee stock ownership plan represents unearned compensation and is, accordingly, reflected as a reduction of capital. As shares are released to plan participants' accounts, a compensation expense will be charged, along with a related tax benefit, and a reduction in the charge against capital will occur in the amount of the compensation expense recognized. Since the funds are borrowed from Beneficial Mutual Bancorp, the borrowing will be eliminated in consolidation and no liability or interest expense will be reflected in the consolidated financial statements of Beneficial Mutual Bancorp. See *Our Management Benefit Plans Employee Stock Ownership Plan*.
- (7) Assumes the purchase in the open market at \$10.00 per share, for restricted stock awards under the proposed equity incentive plan, of a number of shares equal to 1.96% of the outstanding shares of common stock, including shares issued to Beneficial Savings Bank MHC, issued in the merger and contributed to The Beneficial Foundation. The shares are reflected as a reduction of stockholders' equity. The equity incentive plan will be submitted to stockholders for approval at a meeting following the offering. See *Risk Factors Risks Related to This Offering Issuance of shares for benefit programs may dilute your ownership interest, Pro Forma Data and Our Management Nonqualified Deferred Compensation Future Equity Incentive Plan*.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Regulatory Capital Compliance

At December 31, 2006, Beneficial Mutual Savings Bank exceeded all regulatory capital requirements. The following table presents Beneficial Mutual Savings Bank's regulatory capital position relative to the regulatory capital requirements at December 31, 2006, on a historical and a pro forma basis assuming completion of the merger with FMS Financial and completion of the public offering. The table reflects receipt by Beneficial Mutual Savings Bank of 50% of the net proceeds of the offering after funding the expenses and cash costs of the merger with FMS Financial. For purposes of the table, the amount expected to be borrowed by the employee stock ownership plan (3.92% of the shares of common stock outstanding, including shares issued to Beneficial Savings Bank MHC, shares issued to FMS Financial shareholders in the merger, and shares contributed to The Beneficial Foundation) are deducted from pro forma regulatory capital. For a discussion of the assumptions underlying the pro forma capital calculations presented below, see *Use of Proceeds*, *Capitalization* and *Pro Forma Data*. For a discussion of the capital standards applicable to Beneficial Mutual Savings Bank and Farmers & Mechanics Bank, see *Regulation and Supervision Bank Regulation Regulatory Capital Requirements*.

Pro Forma (giving effect to the offering and merger) at December 31, 2006

	Beneficial Mutual Savings Bank Historical at December 31, 2006		Minimum of Offering Range 15,172,500 Shares at \$10.00 per Share (2)		Midpoint of Offering Range 17,850,000 Shares At \$10.00 per Share (2)		Maximum of Offering Range 20,527,500 Shares at \$10.00 per Share (2)		15% Above Maximum of Offering Range 23,606,625 Shares at \$10.00 per Share (2)	
	Amount	Percent of Assets (1)	Amount (4)	Percent of Assets (2)	Amount (4)	Percent of Assets (2)	Amount (4)	Percent of Assets (2)	Amount (4)	Percent of Assets (2)
Capital under generally accepted accounting principles	\$ 268,470	11.50%	\$ 477,682	13.42%	\$ 489,938	13.71%	\$ 502,917	14.01%	\$ 516,206	14.31%
Tier I Leverage Capital:										
Actual	273,711	11.73%	349,858	9.83%	362,114	10.13%	375,093	10.45%	388,382	10.77%
Requirement	116,712	5.00%	177,950	5.00%	178,726	5.00%	179,541	5.00%	180,389	5.00%
Excess	156,999	6.73%	171,908	4.83%	183,389	5.13%	195,553	5.45%	207,993	5.77%
Tier I Risk-Based Capital:										
Actual	273,711	17.66%	349,858	17.30%	362,114	17.88%	375,093	18.49%	388,382	19.12%
Requirement	92,974	6.00%	121,314	6.00%	121,500	6.00%	121,696	6.00%	121,899	6.00%
Excess	180,737	11.66%	228,544	11.30%	240,614	11.88%	253,397	12.49%	266,483	13.12%
Total Risk-Based Capital:										
Total risk-based capital	291,079	18.78%	372,203	18.41%	384,459	18.99%	397,438	19.60%	410,727	20.22%
Requirement (3)	154,956	10.00%	161,752	8.00%	162,000	8.00%	162,261	8.00%	162,533	8.00%
Excess	136,123	8.78%	210,451	10.41%	222,459	10.99%	235,177	11.60%	248,195	12.22%

- (1) Shown as percent of assets under generally accepted accounting principles, adjusted total, or adjusted risk-weighted assets as appropriate.
(2) Reflects the issuance of shares to FMS Financial shareholders in the merger.

	Shares issued to FMS Financial Shareholders	Percent of Merger Consideration in the Form of Beneficial Mutual Bancorp Shares
Minimum	10,512,194	57.500%

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Midpoint	10,953,103	59.912%
Maximum	11,550,890	63.182%
Adjusted Maximum	11,883,350	65.000%

(3) Pro forma amounts and percentages assume net proceeds are invested in assets that carry a 20% risk-weighting.

48

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

(4) Reconciliation of capital adjustment for Beneficial Mutual Savings Bank

	<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>	<u>Maximum, as Adjusted</u>
	(In thousands)			
Gross offering proceeds	\$ 151,725	\$ 178,500	\$ 205,275	\$ 236,066
Less: offering expenses	(3,235)	(3,387)	(3,540)	(3,716)
Less: cash to fund the acquisition of FMS Financial	(90,344)	(85,934)	(79,957)	(76,632)
Less: cash retained by the holding company	(29,073)	(44,589)	(60,889)	(77,859)
	<u>29,073</u>	<u>44,589</u>	<u>60,889</u>	<u>77,859</u>
Net cash infused into the Bank	29,073	44,589	60,889	77,859
Less: ESOP adjustment at Bank	(21,986)	(25,246)	(28,567)	(32,248)
	<u>7,087</u>	<u>19,343</u>	<u>32,322</u>	<u>45,611</u>
Net increase in capital resulting from the offering	7,087	19,343	32,322	45,611
Net increase in capital resulting from the merger*	202,125	202,125	202,125	202,125
	<u>209,212</u>	<u>221,468</u>	<u>234,447</u>	<u>247,736</u>
Increase in GAAP capital	209,212	221,468	234,447	247,736
	<u>(132,319)</u>	<u>(132,319)</u>	<u>(132,319)</u>	<u>(132,319)</u>
Less: increase in disallowed intangible assets	(132,319)	(132,319)	(132,319)	(132,319)
Less: increase in minority interests in consolidated subsidiaries	(746)	(746)	(746)	(746)
	<u>76,147</u>	<u>88,403</u>	<u>101,382</u>	<u>114,671</u>
Increase in Tier 1 capital	76,147	88,403	101,382	114,671
	<u>4,977</u>	<u>4,977</u>	<u>4,977</u>	<u>4,977</u>
Plus: increase in allowable Tier 2 capital	4,977	4,977	4,977	4,977
	<u>81,124</u>	<u>93,380</u>	<u>106,359</u>	<u>119,648</u>
Increase in risk-based capital	81,124	93,380	106,359	119,648

* Includes purchase price of \$183.0 million, effect on Bank capital of trust preferred securities acquired with FMS Financial and other accounting entries related to the application of purchase accounting.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Pro Forma Data

The following pro forma unaudited condensed consolidated statements of financial condition and the pro forma unaudited consolidated statements of income give effect to the proposed offering and the merger with FMS Financial, based on the assumptions set forth below. As a result, the pro forma data assumes the completion of the offering and the merger with FMS Financial. The condensed pro forma unaudited consolidated financial statements are based, in part, on the audited consolidated financial statements of Beneficial Mutual Bancorp and FMS Financial for the year ended December 31, 2006. The pro forma unaudited condensed consolidated financial statements give effect to the offering at historical cost and the merger using purchase accounting as required by accounting principles generally accepted in the United States of America.

The pro forma adjustments in the tables assume the issuance of 15,172,500 shares, which is the minimum of the offering range, and 23,606,625 shares, which is the maximum of the offering range, as adjusted, in the offering and the merger. FMS Financial stockholders will receive in the merger \$28.00 in cash, 2.80 shares of Beneficial Mutual Bancorp common stock for each share of FMS Financial stock, or a combination thereof with the amount of common stock ranging from 57.5% to 65.0% of merger consideration based on the terms of the merger agreement. At the minimum and maximum, as adjusted, of the offering range, pro forma data is presented under the assumption that FMS Financial stockholders exchange 57.5% and 65.0%, respectively, of their FMS Financial stock for shares of Beneficial Mutual Bancorp common stock. The remainder of the merger consideration is assumed to consist of cash. For a more detailed discussion of how many shares will be issued in connection with the offering and the merger, see *Pro Forma Data Analysis of Pro Forma Outstanding Shares of Beneficial Mutual Bancorp Common Stock*. The purchase price for purposes of the pro forma presentation for FMS Financial was calculated as follows:

	December 31, 2006
	(In thousands)
Net assets acquired	\$ 78,361
Fair value adjustments:	
Estimated non-tax deductible merger costs (1)	(3,465)
Estimated tax deductible merger costs (1)	(4,025)
Loans (2)	(5,809)
Investments held-to-maturity (2)	(6,814)
Deposits (2)	870
Borrowings (2)	(1,546)
Increase in core deposit intangible asset (3)	33,626
Tax impact of purchase accounting adjustments	(5,705)
Goodwill	97,533
	\$ 183,026

-
- (1) The non-tax deductible merger costs and the tax deductible merger costs will be incurred in the first twelve months following consummation of the offering and merger.
 - (2) Loans, investments held-to-maturity, certificates of deposit and borrowings adjustments reflect the market value adjustment assigned to each class of these items. Fair value adjustments were reflected in note 16 to the consolidated financial statements of FMS Financial as of December 31, 2006. Fair value adjustments are amortized using the estimated lives of the respective assets and liabilities.
 - (3) Core deposit intangible was calculated at \$34.8 million. Figure shown is the net increase to the \$1.2 million core deposit intangible acquired with FMS Financial. Core deposit intangible reflects the present value benefit to Beneficial Mutual Bancorp of utilizing the acquired core deposits as a funding source relative to wholesale funding costs based on the rates of Federal Home Loan Bank advances. The core deposit intangible is calculated using deposit balances and interest rates as of December 31, 2006. Costs of the acquired core deposits include interest costs, plus estimated operating expenses, less estimated non-interest income to be derived from the core deposits. Acquired core deposits are projected to decay based on assumptions promulgated by the Office of Thrift Supervision. The yield benefit for each period is discounted to present value using a weighted average cost of capital. The core deposit intangibles are amortized over the estimated lives of the core deposits using a straight line amortization method.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The net proceeds are based upon the following assumptions:

Beneficial Mutual Bancorp will sell all shares of common stock offered in the subscription offering;

Beneficial Mutual Bancorp's employee stock ownership plan will purchase a number of shares equal to 3.92% of the total number of outstanding shares of Beneficial Mutual Bancorp, which includes shares sold in the offering, shares issued in the merger, shares issued to Beneficial Savings Bank MHC and shares contributed to The Beneficial Foundation, with a loan from Beneficial Mutual;

expenses of the offering, other than the fees to be paid to Sandler O'Neill, are estimated to be \$2,445,000;

450,000 shares of common stock will be purchased by the 401(k) plan;

311,500 shares of common stock will be purchased by Beneficial Mutual Bancorp's executive officers and directors, and their immediate families; and

Sandler O'Neill will receive fees equal to 0.65% of the aggregate purchase price of the shares of stock sold in the offering, excluding any shares purchased by any employee benefit plans, any charitable foundation established by Beneficial Mutual Bancorp and any of Beneficial Mutual Bancorp's directors, officers or employees or members of their immediate families.

In addition, the expenses of the offering and the merger may vary from those estimated, and the fees paid to Sandler O'Neill will vary from the amounts estimated if the amount of shares of Beneficial Mutual Bancorp common stock sold varies from the amounts assumed above or if a syndicated community offering becomes necessary. These items, net of income tax effects, are shown as a reduction in shareholders' equity in the following tables, but are not shown as a reduction in net income for the periods shown in the following tables.

Pro forma net earnings has been calculated for the year ended December 31, 2006 as if the shares of Beneficial Mutual Bancorp common stock to be issued in the offering had been sold and the merger exchange shares had been issued as of the beginning of the period. Historical and pro forma per share amounts have been calculated by dividing historical and pro forma amounts by the indicated number of shares of Beneficial Mutual Bancorp common stock.

The unaudited condensed consolidated pro forma balance sheets assume the offering and merger were consummated on December 31, 2006.

The pro forma unaudited statements are provided for informational purposes only. The pro forma financial information presented is not necessarily indicative of the actual results that would have been achieved had the offering and merger been consummated on December 31, 2006, and is not indicative of future results. The pro forma unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto of Beneficial Mutual Bancorp and FMS Financial contained elsewhere in this document.

The shareholders' equity represents the resulting book value of the common shareholders' ownership of Beneficial Mutual Bancorp and FMS Financial computed in accordance with accounting principles generally accepted in the United States of America. Pro forma shareholders' equity and book value are not intended to represent the fair market value of the common stock and, due to the existence of the tax bad debt reserve and intangible assets, may be different than amounts that would be available for distribution to shareholders in the event of liquidation.

The unaudited pro forma net earnings and common shareholders' equity derived from the above assumptions are qualified by the statements set forth under this caption and should not be considered indicative of the market value of Beneficial Mutual Bancorp common stock or the actual results of operations of Beneficial

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Mutual Bancorp and FMS Financial for any period. Such pro forma data may be materially affected by the actual gross proceeds from the sale of shares of Beneficial Mutual Bancorp in the offering and the actual expenses incurred in connection with the offering and the merger. Pro forma merger adjustments to stockholders' equity include \$4.95 million of one-time expense estimated to be incurred to consolidate the operations of FMS Financial, including the closure of branch offices as follows:

	Amount
	(in thousands)
Consolidation of branches	\$ 2,500
Retention bonuses	1,650
Conversion of systems	580
Insurance	75
Consulting for integration	145
	<hr/>
Total one-time expenses	\$ 4,950
	<hr/>

Pro forma merger adjustments to net income include entries to reflect the estimated fair value adjustments on financial assets and liabilities and the amortization of identifiable intangible assets created in the acquisition. Excluded from the calculation of pro forma net income are any adjustments to reflect the estimated interest income to be earned on the net proceeds of the offering, the estimated interest income to be foregone on the cash required to fund the merger with FMS Financial and related expenses, and other estimated expense reductions from consolidating the operations of FMS Financial with those of Beneficial Mutual Bancorp. Such entries will be recorded as incurred, are non-recurring and are thus not reflected in the calculations of pro forma income. See *Use of Proceeds*.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table presents pro forma balance sheet information at December 31, 2006 assuming the issuance of a total of 26,634,694 shares to the public, including the issuance of 15,172,500 shares in the offering at the minimum of the offering range and that 10,512,194 shares are issued in exchange for FMS Financial stock in the merger.

Unaudited Pro Forma Combined Statements of Financial Condition December 31, 2006

(Dollars in thousands)	Beneficial Mutual Bancorp	Offering Adjustments (1)	Beneficial Mutual Bancorp Pro Forma	FMS Financial	Merger Adjustments (2)	Beneficial Mutual Bancorp Pro Forma Consolidated
Assets:						
Cash and cash equivalents	\$ 23,147	\$ 115,011(3)	\$ 138,158	\$ 109,761	\$ (90,344)(11)	\$ 157,575
Investment securities:						
Available for sale	330,867		330,867	146,006		476,873
Held for maturity	130,357		130,357	428,441	(6,814)(12)	551,984
Federal Home Loan Bank stock	15,544		15,544	6,313		21,857
Loans receivable	1,671,457		1,671,457	450,099	(5,809)(13)	2,115,747
Bank premises and equipment, net	33,168		33,168	33,739		66,907
Other assets:						
BOLI	28,003		28,003			28,003
Goodwill	6,679		6,679		97,533(14)	104,212
Core deposit intangible				1,160	33,626(15)	34,786
Other amortizing intangible assets	1,956		1,956			1,956
Other	59,041	3,500(4)	62,541	12,593	(3,972)(16)	71,162
Total assets	\$ 2,300,219	\$ 118,511	\$ 2,418,730	\$ 1,188,112	\$ 24,220	\$ 3,631,062
Liabilities:						
Deposits	\$ 1,667,876		\$ 1,667,876	\$ 933,103	\$ (870)(17)	\$ 2,600,109
Borrowed funds	294,896	(5)	294,896	115,000	1,690 (18)	411,586
Other liabilities	57,032		57,032	10,100		67,132
Subordinated debenturees				51,548	(144)(18)	51,404
Total liabilities	2,019,804		2,019,804	1,109,751	676	3,130,231
Stockholders' equity:						
Common stock		456(6)	456	802	(697)(19)	561
Additional paid-in capital		157,534(7)	157,534	8,931	96,086(20)	262,551
Retained earnings	293,157	(6,500)(8)	286,657	82,120	(85,337)(21)	283,440
Accumulated other comprehensive (loss) income	(12,742)		(12,742)	(2,485)	2,485(22)	(12,742)
Treasury stock				(11,007)	11,007(22)	
Employee stock ownership plan		(21,986)(9)	(21,986)			(21,986)
Restricted stock		(10,993)(10)	(10,993)			(10,993)
Total equity	280,415	118,511	398,926	78,361	23,544	500,831
Total liabilities and equity	\$ 2,300,219	\$ 118,511	\$ 2,418,730	\$ 1,188,112	\$ 24,220	\$ 3,631,062

(Footnotes follow tables)

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (1) Shows the effect of the minority stock offering of Beneficial Mutual Bancorp, assuming gross proceeds of \$151.7 million, the minimum of the valuation range, offering expenses of \$3.2 million, a contribution to the foundation of \$10.0 million of conversion stock and cash, and establishment of an ESOP and equity incentive plan that will acquire 3.92% and 1.96%, respectively, of the pro forma shares outstanding. See *Pro Forma Data Analysis of Pro Forma Outstanding Shares of Beneficial Mutual Bancorp Common Stock*. The ESOP will purchase its shares in the offering and possibly open market purchases. The equity incentive plan will purchase shares in the open market after receiving shareholder approval to adopt the plan. Open market purchased by the ESOP and the equity incentive plan are assumed at \$10.00 per share. The reduction in stockholders' equity reflects the contribution to the foundation net of a deferred tax asset.
- (2) Reflects the purchase accounting and acquisition adjustments related to the acquisition of FMS Financial for a price of \$28.00 per share in cash and newly issued conversion stock. The stock portion of the merger consideration varies based upon the aggregate tangible stockholders' equity represented by the shares issued to FMS Financial. At the minimum of the offering range, the stock component of the merger is 57.5% of the total merger consideration.
- (3) Calculated as follows:

Gross proceeds of offering	\$	151,725
Estimated expenses		(3,235)
Cash contribution to foundation		(500)
Common stock acquired by employee stock ownership plan		(21,986)
Common stock acquired by incentive plan		(10,993)
		115,011
Pro forma adjustment	\$	115,011

- (4) Deferred tax asset resulting from the contribution to the foundation based on marginal tax rate of 35%.
- (5) The ESOP loan is assumed to be funded internally with a loan from Beneficial Mutual Bancorp, thus no borrowing liability will be recorded on the consolidated balance sheet of Beneficial Mutual Bancorp.
- (6) Par value \$0.01 per share and the issuance of 15,172,500 shares in the offering, 29,452,500 shares to the MHC and 950,000 shares to the foundation.
- (7) Calculated as follows:

Net proceeds of offering	\$	148,490
Stock contribution to foundation		9,500
Less: par value (footnote 6)		(456)
		157,534
Pro forma adjustment	\$	157,534

- (8) After-tax impact to stockholders' equity from the \$10.0 million expense for funding the foundation based on a marginal tax rate of 35%.
- (9) Contra-equity account established to reflect the obligation to repay the loan to the ESOP to purchase 3.92% of pro forma shares outstanding. See *Pro Forma Data Analysis of Pro Forma Outstanding Shares of Beneficial Mutual Bancorp Common Stock*.
- (10) Contra-equity account established to reflect the equity incentive plan equal to 1.96% of the pro forma shares outstanding. See *Pro Forma Data Analysis of Pro Forma Outstanding Shares of Beneficial Mutual Bancorp Common Stock*.
- (11) Includes the cash portion of the merger consideration paid to FMS Financial, non-tax deductible transaction costs remaining to be paid at December 31, 2006, tax deductible one time acquisition costs, and one time expenses that will be incurred by Beneficial Mutual Bancorp to consolidate FMS Financial. See the introduction to *Pro Forma Data* for detail regarding pro forma merger adjustments.

Cash portion of merger consideration	\$	77,904
Non-tax deductible transaction expenses		3,465
Tax deductible transaction expenses		4,025
One time expenses to consolidate operations of FMS Financial		4,950
		90,344
Total cash adjustment	\$	90,344

- (12) Adjustment to reflect unrealized losses in securities held to maturity. The adjustment, along with the unrealized losses in securities held as available for sale, will be accreted into income as an increase in interest income over the lives of the related securities.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (13) Yield adjustment to reflect the difference between portfolio yields and market rates as of December 31, 2006 for loans acquired in the merger. For variable rate loans that reprice frequently and with no significant change in credit risk, fair value is the carrying value. For other categories of loans such as fixed rate residential mortgages, commercial and consumer loans, fair value is estimated based on discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar collateral and credit ratings and for similar remaining maturities.
- (14) Goodwill is an intangible asset that is not subject to amortization. The goodwill balance will be tested annually for impairment. Goodwill is calculated as:

(In thousands, except per share data)	FMS Financial
Purchase price per share (\$)	\$ 28.00
Number of FMS Financial shares acquired	6,529,313
Number of FMS Financial options acquired	17,500
Average exercise price of options (\$)	10.00
Cost of purchasing shares	182,821
Cost of purchasing options	315
Tax effect of purchasing options	(110)
	183,026
Purchase price	183,026
Less: acquired stockholders' equity	(78,361)
Plus: non-tax deductible transaction costs	3,465
Plus: taxable purchase accounting adjustments tax deductible transaction expenses	4,025
Yield adjustment for acquired certificates of deposit	(870)
Yield adjustment for acquired borrowings	1,690
Yield adjustment for subordinated debentures	(144)
Yield adjustment for acquired investments held-to-maturity	6,814
Yield adjusted for acquired loans	5,809
Core deposit intangible net of existing FMS Financial entry	(33,626)
Tax effect at 35% marginal tax rate	5,705
	\$ 97,533

- (15) Core deposit intangible is an identifiable intangible asset representing the economic value of the acquired FMS Financial deposit base, calculated as the present value benefit of funding operations with the acquired deposit base versus using an alternative wholesale funding source. The core deposit intangible asset is amortized into expense on a straight line basis over 9.4 years.
- (16) Calculated as follows:

Deferred tax entry for taxable transaction costs (footnote 14)	\$ (5,705)
Deferred tax entry for one time merger charges (footnote 21)	1,733
	(3,972)
Pro forma adjustment	\$ (3,972)

- (17) Yield adjustment to reflect the difference between portfolio yields and market rates as of December 31, 2006 for time deposits acquired in the merger. Yield adjustment is estimated using the rates currently offered for deposits with similar remaining maturities.
- (18) Fair value is calculated for securities sold under agreements to repurchase acquired with FMS Financial. For investment securities with a quoted market price, fair value is equal to quoted market prices. If a quoted price is not available, fair value is estimated using quoted market prices for similar securities. For the FMS Statutory Trust I and II debentures acquired with FMS Financial, the fair value is estimated using quoted market prices for similar securities.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

(19) Calculated as follows:

Eliminate existing FMS Financial common stock	\$ (802)
Par value of common stock issued in acquisition at \$0.01 per share	105
	<u> </u>
Adjustment to common stock	\$ (697)
	<u> </u>

(20) Calculated as follows:

Eliminate existing FMS Financial paid-in capital	\$ (8,931)
Stock issued to FMS Financial stockholders in the merger	105,122
Less par value of common stock issued in merger	(105)
	<u> </u>
Adjustment to paid-in capital	\$ 96,086
	<u> </u>

(21) Calculated as follows:

Eliminate existing FMS Financial retained earnings	\$ (82,120)
Expenses to consolidate FMS Financial	(4,950)
Tax effect at marginal rate of 35%	1,733
	<u> </u>
Adjustment to retained earnings	\$ (85,337)
	<u> </u>

(22) Calculated to eliminate the capital account entries of FMS Financial pursuant to purchase accounting.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table presents pro forma balance sheet information at December 31, 2006 assuming the issuance of a total of 36,439,975 shares publicly, including the issuance of 23,606,625 shares in the offering at the maximum, as adjusted, of the offering range and that 11,883,350 shares are issued in exchange for FMS Financial stock in the merger.

Unaudited Pro Forma Combined Statements of Financial Condition
December 31, 2006

(Dollars in thousands)	Beneficial Mutual Bancorp	Offering Adjustments (1)	Beneficial Mutual Bancorp Pro Forma	FMS Financial	Merger Adjustments (2)	Beneficial Mutual Bancorp Pro Forma Consolidation
Assets:						
Cash and cash equivalents	\$ 23,147	\$ 183,478(3)	\$ 206,625	\$ 109,761	\$ (76,632)(11)	\$ 239,754
Investment securities:						
Available for sale	330,867		330,867	146,006		476,873
Held for maturity	130,357		130,357	428,441	(6,814)(12)	551,984
Federal Home Loan Bank stock	15,544		15,544	6,313		21,857
Loans receivable	1,671,457		1,671,457	450,099	(5,809)(13)	2,115,747
Bank premises and equipment, net	33,168		33,168	33,739		66,907
Other assets:						
BOLI	28,003		28,003			28,003
Goodwill	6,679		6,679		97,533(14)	104,212
Core deposit intangible				1,160	33,626(15)	34,786
Other amortizing intangible assets	1,956		1,956			1,956
Other	59,041	3,500(4)	62,541	12,593	(3,972)(16)	71,162
Total assets	\$ 2,300,219	\$ 186,978	\$ 2,487,197	\$ 1,188,112	\$ 37,932	\$ 3,713,241
Liabilities:						
Deposits	\$ 1,667,876	\$	\$ 1,667,876	\$ 933,103	\$ (870)(17)	\$ 2,600,109
Borrowed funds	294,896	(5)	294,896	115,000	1,690(18)	411,586
Other liabilities	57,032		57,032	10,100		67,132
Subordinated debenturees				51,548	(144)(18)	51,404
Total liabilities	2,019,804		2,019,804	1,109,751	676	3,130,231
Stockholders' equity:						
Common stock		704(6)	704	802	(683)(19)	823
Additional paid-in capital		241,146(7)	241,146	8,931	109,784(20)	359,862
Retained earnings	293,157	(6,500)(8)	286,657	82,120	(85,337)(21)	283,440
Accumulated other comprehensive (loss) income	(12,742)		(12,742)	(2,485)	2,485(22)	(12,742)
Treasury stock				(11,007)	11,007(22)	
Employee stock ownership plan		(32,248)(9)	(32,248)			(32,248)
Restricted stock		(16,124)(10)	(16,124)			(16,124)
Total equity	280,415	186,978	467,393	78,361	37,256	583,010
Total liabilities and equity	\$ 2,300,219	\$ 186,978	\$ 2,487,197	\$ 1,188,112	\$ 37,932	\$ 3,713,241

(Notes follow tables)

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (1) Shows the effect of the minority stock offering of Beneficial Mutual Bancorp, assuming gross proceeds of \$236.1 million, the adjusted maximum of the valuation range, offering expenses of \$3.7 million, a contribution to the foundation of \$10.0 million of conversion stock and cash, and establishment of an ESOP and equity incentive plan that will acquire 3.92% and 1.96%, respectively, of the pro forma shares outstanding. See *Pro Forma Data Analysis of Pro Forma Outstanding Shares of Beneficial Mutual Bancorp Common Stock*. The ESOP will purchase its shares in the offering and possibly open market purchases. The equity incentive plan will purchase shares in the open market after receiving shareholder approval to adopt the plan. Open market purchased by the ESOP and the equity incentive plan are assumed at \$10.00 per share. The reduction in stockholders' equity reflects the contribution to the foundation net of a deferred tax asset.
- (2) Reflects the purchase accounting and acquisition adjustments related to the acquisition of FMS Financial for a price of \$28.00 per share in cash and newly issued conversion stock. The stock portion of the merger consideration varies based upon the aggregate tangible stockholders' equity represented by the shares issued to FMS Financial. At the adjusted maximum of the offering range, the stock component of the merger is 65.0% of the total merger consideration.
- (3) Calculated as follows:

Gross proceeds of offering	\$ 236,066
Estimated expenses	(3,716)
Cash contribution to foundation	(500)
Common stock acquired by employee stock ownership plan	(32,248)
Common stock acquired by incentive plan	(16,124)
	\$ 183,478
Pro forma adjustment	\$ 183,478

- (4) Deferred tax asset resulting from the contribution to the foundation based on marginal tax rate of 35%.
- (5) The ESOP loan is assumed to be funded internally with a loan from Beneficial Mutual Bancorp, thus no borrowing liability will be recorded on the consolidation balance sheet of Beneficial Mutual Bancorp.
- (6) Par value \$0.01 per share and the issuance of 23,606,625 shares in the offering, 45,824,625 shares to Beneficial Savings Bank MHC and 950,000 shares to the foundation.
- (7) Calculated as follows:

Net proceeds of offering	\$ 232,350
Stock contribution to foundation	9,500
Less: par value (footnote 6)	(704)
	\$ 241,146
Pro forma adjustment	\$ 241,146

- (8) After-tax impact to stockholders' equity from the \$10.0 million expense for funding the foundation based on a marginal tax rate of 35%.
- (9) Contra-equity account established to reflect the obligation to repay the loan to the ESOP to purchase 3.92% of pro forma shares outstanding. See *Pro Forma Data Analysis of Pro Forma Outstanding Shares of Beneficial Mutual Bancorp Common Stock*.
- (10) Contra-equity account established to reflect the equity incentive plan equal to 1.96% of the pro forma shares outstanding. See *Pro Forma Data Analysis of Pro Forma Outstanding Shares of Beneficial Mutual Bancorp Common Stock*.
- (11) Includes the cash portion of the merger consideration paid to FMS Financial, non-tax deductible transaction costs remaining to be paid at December 31, 2006, tax deductible one time acquisition costs, and one time expense that will be incurred by Beneficial Mutual Bancorp to consolidate FMS Financial. See the introduction to *Pro Forma Data* for detail regarding pro forma merger adjustments.

Cash portion of merger consideration	\$ 64,192
Non-tax deductible transaction expenses	3,465
Tax deductible transaction expenses	4,025
One time expenses to consolidate operations of FMS Financial Of FMS Financial	4,950
	\$ 76,632
Total cash adjustment	\$ 76,632

- (12) Adjustment to reflect unrealized losses in securities held to maturity. The adjustment, along with the unrealized losses in securities held as available for sale, will be accreted into income as an increase in interest income over the lives of the related securities.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (13) Yield adjustment to reflect the difference between portfolio yields and market rates as of December 31, 2006 for loans acquired in the merger. For variable rate loans that reprice frequently and with no significant change in credit risk, fair value is the carrying value. For other categories of loans such as fixed rate residential mortgages, commercial and consumer loans, fair value is estimated based on discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar collateral and credit ratings and for similar remaining maturities.
- (14) Goodwill is an intangible asset that is not subject to amortization. The goodwill balance will be tested annually for impairment. Goodwill is calculated as:

(In thousands, except per share data)	FMS Financial
Purchase price per share (\$)	\$ 28.00
Number of FMS Financial shares acquired	6,529,313
Number of FMS Financial options acquired	17,500
Average exercise price of options (\$)	10.00
Cost of purchasing shares	182,821
Cost of purchasing options	315
Tax effect of purchasing options	(110)
	183,026
Purchase price	183,026
Less: acquired stockholders' equity	(78,361)
Plus: non-tax deductible transaction costs	3,465
Plus: taxable purchase accounting adjustments tax deductible transaction expenses	4,025
Yield adjustment for acquired certificates of deposit	(870)
Yield adjustment for acquired borrowings	1,690
Yield adjustment for subordinated debentures	(144)
Yield adjustment for acquired investments held-to-maturity	6,814
Yield adjusted for acquired loans	5,809
Core deposit intangible net of existing FMS Financial entry	(33,626)
Tax effect at 35% marginal tax rate	5,705
	97,533
Goodwill	\$ 97,533

- (15) Core deposit intangible is an identifiable intangible asset representing the economic value of the acquired FMS Financial deposit base, calculated as the present value benefit of funding operations with the acquired deposit base versus using an alternative wholesale funding source. The core deposit intangible asset is amortized into expense on a straight line basis over 9.4 years.
- (16) Calculated as follows:

Deferred tax entry for taxable transaction costs (footnote 14)	\$ (5,705)
Deferred tax entry for one time merger charges (footnote 21)	1,733
	(3,972)
Pro forma adjustment	\$ (3,972)

- (17) Yield adjustment to reflect the difference between portfolio yields and market rates as of December 31, 2006 for time deposits acquired in the merger. Yield adjustment is estimated using the rates currently offered for deposits with similar remaining maturities.
- (18) Fair value is calculated for securities sold under agreements to repurchase acquired with FMS Financial. For investment securities with a quoted market price, fair value is equal to quoted market prices. If a quoted price is not available, fair value is estimated using quoted market prices for similar securities. For the FMS Statutory Trust I and II debentures acquired with FMS Financial, the fair value is estimated using quoted market prices for similar securities.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

(19) Calculated as follows:

Eliminate existing FMS Financial common stock	\$ (802)
Par value of common stock issued in acquisition at \$0.01 per share	119
	<u> </u>
Adjustment to common stock	\$ (683)
	<u> </u>

(20) Calculated as follows:

Eliminate existing FMS Financial paid-in capital	\$ (8,931)
Stock issued to FMS Financial stockholders in the merger	118,834
Less par value of common stock issued in merger	(119)
	<u> </u>
Adjustment to paid-in capital	\$ 109,784
	<u> </u>

(21) Calculated as follows:

Eliminate existing FMS Financial retained earnings	\$ (82,120)
Expenses to consolidate FMS Financial	(4,950)
Tax effect at marginal rate of 35%	1,733
	<u> </u>
Adjustment to retained earnings	\$ (85,337)
	<u> </u>

(22) Calculated to eliminate the capital account entries of FMS Financial pursuant to purchase accounting.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table presents pro forma income assuming the issuance of 15,172,500 shares in the offering at the minimum of the offering range and that 10,512,194 shares are issued in exchange for FMS Financial stock in the merger.

Unaudited Pro Forma Combined Statements of Income For the Year Ended December 31, 2006

(Dollars in thousands)	Beneficial Mutual Bancorp	Offering Adjustments (1)	Beneficial Mutual Bancorp As Converted	FMS Financial	Merger Adjustments (3)	Beneficial Mutual Bancorp Pro Forma Consolidated
Interest income	\$ 127,326	\$	\$ 127,326	\$ 60,993	\$ 2,728(4)	\$ 191,047
Interest expense	(62,899)		(62,899)	(27,415)	(271)(5)	(90,585)
Net interest income before provision for loan losses	64,427		64,427	33,578	2,457	100,462
Provision for loan losses	(1,575)		(1,575)	(330)		(1,905)
Net interest income after provision for loan losses	62,852		62,852	33,248	2,457	98,557
Non-interest income	10,531		10,531	7,164		17,695
Non-interest expense	(59,436)	(1,100)(2)	(60,536)	(31,726)	(2,985)(6)	(95,247)
Income before provision for income taxes	13,947	(1,100)	12,847	8,686	(528)	21,005
Provision for income taxes	(2,322)	385	(1,937)	(3,367)	185(7)	(5,119)
Net income	\$ 11,625	\$ (715)	\$ 10,910	\$ 5,319	\$ (343)	\$ 15,886
Basic EPS			\$ 0.25	\$ 0.82		\$ 0.29
Diluted EPS			\$ 0.25	\$ 0.81		\$ 0.29

- (1) Shows the effect of the minority stock offering of Beneficial Mutual Bancorp, assuming gross proceeds of \$151.7 million, the minimum of the offering range, offering expenses of \$3.2 million, a contribution to the foundation of \$10.0 of stock and cash, and establishment of an ESOP that will acquire 3.92% of the pro forma shares outstanding. The ESOP will purchase its shares in the offering and in open market purchases. The loan taken down by the ESOP will be amortized over 20 years on a straight line basis. The ESOP expense shown reflects the estimated amortization expense on a pretax basis for the period shown. Beneficial Mutual Bancorp also intends to adopt an equity incentive plan that will purchase 1.96% of the pro forma shares outstanding. The equity incentive plan will purchase shares in the open market after receiving shareholder approval. Open market purchases are assumed at \$10.00 per share. Beneficial Mutual Bancorp also intends to adopt a stock option plan that will include 4.90% of the pro forma shares outstanding. Pursuant to an application of the Black-Scholes option pricing model, the stock options are assumed to have a value of \$3.81 per option. The option value is assumed to be expensed over the five year vesting period for the options and 25% of the option expense is assumed to be deductible for income tax purposes. The stock option plan is subject to shareholder approval. Adjustments to record estimated equity incentive plan expense, stock option plan expense, and interest income to be earned on net proceeds of the offering will be recorded as incurred. Since these estimates are speculative, they are not reflected in the calculations of pro forma income. The estimated interest income assuming net cash proceeds of \$115.0 million from the offering are invested at an average pretax yield of 4.99 percent for the year ended December 31, 2006 would be approximately \$5.7 million pretax. The yield utilized approximates the yield on a one year U.S. Treasury security as of December 31, 2006. The estimated expense for the equity incentive plan assuming gross proceeds of \$151.7 million is \$2.2 million pretax for the year ended December 31, 2006. The estimated expense for the stock option plan ESOP shares are assumed to be released at \$10.00 per share. Equity incentive plan shares are assumed to vest over 5 years on a straight-line basis. Taxes are calculated on an assumed marginal rate of 35%. No expenses are included for the shares issued to the foundation or other merger-related charges, all of which are one time expenses.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (2) ESOP loan with a balance of \$22.0 million and an amortization period of 20 years straight line. ESOP loan is assumed to be funded internally, so no interest expense is recorded on the consolidated income statement for Beneficial Mutual Bancorp. ESOP expense thus reflects only the amortization of principal for the period shown.
- (3) Reflects the purchase accounting and acquisition adjustments related to the acquisition of FMS Financial for a price of \$28.00 per share in cash and newly issued conversion stock.
- (4) Adjustment to interest income is the accretion of the loan discount on the FMS Financial loans resulting from purchase accounting and the accretion of the discount on investment securities held-to-maturity and available for sale. Adjustments to record estimated interest income to be foregone as a result of funding the cash portion of the merger consideration paid to stockholders of FMS Financial and the expenses of the acquisition will be recorded as incurred. These are non-recurring, they are not reflected in the Pro Forma Income Statements. The estimated reduction in interest income assuming total funding requirements of \$90.3 million for the merger and related expenses, assuming such cash costs were funded with investments yielding 4.99 percent for the year ended December 31, 2006, would be approximately \$4.5 million. The yield approximates the yield on the one year U.S. Treasury security on December 31, 2006. The adjustment to interest income is calculated as follows:

Accretion of loan discount from purchase accounting	\$	1,452
Accretion of investment securities discount from purchase accounting		1,276
		2,728
Adjustment to interest income	\$	2,728

- (5) Adjustment to interest expense is calculated as follows:

Amortization of deposit premium from purchase accounting	\$	580
Accretion of borrowings discount from purchase accounting		(338)
Amortization of subordinated debenture discount from purchase accounting		29
		271
Adjustment to interest expense	\$	271

- (6) Adjustment to non-interest expense is calculated as follows:

Amortization of new core deposit intangible	\$	(3,701)
Elimination of historical amortization of core deposit intangible		716
		(2,985)
Adjustment to non-interest expense	\$	(2,985)

- (7) Marginal tax rate of 35%.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table presents pro forma income assuming the issuance of 23,606,625 shares in the offering at the maximum, as adjusted, of the offering range and that 11,883,350 shares are issued in exchange for FMS Financial stock in the merger.

Unaudited Pro Forma Combined Statements of Income For the Year Ended December 31, 2006

(Dollars in thousands)	Beneficial Mutual Bancorp	Offering Adjustments (1)	Beneficial Mutual Bancorp As Converted	FMS Financial	Merger Adjustments (3)	Beneficial Mutual Bancorp Pro Forma Consolidated
Interest income	\$ 127,326	\$	\$ 127,326	\$ 60,993	\$ 2,728(4)	\$ 191,047
Interest expense	(62,899)		(62,899)	(27,415)	(271) (5)	(90,585)
Net interest income before provision for loan losses	64,427		64,427	33,578	2,457	100,462
Provision for loan losses	(1,575)		(1,575)	(330)		(1,905)
Net interest income after provision for loan losses	62,852		62,852	33,248	2,457	98,557
Non-interest income	10,531		10,531	7,164		17,695
Non-interest expense	(59,436)	(1,612)(2)	(61,048)	(31,726)	(2,985)(6)	(95,759)
Income before provision for income taxes	13,947	(1,612)	12,335	8,686	(528)	20,493
Provision for income taxes	(2,322)	564	(1,758)	(3,367)	185(7)	(4,940)
Net income	\$ 11,625	\$ (1,048)	\$ 10,577	\$ 5,319	\$ (343)	\$ 15,553
Basic EPS			\$ 0.16	\$ 0.82		\$ 0.20
Diluted EPS			\$ 0.16	\$ 0.81		\$ 0.20

- (1) Shows the effect of the minority stock offering of Beneficial Mutual Bancorp, assuming gross proceeds of \$236.1 million, the adjusted maximum of the offering range, offering expenses of \$3.7 million, a contribution to the foundation of \$10.0 of stock and cash, and establishment of an ESOP that will acquire 3.92% of the pro forma shares outstanding. The ESOP will purchase its shares in the offering and in open market purchases. The loan taken down by the ESOP will be amortized over 20 years on a straight line basis. The ESOP expense shown reflects the estimated amortization expense on a pretax basis for the period shown. Beneficial Mutual Bancorp also intends to adopt an equity incentive plan that will purchase 1.96% of the pro forma shares outstanding. The equity incentive plan will purchase shares in the open market after receiving shareholder approval. Open market purchases are assumed at \$10 per share. Beneficial Mutual Bancorp also intends to adopt a stock option plan that will include 4.90% of the pro forma shares outstanding. Pursuant to an application of the Black-Scholes option pricing model, the stock options are assumed to have a value of \$3.81 per option. The option value is assumed to be expensed over the five year vesting period for the options and 25% of the option expense is assumed to be deductible for income tax purposes. The stock option plan is subject to shareholder approval. Adjustments to record estimated equity incentive plan expense, stock option plan expense, and interest income to be earned on net proceeds of the offering will be recorded as incurred. Since these estimates are speculative, they are not reflected in the calculations of pro forma income. The estimated interest income assuming net cash proceeds of \$183.5 million from the offering are invested at an average pretax yield of 4.99 percent for the year ended December 31, 2006 would be approximately \$9.2 million pretax. The yield utilized approximates the yield on a one year U.S. Treasury security as of December 31, 2006. The estimated expense for the equity incentive plan assuming gross proceeds of \$236.1 million is \$3.2 million pretax for the year ended December 31, 2006. The estimated expense for the stock option plan ESOP shares are assumed to be released at \$10.00 per share. Equity incentive plan shares are assumed to vest over 5 years on a straight-line basis. Taxes are calculated on an assumed marginal rate of 35.0%. No expenses are included for the shares issued to the foundation or other merger-related charges, all of which are one time expenses.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (2) ESOP loan with a balance of \$32.2 million and an amortization period of 20 years straight line. ESOP loan is assumed to be funded internally, so no interest expense is recorded on the consolidated income statement for Beneficial Mutual Bancorp. ESOP expense thus reflects only the amortization of principal for the period shown.
- (3) Reflects the purchase accounting and acquisition adjustments related to the acquisition of FMS Financial for a price of \$28.00 per share in cash and newly issued conversion stock.
- (4) Adjustment to interest income is the accretion of the loan discount on the FMS Financial loans resulting from purchase accounting and the accretion of the discount on investment securities held-to-maturity and available for sale. Adjustments to record estimated interest income to be foregone as a result of funding the cash portion of the merger consideration paid to stockholders of FMS Financial and the expenses of the acquisition will be recorded as incurred. These are non-recurring, they are not reflected in the Pro Forma Income Statements. The estimated reduction in interest income assuming total funding requirements of \$76.6 million for the merger and related expenses, assuming such cash costs were funded with investments yielding 4.99 percent for the year ended December 31, 2006, would be approximately \$3.8 million. The yield approximates the yield on the one year U.S. Treasury security on December 31, 2006. The adjustment to interest income is calculated as follows:

Accretion of loan discount from purchase accounting	\$	1,452
Accretion of investment securities discount from purchase accounting		1,276
		2,728
Adjustment to interest income	\$	2,728

- (5) Adjustment to interest expense is calculated as follows:

Amortization of deposit premium from purchase accounting	\$	580
Accretion of borrowings discount from purchase accounting		(338)
Amortization of subordinated debenture discount from purchase accounting		29
		271
Adjustment to interest expense	\$	271

- (6) Adjustment to non-interest expense is calculated as follows:

Amortization of new core deposit intangible	\$	(3,701)
Elimination of historical amortization of core deposit intangible		716
		(2,985)
Adjustment to non-interest expense	\$	(2,985)

- (7) Marginal tax rate of 35%.

Analysis of Pro Forma Outstanding Shares of Beneficial Mutual Bancorp Common Stock

Offering Range	Total Shares Outstanding	Shares Issued to Beneficial Savings Bank MHC	Total Public Shares (1)	Shares Sold in the Offering	Shares Issued to FMS Financial Shareholders (2)	Shares Issued to The Beneficial Foundation	Cash Issued in Connection with the Merger (3)
Minimum	56,087,194	29,452,500	26,634,694	15,172,500	10,512,194	950,000	\$ 90,344,000
Midpoint	64,403,103	34,650,000	29,753,103	17,850,000	10,953,103	950,000	\$ 85,934,000
Maximum	72,875,890	39,847,500	33,028,390	20,527,500	11,550,890	950,000	\$ 79,957,000
Maximum, as adjusted	82,264,600	45,824,625	36,439,975	23,606,625	11,883,350	950,000	\$ 76,632,000

Outstanding Percentage of Shares

Minimum	100%	52.51%	47.49%	27.05%	18.74%	1.69%
Midpoint	100	53.80	46.20	27.72	17.01	1.48
Maximum	100	54.68	45.32	28.17	15.85	1.30
Maximum, as adjusted	100	55.70	44.30	28.70	14.45	1.15

- (1) Includes all shares issued in the offerings, merger, and to The Beneficial Foundation.
- (2) These shares will be issued regardless of the elections made by FMS Financial shareholders. All shareholders' elections are subject to the election and proration procedures set forth in the merger agreement and described in more detail in *The Acquisition of FMS Financial*.
- (3) Cash amount includes one-time transaction and restructuring costs of \$12.4 million on a pre-tax basis.

Additional Pro Forma Data

The following tables show information about Beneficial Mutual Bancorp's and FMS Financial's historical combined consolidated net income and stockholders' equity prior to the offering and merger and Beneficial Mutual Bancorp's pro forma consolidated net income and stockholders' equity following the offering and merger. The information provided illustrates our consolidated pro forma net income and stockholders' equity based on the sale of common stock at the minimum, midpoint, maximum and 15% above the maximum of the offering range, respectively. The actual net proceeds from the sale of the common stock cannot be determined until the offering is completed. Net proceeds indicated in the following tables are based upon the following assumptions:

all shares of stock will be sold in the subscription and direct community offerings;
our employee stock ownership plan will purchase a number of shares equal to 3.92% of the shares outstanding, including shares issued to FMS Financial shareholders in connection with the merger, shares issued to Beneficial Savings Bank MHC and shares contributed to The Beneficial Foundation, with a loan from Beneficial Mutual Bancorp that will be repaid in equal installments over 20 years;
450,000 shares of common stock will be purchased by the 401(k) plan;
311,500 shares of common will be purchased by Beneficial Mutual Bancorp executive officers and directors and their immediate families; and
total expenses of the offering, including fees paid to Sandler O'Neill, will range from \$3.2 million and the minimum of the offering range to \$3.7 million at the maximum, as adjusted, of the offering range.

Actual expenses may vary from this estimate, and the amount of fees paid will depend upon whether a syndicate of broker-dealers or other means is necessary to sell the shares (which would increase offering expenses), and other factors.

Consolidated pro forma net income for the year ended December 31, 2006 has been calculated as if the offering were completed at the beginning of the period, and the net proceeds had been invested at 4.99% for the year ended December 31, 2006, which represents the one-year treasury rate. We believe that the one-year treasury rate

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

represents a more realistic yield on the investment of the offering proceeds than the arithmetic average of the weighted average yield earned on our interest-earning assets and the weighted average rate paid on our deposits, which is the reinvestment rate required by Office of Thrift Supervision regulations.

A pro forma after-tax return of 3.24% is used for the year ended December 31, 2006, after giving effect to a combined federal and state income tax rate of 35.00%. The actual rate experienced by Beneficial Mutual Bancorp may vary. Historical and pro forma per share amounts have been calculated by dividing historical and pro forma amounts by the number of shares of common stock indicated in the tables.

When reviewing the following tables, you should consider the following:

The final column gives effect to a 15% increase in the offering range, which may occur without any further notice if RP Financial increases its appraisal to reflect the results of this offering, changes in our financial condition or results of operations, or changes in market conditions after the offering begins. See *The Stock Offering How We Determined the Offering Range and the \$10.00 Purchase Price*.

Since funds on deposit at Beneficial Mutual Savings Bank may be withdrawn to purchase shares of common stock, the amount of funds available for investment will be reduced by the amount of withdrawals for stock purchases. The pro forma tables do not reflect withdrawals from deposit accounts.

Historical per share amounts have been computed as if the shares of common stock expected to be issued in the offering had been outstanding at the beginning of the period covered by the table. However, neither historical nor pro forma stockholders' equity has been adjusted to reflect the investment of the estimated net proceeds from the sale of the shares in the offering, the additional employee stock ownership plan expense or the proposed equity incentive plan.

Pro forma stockholders' equity (book value) represents the difference between the stated amounts of our assets and liabilities. Book value amounts do not represent fair market values of intangible assets, or amounts available for distribution to stockholders, in the unlikely event of liquidation. The amounts shown do not reflect the federal income tax consequences of the restoration to income of Beneficial Mutual Savings Bank's special bad debt reserves for income tax purposes, which would be required in the unlikely event of liquidation. See *Federal and State Taxation*.

The amounts shown as pro forma stockholders' equity per share do not represent possible future price appreciation of our common stock.

The pro forma tables do not reflect the impact of the new expenses that we expect to incur as a result of operating as a public company.

The following consolidated pro forma data, which are based on Beneficial Mutual Savings Bank's and FMS Financial's equity at December 31, 2006 and net income for the year ended December 31, 2006, may not represent the actual financial effects of the offering or our operating results after the offering. The consolidated pro forma data rely exclusively on the assumptions outlined above and in the notes to the pro forma tables. The consolidated pro forma data do not represent the fair market value of our common stock, the current fair market value of our assets or liabilities, or the amount of money that would be available for distribution to stockholders if we were to be liquidated after the offering.

We are offering our common stock on a best efforts basis. We must issue a minimum of 15,172,500 shares in the offering and in connection with the merger to complete the offering.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

At or for the Year Ended December 31, 2006

	Minimum	Midpoint	Maximum	Maximum, as adjusted
	15,172,500 at \$10.00 per share	17,850,00 at \$10.00 per share	20,527,500 at \$10.00 per share	23,606,625 at \$10.00 per share
(Dollars in thousands, except per share amounts)				
Gross proceeds of offering	\$ 151,725	178,500	205,275	\$ 236,066
Fair value of shares issued in merger with FMS Financial (1)	105,122	109,531	115,509	118,833
Pro forma value	256,847	288,031	320,784	354,900
Plus: foundation shares	9,500	9,500	9,500	9,500
Pro forma value including foundation shares	266,347	297,531	330,284	364,400
Gross proceeds of offering	151,725	178,500	205,275	236,066
Less: estimated expenses	3,235	3,387	3,540	3,716
Estimated net proceeds	148,490	175,113	201,735	232,350
Less: common stock acquired by employee stock ownership plan	(21,986)	(25,246)	(28,567)	(32,248)
Less: common stock to be acquired by equity incentive plan	(10,993)	(12,623)	(14,284)	(16,124)
Less: cash contribution to foundation	(500)	(500)	(500)	(500)
Net investable proceeds from offering	115,011	136,744	158,384	183,478
Funds required to effect the merger with FMS Financial (2)	(90,344)	(85,934)	(79,957)	(76,632)
Consolidated pro forma net income:				
Pro forma net income:				
Historical combined	16,601	16,601	16,601	16,601
Pro forma income on net investable proceeds	3,730	4,435	5,137	5,951
Pro forma impact of funding the merger with FMS Financial	(2,930)	(2,787)	(2,593)	(2,486)
Pro forma employee stock ownership plan adjustments (4)	(715)	(820)	(928)	(1,048)
Pro forma restricted stock award expense (5)	(1,429)	(1,641)	(1,857)	(2,096)
Pro forma stock option expense (6)	(1,911)	(2,194)	(2,483)	(2,803)
Pro forma net income (7)	13,346	13,594	13,877	14,119
Pro forma net income per share (3):				
Historical combined	0.31	0.27	0.25	0.21
Pro forma income on net investable proceeds	0.07	0.07	0.07	0.08
Pro forma impact of funding the merger with FMS Financial	(0.05)	(0.05)	(0.04)	(0.03)
Pro forma employee stock ownership plan adjustments (4)	(0.01)	(0.01)	(0.01)	(0.01)
Pro forma restricted stock award expense (5)	(0.03)	(0.03)	(0.03)	(0.03)
Pro forma stock option expense (6)	(0.04)	(0.04)	(0.04)	(0.04)
Pro forma net income per share (7)	0.25	0.22	0.20	0.18
Offering price as a multiple of pro forma net income per share	40.00x	45.45x	50.00x	55.56x
Number of shares used to calculate pro forma earnings per share (3)	53,998,507	62,004,731	70,161,992	79,201,066
Pro forma stockholders' equity:				
Pro forma stockholders' equity (book value):				
Historical combined including merger adjustments	382,320	386,729	392,707	396,032
Estimated net proceeds	148,490	175,113	201,735	232,350
Less: common stock acquired by employee stock ownership plan (4)	(21,986)	(25,246)	(28,567)	(32,248)

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Less: common stock to be acquired by equity incentive plan (5)	(10,993)	(12,623)	(14,284)	(16,124)
Less: stock and cash contribution to the foundation	(10,000)	(10,000)	(10,000)	(10,000)
Plus: tax benefit of contribution to the foundation	3,500	3,500	3,500	3,500
Plus: shares issued to the foundation	9,500	9,500	9,500	9,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pro forma stockholders equity	500,831	526,973	554,591	583,010
Intangible assets (8)	(140,954)	(140,954)	(140,954)	(140,954)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pro forma tangible stockholders equity	359,877	386,019	413,637	442,056
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pro forma stockholders equity per share (9):				
Historical combined including merger adjustments	6.82	6.00	5.39	4.81
Estimated net proceeds	2.65	2.73	2.77	2.83
Less: common stock acquired by employee stock ownership plan (4)	(0.39)	(0.39)	(0.39)	(0.39)
Less: common stock to be acquired by equity incentive plan (5)	(0.20)	(0.20)	(0.20)	(0.20)
Plus: tax benefit of contribution to the foundation	0.06	0.05	0.05	0.04
Plus: shares issued to the foundation	0.17	0.15	0.13	0.12
Less: shares issued to the foundation	(0.18)	(0.16)	(0.14)	(0.12)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pro forma stockholders equity per share	8.93	8.18	7.61	7.09
Intangible assets (8)	(2.51)	(2.19)	(1.93)	(1.71)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pro forma tangible stockholders equity per share	6.42	5.99	5.68	5.38
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Offering price as a percentage of pro forma equity per share	111.98%	122.25%	131.41%	141.04%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Offering price as a percentage of pro forma tangible equity per share	155.76%	166.94%	176.06%	185.87%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Shares used for pro forma stockholders equity per share (9)	56,087,194	64,403,103	72,875,890	82,264,600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(footnotes on following page)

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (1) Reflects the issuance of shares to FMS Financial shareholders in the merger as follows:

	Shares issued to FMS Financial Shareholders	Percent of Merger Consideration in the Form of Beneficial Mutual Bancorp Shares
Minimum	10,512,194	57.50%
Midpoint	10,953,103	59.91
Maximum	11,550,890	63.18
Maximum, as adjusted	11,883,350	65.00

- (2) For the purposes of this presentation, the funds required to effect the merger with FMS Financial, pre-tax, which are expected to be paid upon consummation of the offering and merger (which are to occur simultaneously) or shortly thereafter, are reflected as an adjustment for purposes of the pro forma net income and pro forma net income per share information. Funds required to effect the merger include the cash portion of the merger consideration and one-time transaction and restructuring costs of \$12.4 million on a pre-tax basis.
- (3) Per share income data is based on weighted average shares outstanding, which represents shares sold in the offering, shares issued to Beneficial Savings Bank MHC, shares issued in the merger, shares to be contributed to The Beneficial Foundation and shares to be allocated or distributed under Beneficial Mutual Bancorp's employee stock ownership plan and stock-based incentive plan for the year presented. For the year ended December 31, 2006, the weighted average shares outstanding for purposes of computing earnings per share have been calculated as follows:

	15,172,500 Shares at Minimum of Offering Range	17,850,000 Shares at Midpoint of Offering Range	20,527,500 Shares at Maximum of Offering Range	23,606,625 Shares at Maximum, as Adjusted of Offering Range
Shares issued	56,087,194	64,403,103	72,875,890	82,264,600
Shares acquired by the employee stock ownership plan	(2,198,618)	(2,524,602)	(2,856,735)	(3,224,772)
Employee stock ownership plan shares allocated or committed to be released	109,931	126,320	142,837	161,239
Weighted-average shares outstanding	53,998,507	62,004,731	70,161,992	79,201,066

- (4) Assumes that the employee stock ownership plan will acquire a number of shares of stock equal to 3.92% of the shares outstanding, including shares issued in the offering to Beneficial Savings Bank MHC and shares issued in connection with the merger and contributed to The Beneficial Foundation (2,198,618, 2,524,602, 2,856,735 and 3,224,772 shares at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively). The employee stock ownership plan will borrow the funds to acquire these shares from the net offering proceeds retained by Beneficial Mutual Bancorp. The amount of this borrowing has been reflected as a reduction from gross proceeds to determine estimated net investable proceeds. This borrowing will have an interest rate equal to the prime rate as published in *The Wall Street Journal*, which is currently 8.25%, and a term of 20 years. Beneficial Mutual Savings Bank intends to make contributions to the employee stock ownership plan in amounts at least equal to the principal and interest requirement of the debt. Interest income that Beneficial Mutual Bancorp will earn on the loan will offset a portion of the compensation expense recorded by Beneficial Mutual Savings Bank as it contributes to the ESOP. As the debt is paid down, shares will be released for allocation to participants' accounts and stockholders' equity will be increased.

The adjustment to pro forma net income for the employee stock ownership plan reflects the after-tax compensation expense associated with the plan. Applicable accounting principles require that compensation expense for the employee stock ownership plan be based upon shares committed to be released and that unallocated shares be excluded from earnings per share computations. An equal number of shares (5.0% of the total, based on a 20-year loan) will be released each year over the term of the loan. The valuation of shares committed to be released will be based upon the average market value of the shares during the year, which, for purposes of this calculation, was assumed to be equal to the \$10.00 per share purchase price. If the average market value per share is greater than \$10.00 per share, total employee stock ownership plan expense would be greater. See Our Management Benefit Plans Employee Stock Ownership Plan.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (5) Assumes that Beneficial Mutual Bancorp will purchase in the open market a number of shares of stock equal to 1.96% of the shares outstanding, including shares issued to FMS Financial shareholders in the merger, to Beneficial Savings Bank MHC and contributed to The Beneficial Foundation (1,099,309, 1,262,301, 1,428,367 and 1,612,386 shares at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively), that will be reissued as restricted stock

68

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

awards under an equity incentive plan to be adopted following the offering. Purchases will be funded with cash on hand at Beneficial Mutual Bancorp or with dividends paid to Beneficial Mutual Bancorp by Beneficial Mutual Savings Bank. The cost of these shares has been reflected as a reduction from gross proceeds to determine estimated net investable proceeds. In calculating the pro forma effect of the restricted stock awards, it is assumed that the required stockholder approval has been received, that the shares used to fund the awards were acquired at the beginning of the respective period and that the shares were acquired at the \$10.00 per share purchase price. The issuance of authorized but unissued shares of common stock instead of shares repurchased in the open market would dilute the ownership interests of existing stockholders by approximately 1.9%.

The adjustment to pro forma net income for the restricted stock awards reflects the after-tax compensation expense associated with the awards. It is assumed that the fair market value of a share of Beneficial Mutual Bancorp common stock was \$10.00 at the time the awards were made, that shares of restricted stock issued under the equity incentive plan vest 20% per year, that compensation expense is recognized on a straight-line basis over each vesting period so that 20% of the value of the shares awarded was an amortized expense during each year, and that the combined federal and state income tax rate was 35%. If the fair market value per share is greater than \$10.00 per share on the date shares are awarded under the equity incentive plan, total equity incentive plan expense would be greater.

- (6) The adjustment to pro forma net income for stock options reflects the after-tax compensation expense associated with the stock options that may be granted under the equity incentive plan to be adopted following the offering. If the equity incentive plan is approved by stockholders, a number of shares equal to 4.9% of the number of shares outstanding, including shares issued to Beneficial Savings Bank MHC and shares issued in connection with the merger and contributed to The Beneficial Foundation (2,748,273, 3,155,752, 3,570,919 and 4,030,965) shares at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively), will be reserved for future issuance upon the exercise of stock options that may be granted under the plan. We will follow Financial Accounting Standards Board Statement No. 123 (revised 2004), *Share-Based Payment*, to account for stock options issued. This standard requires compensation cost relating to share-based payment transactions be recognized in the consolidated financial statements over the period the employee is required to provide services for the award. The cost will be measured based on the fair value of the equity instruments issued. Applicable accounting standards do not prescribe a specific valuation technique to be used to estimate the fair value of employee stock options. Using the Black-Scholes option-pricing formula, the options are assumed to have a value of \$3.81 for each option, based on the following assumptions: exercise price, \$10.00; trading price on date of grant, \$10.00; dividend yield, 0%; expected life, 10 years; expected volatility, 9.39%; and risk-free interest rate, 4.71%. Because there currently is no market for Beneficial Mutual Bancorp common stock, the assumed expected volatility is based on the SNL Index for all publicly-traded mutual holding company thrifts. The dividend yield is assumed to be 0% because there is no history of dividend payments and the board of directors has not expressed an intention to commence dividend payments upon completion of the offering. It is assumed that stock options granted under the equity incentive plan vest 20% per year, that compensation expense is recognized on a straight-line basis over each vesting period so that 20% of the value of the options awarded is an amortized expense during each year, that 25% of the options awarded are non-qualified options and that the combined federal and state income tax rate is 35%. We plan to use the Black-Scholes option-pricing formula; however, if the fair market value per share is different than \$10.00 per share on the date options are awarded under the equity incentive plan, or if the assumptions used in the option-pricing formula are different from those used in preparing this pro forma data, the value of the stock options and the related expense would be different. The issuance of authorized but unissued shares of common stock to satisfy option exercises instead of shares repurchased in the open market would dilute the ownership interests of existing stockholders, other than Beneficial Savings Bank MHC, by approximately 4.7%.
- (7) Does not give effect to the non-recurring expense that will be recognized in fiscal 2007 as a result of the contribution of 950,000 shares of common stock to The Beneficial Foundation.

The following table shows the estimated after-tax expense associated with the contribution to the foundation, as well as pro forma net income (loss) and pro forma net income (loss) per share assuming the contribution to the foundation was expensed during the periods presented.

(Dollars in thousands, except per share amounts)	Minimum of Offering Range	Midpoint of Offering Range	Maximum of Offering Range	15% Above Maximum of Offering Range
After-tax expense of contribution to foundation:	\$ (6,500)	\$ (6,500)	\$ (6,500)	\$ (6,500)
Pro forma net income:				
Year ended December 31, 2006	6,846	7,094	7,377	7,619
Pro forma net income per share:				
Year ended December 31, 2006	0.13	0.11	0.11	0.10

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (8) Includes \$8.7 million of intangible assets from Beneficial Mutual Savings Bank and \$132.3 million of goodwill and core deposit intangibles resulting from the acquisition of FMS Financial.
- (9) Includes the following:

Shares issued to the Beneficial Savings Bank MHC	29,452,500	34,650,000	39,847,500	45,824,625
Shares issued in the offering	15,172,500	17,850,000	20,527,500	23,606,625
Shares issued to FMS Financial	10,512,194	10,953,103	11,550,890	11,883,350
Shares issued to The Beneficial Foundation	950,000	950,000	950,000	950,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Shares used for pro forma stockholders equity per share	56,087,194	64,403,103	72,875,890	82,264,600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

**Comparison of Independent Valuation and Pro Forma
Financial Information With and Without the Foundation**

As set forth in the following table, if we do not establish and fund The Beneficial Foundation as part of the offering, RP Financial estimates that our pro forma valuation would be greater, which would have resulted in an increase in the amount of common stock offered for sale in the offering. If the foundation is not established, there is no assurance that the updated appraisal that RP Financial will prepare at the closing of the offering would conclude that our pro forma market value would be the same as the estimate set forth in the table below. The updated appraisal will be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions.

The information presented in the following table is for comparative purposes only. It assumes that the offering was completed at December 31, 2006, based on the assumptions set forth under *Pro Forma Data*.

	At the Minimum of Estimated Valuation Range		At the Midpoint of Estimated Valuation Range		At the Maximum of Estimated Valuation Range		At the Maximum, as Adjusted, of Estimated Valuation Range	
	With Foundation	No Foundation	With Foundation	No Foundation	With Foundation	No Foundation	With Foundation	No Foundation
(Dollars in thousands, except per share amounts)								
Estimated offering amount (1)	\$ 151,725	\$ 154,615	\$ 178,500	\$ 181,900	\$ 205,275	\$ 209,185	\$ 236,066	\$ 240,563
Pro forma market capitalization (excluding Beneficial Savings Bank MHC)	266,347	259,737	297,531	291,431	330,284	324,694	364,400	359,396
Estimated pro forma valuation	560,872	559,872	644,031	644,531	728,759	730,759	822,646	826,371
Pro forma total assets	3,631,062	3,630,992	3,657,205	3,657,553	3,684,822	3,686,589	3,713,241	3,714,491
Pro forma total liabilities	3,130,231	3,130,231	3,130,231	3,130,231	3,130,231	3,130,231	3,130,231	3,130,231
Pro forma stockholders equity	501,831	500,761	526,973	527,321	554,591	555,358	583,010	584,260
Pro forma net income	13,346	13,466	13,594	13,715	13,877	14,001	14,119	14,245
Pro forma stockholders equity per share	8.93	8.94	8.18	8.18	7.61	7.60	7.09	7.07
Pro forma tangible stockholders equity per share	6.42	6.42	5.99	5.99	5.68	5.67	5.38	5.36
Pro forma net income per share	0.25	0.25	0.22	0.22	0.20	0.20	0.18	0.18
Pro Forma Pricing								

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Ratios:								
Offering price as a percentage of pro forma stockholders equity	111.98%	111.86%	122.25%	122.25%	131.41%	131.58%	141.04%	141.44%
Offering price as a percent of pro forma Tangible stockholders equity per share	155.76	155.76	166.94	166.94	176.06	176.37	185.87	186.57
Offering price as a multiple of pro forma net income per share	40.00	40.00	45.45	45.45	50.00	50.00	55.56	55.56
Offering price to assets	15.45	15.42	17.61	17.62	19.78	19.83	22.15	22.25
Pro Forma Financial Ratios:								
Return on assets	0.37%	0.37%	0.37%	0.37%	0.38%	0.38%	0.38%	0.38%
Return on stockholders equity	2.66	2.69	2.58	2.60	2.50	2.52	2.42	2.44
Stockholders equity to total assets	13.79	13.79	14.41	14.42	15.05	15.07	15.70	15.73
Tangible stockholders equity to assets	10.31	10.31	10.98	10.99	11.67	11.69	12.37	12.41

(1) Based on the independent valuation prepared by RP Financial as of February 23, 2007.

Business of Beneficial Mutual Bancorp

General

Beneficial Mutual Bancorp is a federally chartered savings and loan holding company established in 2004 to be the holding company for Beneficial Mutual Savings Bank. Beneficial Mutual Bancorp's primary business activity is the ownership of the outstanding capital stock of Beneficial Mutual Savings Bank. Beneficial Mutual Bancorp does not own or lease any property but instead uses the premises, equipment and other property of Beneficial Mutual Savings Bank with the payment of appropriate rental fees, as required by applicable law and regulations, under the terms of an expense allocation agreement. In connection with the offering, Beneficial Mutual Bancorp is acquiring FMS Financial, a New Jersey chartered corporation and sole stockholder of Farmers & Mechanics Bank, a federally chartered savings bank located in Burlington, New Jersey. Farmers & Mechanics Bank was founded in 1871 under the name of Farmers & Mechanics Building and Loan Association. Farmers & Mechanics Bank is headquartered in Burlington, New Jersey and serves greater Burlington County and parts of Camden and Mercer Counties, New Jersey.

In the future, Beneficial Mutual Bancorp may acquire or organize other operating subsidiaries; however, there are no current plans, arrangements, agreements or understandings, written or oral, to do so.

Beneficial Mutual Savings Bank is a Pennsylvania chartered savings bank originally founded in 1853. In 2004, we reorganized into the mutual holding company structure, forming Beneficial Mutual Bancorp as our holding company and Beneficial Mutual Savings MHC as the sole stockholder of Beneficial Mutual Bancorp. As a Pennsylvania chartered savings bank, Beneficial Mutual Savings Bank never had members. When we reorganized into the mutual holding company structure, Beneficial Savings Bank MHC was organized with no members as well. We have served the financial needs of our depositors and the local community since our founding. We are a community-minded, customer focused institution based on quality customer service. We offer traditional financial services to consumers and businesses in our market areas. We attract deposits from the general public and use those funds to originate a variety of loans, including commercial real estate loans, consumer loans, particularly home equity loans and automobile loans, one-to-four family real estate loans, commercial business loans and construction loans. We also maintain an investment portfolio.

Our website address is www.beneficialsavings.com. We plan to make available on our website, free of charge, our annual report on Form 10-K, quarterly report on Form 10-Q and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. Information on our website should not be considered a part of this prospectus.

Market Area

We are headquartered in Philadelphia, Pennsylvania. In addition to our main office, we operate 38 full-service branch offices in Chester, Delaware, Montgomery, Philadelphia and Bucks Counties, Pennsylvania and one full-service office in each of Burlington and Camden Counties, New Jersey.

Philadelphia Market Area. The economy of our Philadelphia market area is predominated by the service sector. According to published statistics, the population of the five-county area served by our branches totaled 3.9 million. The economy in the Philadelphia market area has grown in recent years due to the presence of a highly-educated workforce and the diversity of the local economy as traditional employers in the manufacturing and financial services industry have been bolstered by growth in the life services and health care industries, as well as the information technology and communication sectors. The median household and per capita income in Bucks, Chester, Delaware and Montgomery Counties significantly exceeds the comparable figures for Pennsylvania as a whole, while the median household and per capita income in Philadelphia County trailed the comparable figures for Pennsylvania. The difference reflects the suburban location of Bucks, Chester, Delaware and Montgomery Counties compared to the urban location of Philadelphia County.

New Jersey Market Area. We currently consider our New Jersey market area to include the counties of Burlington, Camden and Gloucester. The acquisition of FMS Financial will substantially enhance our market share in Burlington County and increase our presence in Camden and Mercer Counties. The median household income in

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Burlington County, New Jersey exceeds the median household income for New Jersey as a whole. However, the per capita income of both Gloucester and Burlington Counties, as well as the median household income of Gloucester County are below the comparable figures for New Jersey. Growth trends for the New Jersey market area ranged from 1.3% in Burlington County to 0.4% in Camden County. Burlington County exceeded the state and MSA trends, while mirroring the national trend. Camden County fell below the comparative growth trends and Mercer County fell below the comparative national trend, but exceeded the trends for the State of New Jersey and the MSA.

Overall, the nine counties that will comprise our Philadelphia and New Jersey market areas provide attractive growth potential by demonstrating relatively strong population and household growth trends; and by exhibiting above average wealth in terms of income levels and median home value.

Competition

We face significant competition for the attraction of deposits and origination of loans. Our most direct competition for deposits has historically come from the many financial institutions operating in our market area and, to a lesser extent, from other financial service companies such as brokerage firms, credit unions and insurance companies. Several large holding companies operate banks in our market area, including Bank of America, Wachovia, Commerce Bank and PNC Bank. These institutions are significantly larger than us and, therefore, have significantly greater resources. We also face competition for investors' funds from money market funds, mutual funds and other corporate and government securities. At June 30, 2006, which is the most recent date for which data is available from the Federal Deposit Insurance Corporation, we held approximately 0.66% of the deposits in the Philadelphia metropolitan statistical area, which was the 18th largest market share out of the 158 institutions with offices in that metropolitan statistical area.

Our competition for loans comes primarily from financial institutions in our market area and, to a lesser extent, from other financial service providers, such as mortgage companies and mortgage brokers. Competition for loans also comes from the increasing number of non-depository financial service companies entering the mortgage market, such as insurance companies, securities companies and specialty finance companies.

We expect competition to remain intense in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Technological advances, for example, have lowered barriers to entry, allowed banks to expand their geographic reach by providing services over the Internet and made it possible for non-depository institutions to offer products and services that traditionally have been provided by banks. Changes in federal law permit affiliation among banks, securities firms and insurance companies, which promotes a competitive environment in the financial services industry. Competition for deposits and the origination of loans could limit our growth in the future.

Lending Activities

We offer a variety of loans. Historically, we have had a substantial portion of our loan portfolio concentrated in consumer loans, including primarily automobile loans and automobile lease financing, as well as home equity loans and lines of credit. In 2004, we stopped providing automobile lease financing and our automobile loan portfolio has decreased in recent years. We intend that our automobile loan portfolio will continue to decline as we place greater emphasis on originating commercial real estate and commercial business loans. Since 2002, our commercial real estate loan portfolio has grown steadily and at December 31, 2006 and 2005 comprised 24.38% and 21.48% of our total loan portfolio, respectively, which was greater than any other loan category.

In the future, we intend to continue to emphasize home equity lending, while concentrating on ways to compete for a greater share of commercial real estate and commercial business loan originations in our primary market area.

One-to-Four Family Residential Loans. We offer two types of residential mortgage loans: fixed-rate loans and adjustable-rate loans. We offer fixed-rate mortgage loans with terms of up to 40 years, although we generally do not originate fixed-rate mortgages with terms in excess of 30 years. We offer adjustable-rate mortgage loans with interest rates and payments that adjust annually after an initial fixed period of one, three or five years. Interest rates and payments on our adjustable-rate loans generally are adjusted to a rate equal to a percentage above

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

the U.S. Treasury Security Index. The maximum amount by which the interest rate may be increased or decreased is generally 2.0% per adjustment period and the lifetime interest rate cap is generally 6.0% over the initial interest rate of the loan. We generally sell all fixed rate loans we originate with terms in excess of 15 years with servicing retained.

Borrower demand for adjustable-rate loans compared to fixed-rate loans is a function of the level of interest rates, the expectations of changes in the level of interest rates, and the difference between the interest rates and loan fees offered for fixed-rate mortgage loans as compared to the interest rates and loan fees for adjustable-rate loans. The relative amount of fixed-rate and adjustable-rate mortgage loans that can be originated at any time is largely determined by the demand for each in a competitive environment. The loan fees, interest rates and other provisions of mortgage loans are determined by us on the basis of our own pricing criteria and competitive market conditions.

While one-to-four family residential real estate loans are normally originated with up to 30-year terms, such loans typically remain outstanding for substantially shorter periods because borrowers often prepay their loans in full either upon sale of the property pledged as security or upon refinancing the original loan. Therefore, average loan maturity is a function of, among other factors, the level of purchase and sale activity in the real estate market, prevailing interest rates and the interest rates payable on outstanding loans. We do not offer loans with negative amortization or interest only loans.

It is our general policy not to make high loan-to-value loans (defined as loans with a loan-to-value ratio of 80% or more) without private mortgage insurance; however, we do offer loans with loan-to-value ratios of up to 90% under a special low income loan program. The maximum loan-to-value ratio we generally permit is 95% with private mortgage insurance, although occasionally we do originate loans with loan-to-value ratios as high as 97% under special loan programs, including our first time home owner loan program. We require all properties securing mortgage loans to be appraised by a board-approved independent appraiser. We generally require title insurance on all first mortgage loans. Borrowers must obtain hazard insurance, and flood insurance is required for loans on properties located in a flood zone.

Commercial Real Estate Loans. At December 31, 2006, we had commercial real estate loans totaling \$409.7 million, or 24.4%, of our total loan portfolio, which was greater than any other loan category, including one-to-four family loans.

We offer commercial real estate loans secured by real estate primarily with adjustable rates. We originate a variety of commercial real estate loans generally for terms up to 25 years and payments based on an amortization schedule of up to 25 years. These loans are typically based on either the Federal Home Loan Bank of Pittsburgh's borrowing rate or U.S. Treasury rate and adjust every five years. Commercial real estate loans also are originated for the acquisition and development of land. Commercial real estate loans for the acquisition and development of land are typically based upon the prime rate as published in *The Wall Street Journal* and/or LIBOR. Commercial real estate loans for developed real estate and for real estate acquisition and development are originated with loan-to-value ratios of up to 75%, while loans for the acquisition of land are originated with a maximum loan to value ratio of 65%.

As of December 31, 2006, our largest commercial real estate loan was a \$20.0 million revolving line of credit for the acquisition and development of land into a development of 170 homes. The loan is secured by the land being developed. The loan balance was \$10.5 million at December 31, 2006. This loan was performing in accordance with its original terms at December 31, 2006.

Commercial Loans. We offer commercial business loans to professionals, sole proprietorships and small businesses in our market area. We offer installment loans for capital improvements, equipment acquisition and long-term working capital. These loans are typically based on the prime rate as published in *The Wall Street Journal* and/or LIBOR. These loans are secured by business assets other than real estate, such as business equipment and inventory, or are backed by the personal guarantee of the borrower. We originate lines of credit to finance the working capital needs of businesses to be repaid by seasonal cash flows or to provide a period of time during which the business can borrow funds for planned equipment purchases. We also offer accounts receivable lines of credit.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

When making commercial business loans, we consider the financial statements of the borrower, the borrower's payment history of both corporate and personal debt, the debt service capabilities of the borrower, the projected cash flows of the business, the viability of the industry in which the customer operates and the value of the collateral.

At December 31, 2006, our largest commercial business loan relationship was a \$4.2 million loan secured by common stock. This loan was performing in accordance with its original terms at December 31, 2006.

Consumer Loans. We offer a variety of consumer loans, including home equity loans and lines of credit, automobile loans, including loans for recreational vehicles, marine loans for the purchase of new and used boats, guaranteed student loans and loans secured by passbook accounts and certificates of deposit. We also offer unsecured lines of credit.

We generally offer home equity loans and lines of credit with a maximum combined loan-to-value ratio of 80%. Home equity loans have fixed-rates of interest and are originated with terms of up to 20 years. Home equity lines of credit have adjustable rates and are based upon the prime rate as published in *The Wall Street Journal*. Home equity lines of credit require that 2.0% of the principal and interest be paid each month. We hold a first mortgage position on the majority of the homes that secure our home equity loans.

We offer loans secured by new and used automobiles. These loans have fixed interest rates and generally have terms up to six years. We offer automobile loans with loan-to-value ratios of up to 100% of the purchase price of the vehicle depending upon the credit history of the borrower and other factors. Loans on recreational vehicles are originated for terms of up to 20 years depending upon the loan amount and the loan-to-value ratio on such loans generally does not exceed 90%. We generally offer marine loans for up to \$500,000 for the purchase of new and used boats with terms up to 20 years. The maximum loan-to-value ratio for such a loan is 85% for loans up to \$249,999 and 80% for loans over \$249,999. Although we continue to hold some automobile leases, we no longer originate or purchase automobile lease financing. At December 31, 2006, we had 769 leases totaling \$14.8 million.

We offer consumer loans secured by passbook accounts and certificates of deposit held at Beneficial Mutual Savings Bank based upon the prime rate as published in *The Wall Street Journal* with terms up to four years. We will offer such loans up to 100% of the principal balance of the certificate of deposit or balance in the passbook account. We also offer unsecured loans and lines of credit with terms up to five years. Our unsecured loans and lines of credit bear a substantially higher interest rate than our secured loans and lines of credit. For more information on our loan commitments, see *Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Management Liquidity Management*.

The procedures for underwriting consumer loans include an assessment of the applicant's payment history on other debts and ability to meet existing obligations and payments on the proposed loan. Although the applicant's creditworthiness is a primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount.

Loan Underwriting Risks.

Adjustable-Rate Loans. While we anticipate that adjustable-rate loans will better offset the adverse effects of an increase in interest rates as compared to fixed-rate mortgages, an increased monthly mortgage payment required of adjustable-rate loan borrowers in a rising interest rate environment could cause an increase in delinquencies and defaults. The marketability of the underlying property also may be adversely affected in a high interest rate environment. In addition, although adjustable-rate mortgage loans make our asset base more responsive to changes in interest rates, the extent of this interest sensitivity is limited by the annual and lifetime interest rate adjustment limits.

Commercial Real Estate Loans. Loans secured by commercial real estate generally have larger balances and involve a greater degree of risk than one-to-four family residential mortgage loans. Of primary concern in commercial real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

loans, to adverse conditions in the real estate market or the economy. To monitor cash flows on income properties, we require borrowers and loan guarantors, if any, to provide annual financial statements on commercial real estate loans and rent rolls where applicable. In reaching a decision on whether to make a commercial real estate loan, we consider and review a global cash flow analysis of the borrower and consider the net operating income of the property, the borrower's expertise, credit history and profitability and the value of the underlying property. We have generally required that the properties securing these real estate loans have debt service coverage ratios (the ratio of earnings before debt service to debt service) of at least 1.20x. An environmental report is obtained when the possibility exists that hazardous materials may have existed on the site, or the site may have been impacted by adjoining properties that handled hazardous materials.

Commercial Business Loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment or other income, and which are secured by real property, the value of which tends to be more easily ascertainable, commercial business loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial business loans may depend substantially on the success of the business itself. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value.

Consumer Loans. Consumer loans may entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly, such as motor vehicles, recreational vehicles and boats. In the latter case, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and a small remaining deficiency often does not warrant further substantial collection efforts against the borrower. Consumer loan collections depend on the borrower's continuing financial stability, and therefore are likely to be adversely affected by various factors, including job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Loan Originations and Purchases. Loan originations come from a number of sources. The primary source of loan originations are existing customers, walk-in traffic, advertising and referrals from customers. We also purchase home equity, automobile, recreational vehicle and marine loans.

From time to time, we will purchase participations in loans from local banks to supplement our lending portfolio. Loan participations totaled \$40.3 million at December 31, 2006. Loan participations are also subject to the same credit analysis and loan approvals as loans we originate. We are permitted to review all of the documentation relating to any loan in which we participate. However, in a purchased participation loan, we do not service the loan and thus are subject to the policies and practices of the lead lender with regard to monitoring delinquencies, pursuing collections and instituting foreclosure proceedings.

Loan Approval Procedures and Authority. Our lending activities follow written, non-discriminatory, underwriting standards and loan origination procedures established by our board of trustees and management. The board of trustees has granted loan approval authority to certain officers or groups of officers up to prescribed limits, based on the officer's experience and tenure. Individual loans or lending relationships with aggregate exposure of \$5.0 million must be approved by the senior loan committee, which is comprised of senior bank officers and five non-employee directors. All loans in excess of \$20.0 million must be approved by the senior loan committee of the board, as well as the executive committee of the board, which includes six non-employee directors.

Loans to One Borrower. The maximum amount that we may lend to one borrower and the borrower's related entities is limited, by regulation, to generally 15% of our stated capital and reserves. At December 31, 2006, our regulatory limit on loans to one borrower was \$40.3 million. At that date, our largest lending relationship was \$20.0 million and was secured by real estate being developed with 170 homes. This loan was performing in accordance with its original terms at December 31, 2006.

Loan Commitments. We issue commitments for fixed- and adjustable-rate mortgage loans conditioned upon the occurrence of certain events. Commitments to originate mortgage loans are legally binding agreements to lend to our customers. Generally, our loan commitments expire after 60 days.

Investment Activities

We have authority to invest in various types of liquid assets, including United States Treasury obligations, securities of various U.S. government sponsored enterprises, federal agencies and state and municipal governments, mortgage-backed securities and certificates of deposit of federally insured institutions. Within certain regulatory limits, we also may invest a portion of our assets in corporate securities and mutual funds. As a member of the Federal Home Loan Bank of Pittsburgh, we also are required to maintain an investment in Federal Home Loan Bank of Pittsburgh stock. While we have the authority under applicable law to invest in derivative instruments for hedging activities, we had no such investments at December 31, 2006.

At December 31, 2006, our investment portfolio excluding Federal Home Loan Bank stock totaled \$461.2 million and consisted primarily of mortgage-backed securities, including collateralized mortgage obligations, United States government and agency securities, including securities issued by government sponsored enterprises, municipal and other bonds and equity securities.

Our investment objectives are to provide and maintain liquidity, to establish an acceptable level of interest rate and credit risk, to provide an alternate source of low-risk investments when demand for loans is weak and to generate a favorable return. Our board of trustees has the overall responsibility for the investment portfolio, including approval of our investment policy, which is reviewed and approved at least annually. The Investment Oversight Committee of the board of trustees is responsible for implementation of the investment policy, and monitoring our investment performance. Our board of trustees reviews the status of our investment portfolio on a monthly basis.

Deposit Activities and Other Sources of Funds

General. Deposits, borrowings and loan repayments are the major sources of our funds for lending and other investment purposes. Scheduled loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and money market conditions.

Deposit Accounts. Deposits are primarily attracted from within our market area through the offering of a broad selection of deposit instruments, including non-interest-bearing demand deposits (such as checking accounts), interest-bearing demand accounts (such as NOW and money market accounts), savings accounts and certificates of deposit. From time to time, we solicit brokered time deposits as an alternative source of funds.

We also offer a variety of deposit accounts designed for the businesses operating in our market area. Our business banking deposit products include a commercial checking account and a checking account specifically designed for small businesses. Additionally, we offer cash management, including lockbox service and sweep accounts.

Deposit account terms vary according to the minimum balance required, the time periods the funds must remain on deposit and the interest rate, among other factors. In determining the terms of our deposit accounts, we consider the rates offered by our competition, the rates on borrowings, brokered deposits, our liquidity needs, profitability to us, and customer preferences and concerns. We generally review our deposit mix and pricing bi-weekly. Our deposit pricing strategy has generally been to offer competitive rates on all types of deposit products, and to periodically offer special rates in order to attract deposits of a specific type or term.

Borrowings. We have the ability to utilize advances from the Federal Home Loan Bank of Pittsburgh to supplement our investable funds. The Federal Home Loan Bank functions as a central reserve bank providing credit for member financial institutions. As a member, we are required to own capital stock in the Federal Home Loan Bank and are authorized to apply for advances on the security of such stock and certain of our mortgage loans and other assets (principally securities which are obligations of, or guaranteed by, the United States), provided certain standards related to creditworthiness have been met. Advances are made under several different programs, each having its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's net worth or on the Federal Home Loan Bank's assessment of the institution's creditworthiness. We also utilize securities sold under agreements to repurchase and

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

overnight repurchase agreements to supplement our supply of investable funds and to meet deposit withdrawal requirements.

Properties

The following table sets forth certain information relating to our properties as of December 31, 2006.

Location	Date Opened	Square Footage	Owned/ Leased	Lease Expiration Date	Net Book Value at December 31, 2006 (In thousands)
Executive Office					
510 Walnut Street Philadelphia, Pennsylvania 19106	4/1/2001	3,014	Leased	3/31/2011	\$ 232
Corporate Office					
510-530 Walnut Street Philadelphia, Pennsylvania 19106	4/1/2001	84,517	Leased	3/31/2011	946
Branch Offices					
<u>Philadelphia</u>					
Center City Area					
1139 Chestnut Street Philadelphia, Pennsylvania 19107	1/1/2006	3,000	Leased	12/31/2011	951
1600 Chestnut Street Philadelphia, Pennsylvania 19103	4/10/1967	4,000	Leased	10/31/2016	644
530 Walnut Street Philadelphia, Pennsylvania 19106	4/1/2001	1,832	Leased	3/31/2011	23
2500 Aramingo Street Philadelphia, Pennsylvania 19125	10/12/2004	3,000	Owned		1,155
North					
5700 N. Broad Street Philadelphia, Pennsylvania 19141	9/9/1946	4,354	Owned		110
Northeast					
Academy Plaza Shopping Center Academy & Red Lion Roads Philadelphia, Pennsylvania 19114	10/14/1968	2,750	Owned		177
Bell s Corner 8400 Bustleton Avenue Philadelphia, Pennsylvania 19152	4/20/1966	1,895	Leased	7/31/2009	275
6244 Bustleton Avenue Philadelphia, Pennsylvania 19149	2/2/1953	1,820	Leased	12/31/2007	3
6918 Brous Avenue Philadelphia, Pennsylvania 19149	4/14/2005	2,400	Owned		1,089
1411 Rhawn Street Philadelphia, Pennsylvania 19111	4/18/2005	3,000	Leased	4/30/2025	342
7262-64 Frankford Avenue Philadelphia, Pennsylvania 19135	10/23/1974	3,800	Leased	6/30/2016	4

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Location	Date Opened	Square Footage	Owned/ Leased	Lease Expiration Date	Net Book Value at December 31, 2006 (In thousands)
Holme Circle Shopping Center 2845 Holme Avenue Philadelphia, Pennsylvania 19152	8/20/2001	2,400	Leased	8/31/2011	146
826 E. Allegheny Avenue Philadelphia, Pennsylvania 19134	12/8/1924	5,922	Owned		95
Morrell Plaza Shopping Center 9910 Frankford Avenue Philadelphia Pennsylvania 19114	12/22/1997	2,000	Leased	10/15/2007	8
Parkwood Shopping Center 12377 Academy Road Philadelphia, Pennsylvania 19154	1/18/2005	2,280	Leased	12/31/2015	829
Northwest					
Ivy Ridge Shopping Center 7124 Ridge Avenue Philadelphia, Pennsylvania 19128	4/5/1999	2,000	Leased	12/31/2008	32
South					
2037 S. Broad Street Philadelphia, Pennsylvania 19148	11/27/1928	4,248	Owned		89
Southwest					
6401 Woodland Avenue Philadelphia, Pennsylvania 19142	4/10/1954	1,800	Leased	12/31/2009	42
West					
City Line Shopping Center 7622 City Line Avenue Philadelphia, Pennsylvania 19151	4/27/1949	2,340	Leased	6/30/2012	2
<u>Bucks County</u>					
Bensalem					
Bensalem Shopping Center Street & Hulmeville Roads Bensalem, Pennsylvania 19020	1/29/1975	2,000	Leased	1/31/2008	26
Newtown					
Summit Square Shopping Center 2A Route 413 & Doublewood Road Newtown, Pennsylvania 19047	4/12/1995	2,400	Leased	3/31/2010	1
Warminster					
Rosemore Shopping Center 1043 W. County Line Road Warminster, Pennsylvania 19040	9/14/1970	2,000	Leased	6/30/2010	29

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Location	Date Opened	Square Footage	Owned/ Leased	Lease Expiration Date	Net Book Value at December 31, 2006 (In thousands)
Warrington					
Stone Manor Corporate Center 1560 Easton Road Warrington, Pennsylvania 18976	1/30/2006	3,200	Owned		900
<u>Chester County</u>					
Exton					
Main Street at Exton 267 Main Street Exton, Pennsylvania 19341	1/27/2003	2,950	Leased	1/26/2018	327
<u>Delaware County</u>					
Broomall					
Lawrence Park Shopping Center 1991 Sproul Road, Ste. 22 Broomall, Pennsylvania 19008	10/31/1960	2,640	Leased	4/30/2009	1
Clifton Heights					
Baltimore Pike & Oak Avenue Clifton Heights, Pennsylvania 19018	12/09/1968	2,572	Leased	4/30/2009	14
Drexel Hill					
1200 Township Line Road Drexel Hill, Pennsylvania 19026	03/27/2006	3,200	Owned		1,701
Eddystone					
Eddystone Crossings Shopping Center 1571 Chester Pike Eddystone, Pennsylvania 19022	12/18/2000	3,000	Leased	12/31/2015	198
Edgmont					
Edgmont Square Shopping Center 4733 West Chester Pike Edgmont, Pennsylvania 19073	5/6/1997	3,000	Leased	5/5/2012	411
Folcroft					
Delcroft Shopping Center 1862-64 Delmar Drive Folcroft, Pennsylvania 19032	4/23/1971	2,000	Leased	1/31/2011	34
Yeadon					
727 Church Lane Yeadon, Pennsylvania 19050	3/23/1973	1,450	Owned		49

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Location	Date Opened	Square Footage	Owned/ Leased	Lease Expiration Date	Net Book Value at December 31, 2006 (In thousands)
<u>Montgomery County</u>					
Ardmore					
Ardmore West Shopping Center 177 West Lancaster Avenue Ardmore, Pennsylvania 19003	2/20/1974	1,839	Leased	8/03/2009	2
Conshohocken					
Giant Market, 12 E. Ridge Pike Whitemarsh Shopping Center Conshohocken, Pennsylvania 19428	4/16/1997	500	Leased	4/15/2012	8
East Norriton					
2905 Whitehall Road East Norriton, Pennsylvania 19403	8/2/2004	3,000	Leased	8/31/2025	773
Jenkintown					
Baederwood Shopping Center The Fairway Jenkintown, Pennsylvania 19046	1/5/1976	2,000	Leased	12/31/2010	109
Montgomeryville					
Five Points Plaza Shopping Center 640 Cowpath Road Montgomeryville, Pennsylvania 19446	6/7/1999	2,738	Leased	12/31/2008	32
Narberth					
901 Montgomery Avenue Narberth, Pennsylvania 19072	9/29/1972	2,197	Owned		97
Springhouse					
509 Springhouse Village Center Springhouse, Pennsylvania 19477	4/26/1999	2,750	Leased	1/31/2009	34
<u>New Jersey</u>					
<u>Burlington County</u>					
Mt. Laurel					
Larchmont Commons Shopping Center 3113 Route 38 Mt. Laurel, New Jersey 08054	4/22/1998	3,612	Leased	12/31/2008	1
Other Properties					
325 Chestnut Street Suite 1200 Philadelphia, Pennsylvania 19106	10/01/2002	7,848	Leased	10/31/2012	
470 John Young Way Exton, Pennsylvania 19341	3/11/2002	15,085	Owned		2,680

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

During 2006, we opened one new branch office and relocated two branch offices to more modern facilities. Three additional branch offices were opened in 2007.

Personnel

As of December 31, 2006, we had 515 full-time employees and 62 part-time employees, none of whom is represented by a collective bargaining unit. We believe our relationship with our employees is good.

Legal Proceedings

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

Subsidiaries

Beneficial Mutual Savings Bank has six wholly owned subsidiaries and a minority interest in another company. Beneficial Investment Center, LLC is a Pennsylvania Limited Liability Company formed in 2000 for the purpose of offering investment and insurance related products, including, but not limited to, fixed- and variable-rate annuities and the sale of mutual funds and securities through INVEST, a third party broker dealer.

Neumann Corporation, which was formed in 1990, is a Delaware Investment Holding Company and holds title to various Beneficial Mutual Savings Bank securities and other investments. At December 31, 2006, Neumann Corporation held \$431.2 million in assets.

Beneficial Insurance Services, LLC is a Pennsylvania Limited Liability Company formed in 2004. In 2005, Beneficial Insurance Services LLC acquired the assets of a Philadelphia-based insurance brokerage firm, Paul Hertel & Co., Inc., which provides property, casualty, life, health and benefits insurance services to individuals and businesses. Beneficial Insurance Services, LLC conducts business under the trade name of Paul Hertel & Company. Beneficial Insurance Services, LLC also acquired a majority interest in Graphic Arts Insurance Agency, Inc. through its acquisition of the assets of Paul Hertel & Co. Inc.

BSB Union Corporation was formed in 1994 for the purpose of engaging in the business of owning and leasing automobiles. In 1998, BSB Union Corporation obtained approval to hold an interest in a titling trust.

St. Ignatius Senior Housing I, L.P. is a limited partnership formed in 2002 and sponsored by St. Ignatius Nursing Home, a subsidiary of which is the general partner. Beneficial Mutual Savings Bank owns 99.99% of the partnership. The limited partnership was sponsored as an affordable housing project providing low income housing tax credits pursuant to Section 42 of the Internal Revenue Code.

Beneficial Abstract, LLC is a title insurance company in which Beneficial Mutual Savings Bank purchased a 40% ownership interest in 2006. In January 2007, Beneficial Mutual Savings Bank made the decision to discontinue its participation in Beneficial Abstract, LLC. It is anticipated that Beneficial Mutual Savings Bank will liquidate its investment in Beneficial Abstract, LLC in the second quarter of 2007.

Beneficial Equity Holdings, LLC was formed in 2004 and is currently inactive.

**Management's Discussion and Analysis of
Results of Operations and Financial Condition of
Beneficial Mutual Bancorp**

The objective of this section is to help potential investors understand our views on our results of operations and financial condition. You should read this discussion in conjunction with the consolidated financial statements and notes to the consolidated financial statements that appear at the end of this prospectus.

Overview

Our principal business is to acquire deposits from individuals and businesses in the communities surrounding our offices and to use these deposits to fund loans. We focus on providing our products and services to two segments of customers: individuals and small businesses.

The history of Beneficial Mutual Bancorp dates back to 1853. Over the years, we have expanded primarily through internal growth, reaching \$2.3 billion in assets at December 31, 2006. In 2004, Beneficial Mutual Savings Bank reorganized into the mutual holding company structure, forming Beneficial Mutual Bancorp as its holding company and Beneficial Savings Bank MHC as the sole stockholder of Beneficial Mutual Bancorp. In 2005, we completed the acquisition of Northwood Savings Bank, located in the Fishtown area of Philadelphia and acquired the insurance firm Paul Hertel & Co., Inc. through our subsidiary Beneficial Insurance Services, to provide property, casualty, life, health and benefits insurance to individual and business customers with a focus on strengthening our fee income and overall earnings. In 2007, we will complete our minority stock offering and acquire FMS Financial. FMS Financial has total assets of over \$1.2 billion and is characterized by a lower loan to deposit ratio than Beneficial Mutual Bancorp, providing us with an additional source of funds for our rising loan activity.

Beneficial Mutual Bancorp was established to serve the financing needs of the public and has expanded its services over time to offer personal and business checking accounts, home equity loans and lines of credit, commercial real estate loans and other types of commercial and consumer loans. We also provide insurance services through our wholly owned subsidiary, Beneficial Insurance Services, LLC. Our retail market area primarily includes all of the area surrounding our 41 offices located in Bucks, Chester, Delaware, Montgomery and Philadelphia Counties in Pennsylvania and Burlington and Camden Counties in New Jersey, while our lending market also includes Gloucester, Camden and Burlington Counties in New Jersey. We serve our customers through our four offices in Bucks County, seven offices in each of Delaware and Montgomery Counties, nineteen offices in Philadelphia County, and single offices in Chester County, Pennsylvania and Burlington and Camden County, New Jersey.

In addition to expanding relationships with current customers, we plan to increase the number of households and customers we serve by continuing to expand our branch network. Branch expansions will focus on suburban Philadelphia with a particular emphasis on the New Jersey market. Acquisitions are a strategic objective, as evidenced by the planned acquisition of FMS Financial, and we will continue to evaluate other opportunities.

We have focused on attaining and maintaining a sound financial position and recognize that maintaining a strong financial position is a major consideration in strategic planning. We are aware that our vision must be pursued in conjunction with key financial objectives to ensure overall sound financial performance. The recent interest rate environment, which has caused short-term market interest rates to rise, while longer term interest rates have not, has had a negative impact on our interest rate spread and net interest margin, which has reduced our profitability and caused a decrease in our return on average assets and return on average equity. To offset the negative impact the current interest rate environment is having on our profitability, we are seeking to find means of increasing interest income and non-interest income while controlling expenses. As a result, we have identified five key financial objectives, which are described in the Business Strategy section that begins on page 85.

Income. Our primary source of pre-tax income is net interest income. Net interest income is the difference between interest income, which is the income that we earn on our loans and investments, and interest expense, which is the interest that we pay on our deposits and borrowings. Changes in levels of interest rates affect our net interest income. In recent periods, short-term interest rates (which influence the rates we pay on deposits)

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

have increased, while longer-term interest rates (which influence the rates we earn on loans) have not. The narrowing of the spread between the interest we earn on loans and investments and the interest we pay on deposits has negatively affected our net interest income.

A secondary source of income is non-interest income, which is revenue that we receive from providing products and services. The majority of our non-interest income generally comes from service charges (mostly from service charges on deposit accounts). In some years, we recognize income from the sale of loans and securities. We have recently sought to increase non-interest income by expanding the insurance and investment products we can offer our customers. In 2005, Beneficial Insurance Services, LLC, a subsidiary of Beneficial Mutual Savings Bank, acquired the assets of Paul Hertel & Co., Inc., an insurance agency and brokerage that has provided insurance services since 1908.

Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable losses inherent in the loan portfolio. We evaluate the need to establish allowances against losses on loans on a quarterly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings.

Expenses. The non-interest expenses we incur in operating our business consist of salaries and employee benefits expenses, occupancy expenses, depreciation, amortization and maintenance expenses and other miscellaneous expenses, such as advertising, insurance, professional services and printing and supplies expenses.

Our largest non-interest expense is salaries and employee benefits, which consist primarily of salaries and wages paid to our employees, payroll taxes, and expenses for health insurance, retirement plans and other employee benefits. Our salaries and employee benefits expense has increased in recent periods as a result of the addition of staff for our new branch offices. Following the offering, we will recognize additional annual employee compensation expenses stemming from the adoption of new equity benefit plans. For an illustration of expenses associated with new equity benefit plans, see *Pro Forma Data*.

Occupancy expenses, which are the fixed and variable costs of buildings and equipment, consist primarily of furniture and equipment expenses, maintenance, real estate taxes and costs of utilities. Our occupancy expenses have increased in recent periods because of the new branch offices we have opened in our market area. We expect non-interest expense to continue to increase, as we have added one branch office in Camden County, New Jersey and one in Montgomery County, Pennsylvania. Beneficial Mutual Savings Bank expects to open one additional branch office in Montgomery County, Pennsylvania in 2007.

Effective at the beginning of 2007, the Federal Deposit Insurance Corporation began assessing most insured depository institutions for deposit insurance at a rate between five cents and seven cents for every \$100 of deposits. Assessment credits have been provided to institutions that paid high premiums in the past. According to information provided by the Federal Deposit Insurance Corporation, Beneficial Mutual Savings Bank will receive an assessment credit of approximately \$1.72 million. We expect this credit will offset our deposit insurance premiums in 2007.

Following the offering, we will incur additional non-interest expenses as a result of operating as a public company. These additional expenses will consist primarily of legal and accounting fees, expenses of shareholder communications and meetings and expenses related to the addition of personnel.

Critical Accounting Policies

In the preparation of our consolidated financial statements, we have adopted various accounting policies that govern the application of accounting principles generally accepted in the United States. Our significant accounting policies are described in the notes to our consolidated financial statements, beginning on page F-6 of this prospectus.

Certain accounting policies involve significant judgments and assumptions by us that have a material impact on the carrying value of certain assets and liabilities. We consider these accounting policies to be critical accounting policies. The judgments and assumptions we use are based on historical experience and other factors, which we believe to be reasonable under the circumstances. Actual results could differ from these judgments and

estimates under different conditions, resulting in a change that could have a material impact on the carrying values of our assets and liabilities and our results of operations.

Allowance for Loan Losses. We consider the allowance for loan losses to be a critical accounting policy. The allowance for loan losses is the amount estimated by management as necessary to cover losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses, which is charged to income. Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Among the material estimates required to establish the allowance are: value of collateral; loss exposure at default; the amount and timing of future cash flows on impacted loans; and determination of loss factors to be applied to the various elements of the portfolio. All of these estimates are susceptible to significant change. Management reviews the level of the allowance at least quarterly and establishes the provision for loan losses based upon an evaluation of the portfolio, past loss experience, current economic conditions and other factors related to the collectibility of the loan portfolio. Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluation. In addition, the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on judgments about information available to them at the time of their examination. A large loss could deplete the allowance and require increased provisions to replenish the allowance, which would adversely affect earnings. See note 5 of the notes to the consolidated financial statements included in this prospectus.

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes as prescribed in Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. A valuation allowance would result in additional income tax expense in the period, which would negatively affect earnings.

Business Strategy

Our business strategy is to operate and grow a profitable community-oriented financial institution. We plan to achieve this by executing our strategy of:

Expanding our franchise through acquisition opportunities, including our merger with FMS Financial, and through the opening of additional branch offices in our primary market area;

Pursuing opportunities to increase commercial lending in our primary market area;

Continuing to use conservative underwriting practices to maintain the high quality of our loan portfolio;

Growing non-interest income by expanding the products and services we offer our customers, including the expansion of our insurance services; and

Building profitable business and consumer relationships by providing superior customer service with an emphasis on growing transaction deposit accounts and deposit balances.

Expanding our franchise through acquisition opportunities, including our merger with FMS Financial, and through the opening of additional branch offices in our primary market area

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Beneficial Mutual Savings Bank has sought to expand its franchise in recent years through acquisition opportunities and by opening new branch offices. In November 2005, we acquired Northwood Savings Bank, an \$8.8 million Pennsylvania-chartered mutual savings bank with one branch office located in Philadelphia, Pennsylvania. This acquisition enabled Beneficial Mutual Savings Bank to acquire nearly \$8.0 million in deposits. Beneficial Mutual Savings Bank has actively sought to expand its franchise through the opening of new branch offices. In 2005, we opened three new branch offices in Northeast Philadelphia. In 2006, we opened one new branch in Bucks County, Pennsylvania and relocated two branches, one to Philadelphia, Pennsylvania and another to Delaware County, Pennsylvania. Our branch expansion has been within our existing market area as we have sought to penetrate more of our primary market area. We opened a new branch office in Camden County, New Jersey in January 2007 and another in Montgomery County, Pennsylvania in March 2007. We intend to open one additional branch office in Montgomery County, Pennsylvania in 2007 as well.

On October 12, 2006, we entered into a merger agreement pursuant to which FMS Financial will merge with and into Beneficial Mutual Bancorp. In connection with the merger, FMS Financial's wholly owned subsidiary, Farmers & Mechanics Bank, will merge with and into Beneficial Mutual Savings Bank. Farmers & Mechanics Bank has a network of 42 branch offices located primarily in Burlington County, New Jersey. Farmers & Mechanics Bank also has branches in parts of Camden and Mercer Counties, New Jersey. The merger will solidify Beneficial's position as the largest Philadelphia-based bank operating solely in the greater metropolitan area, with more than \$3.5 billion in assets and a greatly expanded network of neighborhood banking offices throughout the region. Farmers & Mechanics Bank intends to close ten branch offices located in Burlington County, New Jersey, and one branch office located in Mercer County, New Jersey, prior to consummation of the merger. Many of the offices to be closed are very close to other existing Farmers & Mechanics Bank offices. Notwithstanding the closure of these offices, a substantial branch network will exist for the convenience of our customers. The combined bank will offer a full array of financial products encompassing retail and commercial banking, real estate, consumer and commercial lending, insurance and brokerage operations.

Pursuing opportunities to increase commercial lending in our primary market area

We have a diversified loan portfolio which includes commercial real estate and commercial business loans. At December 31, 2006, we had \$409.7 million and \$98.6 million of commercial real estate and commercial business loans representing 24.38% and 5.87% of total loans, respectively. Commercial loans provide diversification to our loan portfolio and, because our commercial loans are based upon rate indices that are higher than those used for one-to-four family loans, improve the interest sensitivity of our assets. With the additional capital raised in the offering, we intend to continue to pursue the larger lending relationships associated with commercial lending.

Continuing to use conservative underwriting practices to maintain the high quality of our loan portfolio

We believe that maintaining high asset quality is a key to long-term financial success. We have sought to grow and diversify our loan portfolio while keeping nonperforming assets to a minimum. We use underwriting standards that we believe are conservative and we diligently monitor collection efforts. At December 31, 2006, our nonperforming loans were 0.48% of our total loan portfolio. Although we intend to continue our efforts to originate commercial real estate and commercial business loans after the offering, we intend to maintain our philosophy of managing large loan exposures through our conservative approach to lending.

Growing non-interest income by expanding the products and services we offer our customers, including the expansion of our insurance services

We are seeking to expand the non-traditional financial products that we offer to serve the insurance and investment needs of our customers. In 2005, Beneficial Insurance Services, LLC, a wholly owned subsidiary of Beneficial Mutual Savings Bank, acquired the assets of Philadelphia-based Paul Hertel & Co., Inc., an insurance brokerage firm that provides property, casualty, life, health and benefits insurance services to individuals and business customers. We intend to continue to seek opportunities to expand the products and services we make available to our customers.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

We are currently in acquisition discussions with an insurance agency located in our market area which generated revenues of approximately \$5 million in 2006. We have not agreed to the terms of an acquisition, including price, with this party. Following these discussions, there can be no assurances that we will agree to the terms of a transaction with this insurance agency.

Building profitable business and consumer relationships by providing superior customer service with an emphasis on growing transaction deposit accounts and deposit balances

We are a full-service financial services company offering our customers a broad range of loan and deposit products. On the lending side, we continue to seek to increase the commercial real estate and commercial business loans we originate and hope to serve a greater percentage of the small businesses in our market area. Following our merger with FMS Financial, we intend to aggressively seek lending relationships with the former customers of Farmers & Mechanics Bank and to capitalize on the reputation of Farmers & Mechanics Bank in the market area it serves throughout Burlington County and parts of Camden and Mercer Counties, New Jersey, particularly with small businesses throughout those counties. On the deposit side, we offer a broad array of services, including internet banking, which enables our customers to pay bills on-line, among other conveniences. We recently began offering remote deposit, an electronic device that is essentially a virtual branch office, to our commercial loan customers, which enables businesses to make deposits and conduct other banking business with us at their place of business.

As a community-oriented financial institution, we emphasize providing superior customer service as a means to attract and retain customers. We deliver personalized service and respond with flexibility to customer needs. We believe that our community orientation is attractive to our customers and distinguishes us from the large banks that operate in our area.

Finally, we believe a solid banking relationship is best expressed in the form of the primary transaction account. For consumers, this is the household checking account from which they pay their bills. For businesses, it is one or more operating accounts and related cash management services. The primary transaction account provides us with a low-cost source of funds and enables us to build relationships with our customers. We intend to focus our resources on growing profitable business and consumer relationships by emphasizing the primary transaction account. This is becoming increasingly difficult as more of our competitors realize the inherent value of the primary consumer and business transaction account in solidifying banking relationships and growing the products and services that can be provided to a customer. The primary transaction account becomes linked to automated payment links in the form of direct debits and direct deposits and, coupled with superior customer service, tend to create a relationship between the bank and the customer. We believe that many opportunities remain to deliver what our customers want in the form of exceptional service and convenience and intend to continue to promote our transaction accounts, particularly when we originate loans for our customers.

Balance Sheet Analysis

Loans. At December 31, 2006, total loans, net, were \$1.67 billion, or 72.7% of total assets. In recent years, we have sought to decrease the automobile loans we originate and purchase for portfolio, which carry a lower yield than our real estate loans, and have placed an emphasis on originating commercial real estate and commercial business loans. In 2005, our total loan portfolio increased 10%, while our commercial real estate loan portfolio increased 31.69%, as we increased marketing efforts designed towards commercial real estate and commercial business loan origination. In 2006, although our total loan portfolio decreased, our commercial real estate and commercial business loan portfolios continued to increase. In the year ended December 31, 2006, the loan portfolio decreased \$42.5 million, or 2.5%, while commercial real estate loans and commercial business loans increased 10.70% and 47.58%, respectively, resulting from a 50% increase in our commercial lending staff as well as continued marketing efforts. Our one-to-four family loan portfolio decreased slightly to 16.6% of our loan portfolio at December 31, 2006 compared to 17.1% at December 31, 2005. Our home equity loan portfolio also remained relatively stable at 22.9% of our loan portfolio at December 31, 2006 compared to 22.9% and 22.2% at December 2005 and 2004, respectively.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

December 31, (Dollars in thousands)	2006		2005		2004		2003		2002	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Real estate loans:										
One-to-four family	\$ 278,970	16.61%	\$ 294,960	17.12%	\$ 278,011	17.75%	\$ 292,708	19.66%	\$ 279,837	20.24%
Commercial real estate (1)	409,702	24.38	370,086	21.48	281,038	17.95	208,090	13.98	157,773	11.41
Residential construction	9,967	0.59	16,529	0.96	10,404	0.67	7,102	0.48	2,913	0.21
Total real estate loans	698,639	41.58	681,575	39.56	569,453	36.37	507,900	34.11	440,523	31.86
Commercial business loans	98,612	5.87	66,818	3.88	48,898	3.12	31,429	2.11	34,086	2.47
Consumer loans:										
Home equity loans and lines of credit	384,370	22.88	394,432	22.90	347,727	22.20	263,079	17.67	212,569	15.37
Automobile loans	232,675	13.85	271,209	15.74	265,048	16.93	269,533	18.10	254,790	18.43
Other consumer loans (2)	265,878	15.82	308,605	17.92	334,834	21.38	417,066	28.01	440,686	31.87
Total consumer loans	882,923	52.55	974,246	56.56	947,609	60.51	949,678	63.78	908,045	65.67
Total loans	1,680,174	100.00%	1,722,639	100.00%	1,565,960	100.00%	1,489,007	100.00%	1,382,654	100.00%
Net deferred loan costs	8,651		10,514		9,340		9,160		8,920	
Allowance for losses	(17,368)		(17,096)		(17,141)		(16,944)		(16,804)	
Loans, net	\$ 1,671,457		\$ 1,716,057		\$ 1,558,159		\$ 1,481,223		\$ 1,374,770	

- (1) At December 31, 2006, includes loans totaling \$95.7 originated for the acquisition and development of real estate.
- (2) At December 31, 2006, includes \$1.5 million in personal loans, \$14.8 million in automobile lease financing, \$9.3 million in loans secured by manufactured housing, \$70.0 million in loans secured by recreational vehicles, \$84.1 million in loans secured by boats and \$84.6 million in guaranteed student loans.

Loan Maturity

The following tables set forth certain information at December 31, 2006 regarding the dollar amount of loan principal repayments becoming due during the periods indicated. The tables do not include any estimate of prepayments which significantly shorten the average life of all loans and may cause our actual repayment experience to differ from that shown below. Demand loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less. The amounts shown below exclude applicable loans in process and unearned interest in consumer loans and include net deferred loan costs. Our adjustable-rate mortgage loans generally do not provide for downward adjustments below the initial discounted contract rate. When market interest rates rise, as has occurred in recent periods, the interest rates on these loans may increase based on the contract rate (the index plus the margin) exceeding the initial interest rate floor.

December 31, 2006 (In thousands)	One-to-Four Family	Commercial Real Estate	Residential Construction	Commercial Business	Home Equity	Auto-mobile	Other Consumer	Total Loans
Amounts due in:								
One year or less	\$ 19,282	\$ 100,146	\$ 9,967	\$ 24,104	\$ 2,097	\$ 7,007	\$ 15,371	\$ 177,974
More than one to five years	46,412	61,713		14,854	47,458	209,784	10,600	390,821
More than five to ten years	28,663	17,203		4,141	139,410	20,987	49,786	260,190
More than ten years	184,406	228,390		54,972	197,211	13	194,848	859,840
Total	\$ 278,763	\$ 407,452	\$ 9,967	\$ 98,071	\$ 386,176	\$ 237,791	\$ 270,605	\$ 1,688,825

The following table sets forth the dollar amount of all loans at December 31, 2006 that are due after December 31, 2007 and have either fixed interest rates or floating or adjustable interest rates.

(In thousands)	Fixed Rates	Floating or Adjustable Rates	Total
One-to-four family	\$ 199,709	\$ 59,772	\$ 259,481
Commercial real estate	20,827	286,479	307,306
Construction			
Commercial business	13,135	60,832	73,967
Consumer	865,630	4,467	870,097
Total	\$ 1,099,301	\$ 411,550	\$ 1,510,851

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Loan Activity

The following table shows loans originated, purchased and sold during the periods indicated.

Year Ended December 31, (In thousands)	2006	2005	2004	2003	2002
Total loans at beginning of period	\$ 1,733,153	\$ 1,575,300	\$ 1,498,167	\$ 1,391,574	\$ 1,333,754
Originations:					
Real estate loans:					
One-to-four family	27,306	43,505	65,205	160,085	100,080
Commercial real estate	185,246	176,874	147,612	96,393	60,141
Residential construction	8,978	18,048	14,317	9,398	5,167
Total real estate loans	221,530	238,427	227,134	265,876	165,388
Commercial business loans	44,588	31,926	25,682	14,557	12,997
Consumer:					
Home equity loans and lines of credit	87,377	153,824	199,099	207,217	147,677
Automobile loans	92,926	148,738	139,570	152,786	159,266
Other consumer loans	64,469	102,041	63,548	154,523	173,860
Total consumer loans	244,772	404,603	402,217	514,526	480,803
Total loans originated	510,890	674,956	655,033	794,959	659,188
Purchases	5,064	38,283		1,744	653
Less:					
Principal payments and repayments	551,351	545,565	561,693	648,949	574,167
Loan sales	8,592	9,371	16,066	40,841	27,566
Transfers to foreclosed real estate	339	450	141	320	288
Total loans at end of period	\$ 1,688,825	\$ 1,733,153	\$ 1,575,300	\$ 1,498,167	\$ 1,391,574

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Securities. At December 31, 2006, the investment securities portfolio excluding FHLB stock was \$461.2 million, or 20.05% of total assets. At December 31, 2006, 69.94% of the investment portfolio was invested in mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA) and government agency mortgage-backed securities (GNMA), including collateralized mortgage obligations (CMO) securities issued by the FHLMC, FNMA, and private issuer CMOs securities rated AAA by Standard & Poor's. Private issuer CMOs totaled \$106 million or 22.98% of our total securities portfolio at December 31, 2006. The remainder was invested primarily in United States government sponsored enterprises and agency note securities, municipal bonds, corporate bonds and equity securities.

December 31, (In thousands)	2006		2005		2004	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available for sale:						
U.S. Government sponsored enterprise and agency notes	\$ 72,644	\$ 71,786	\$ 54,507	\$ 53,649	\$ 31,624	\$ 31,722
Mortgage-backed securities:						
GNMA guaranteed mortgage certificates	26,438	26,348	37,332	36,972	45,800	45,990
FNMA and FHLMC mortgage-backed securities	53,759	52,962	54,988	53,967	60,002	60,552
Collateralized mortgage obligations	144,339	140,400	156,196	152,480	237,218	237,297
Total mortgage-backed securities	224,536	219,710	248,516	243,419	343,020	343,839
Municipal and other bonds	31,632	31,732	29,875	29,917	13,273	13,694
Equity securities	6,453	7,639	13,066	14,119	18,646	21,465
Total available for sale	335,265	330,867	345,964	341,104	406,563	410,720
Securities held to maturity:						
U.S. Government sponsored enterprise and agency notes	27,499	26,880	37,494	36,550	42,494	42,148
Mortgage-backed securities:						
GNMA guaranteed mortgage certificates	912	881	1,300	1,289	2,014	2,058
FNMA and FHLMC mortgage-backed securities	101,946	99,472	122,757	120,355	159,257	159,984
Total mortgage-backed securities	102,858	100,353	124,057	121,644	161,271	162,042
Municipal and other bonds			1,769	1,756	1,819	1,792
Total held to maturity	130,357	127,233	163,320	159,950	205,584	205,982
Total	\$ 465,622	\$ 458,100	\$ 509,284	\$ 501,054	\$ 612,147	\$ 616,702

Mortgage-backed securities are a type of asset-backed security that is secured by a mortgage, or a collection of mortgages. These securities must also be grouped in one of the top two ratings as determined by an accredited credit rating agency, and usually pay periodic payments that are similar to coupon payments. Furthermore, the mortgage must have originated from regulated and authorized financial institutions. The contractual cash flows of those investments in government sponsored enterprises mortgage-backed securities are debt obligations of FHLMC and FNMA. The cash flows related to GNMA securities are direct obligations of the U.S. Government. Mortgage-backed securities are also known as mortgage pass-throughs. CMOs are a type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds prospectus. At December 31, 2006, we had no investments in a single company or entity (other than United States government sponsored enterprise securities) that had an aggregate book value in excess of 10% of our equity at December 31, 2006.

As with any type of investment there are risk factors to consider. The risks included with mortgage-backed securities and CMOs but not limited to include interest rate risk, which would affect the market value of the security, and prepayment risk, which would affect the cash flow and average life of the security. All of these risk factors are taken into consideration during repurchase analysis of a security.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table sets forth the stated maturities and weighted average yields of the investment securities at December 31, 2006. Certain securities have adjustable interest rates and will reprice monthly, quarterly or annually within the various maturity ranges. These repricing schedules are not reflected in the table below. All but approximately \$75.3 million of the securities listed have fixed rates.

December 31, 2006 (Dollars in thousands)	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
Securities available-for-sale:										
U.S. Government sponsored enterprise and agency notes	\$ 18,914	4.90%	\$ 50,699	4.21%	\$ 2,173	6.48%	\$	%	71,786	4.46%
Mortgage-backed securities			34,985	4.07	5,292	4.16	179,433	5.06	219,710	4.88
Municipal and other bonds	50	4.93	7,104	5.24	24,578	3.81			31,732	4.13
Equity securities							7,639	2.01	7,639	2.01
Total available for sale	18,964	4.90	92,788	4.24	32,043	4.05	187,072	4.94	330,867	4.65
Securities held to maturity:										
U.S. Government sponsored enterprise and agency notes			27,499	4.15					27,499	4.15
Mortgage-backed securities	703	4.01	18,341	4.08	13,382	4.56	70,432	5.04	102,858	4.80
Total held to maturity	703	4.01	45,840	4.12	13,382	4.56	70,432	5.04	130,357	4.66
Total	\$ 19,667	4.86%	\$ 138,628	4.20%	\$ 45,425	4.20%	\$ 257,504	4.97%	\$ 461,224	4.66%

Premises and Equipment. Premises and equipment totaled \$33.2 million at December 31, 2006 as compared to \$31.5 million at December 31, 2005. Land increased \$1.7 million and bank premises increased \$2.6 million primarily due to the addition of one banking office and relocation of two existing banking offices. In addition, construction in progress decreased \$3.4 million primarily as a result of the transfer of costs related to the new and relocated branch offices placed into service in 2006.

Deposits. Our deposit base is comprised of demand deposits, money market and passbook accounts and time deposits. We consider demand deposits and money market and passbook accounts to be core deposits. At December 31, 2006, core deposits were 46.4% of total deposits. Deposits increased \$12.8 million, or 0.78%, in the year ended December 31, 2006, as core deposits decreased \$33.2 million, and time deposits increased \$46.0 million. Our efforts to grow core deposits have been focused on the promotion of interest earning checking accounts. We have experienced an increase in our time deposit accounts as we have selectively competed for certain deposit maturities by adjusting our rates. However, we believe we are most successful attracting and retaining deposits by offering superior customer service.

At December 31, (Dollars in thousands)	2006		2005		2004	
	Amount	Percent of Total Deposits	Amount	Percent of Total Deposits	Amount	Percent of Total Deposits
Non-interest bearing deposits	\$ 79,862	5%	\$ 84,989	5%	\$ 75,019	5%
Interest-earning checking accounts	162,955	10	170,712	10	137,590	9
Money market accounts	281,044	17	263,973	16	373,563	23
Savings accounts	250,109	15	287,444	18	312,672	19
Time deposits	893,906	53	847,915	51	699,089	44
Total	\$ 1,667,876	100%	\$ 1,655,033	100%	\$ 1,597,933	100%

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table indicates the amount of certificates of deposit of \$100,000 or more by time remaining until maturity as of December 31, 2006. From time to time we have solicited brokered time deposits as an alternative source of funds. The table below excludes brokered deposits. At December 31, 2006, we had \$35.0 million in brokered deposits.

December 31, 2006 (In thousands)	Certificates of Deposit
Maturity Period:	
Three months or less	\$ 70,594
Over three through six months	30,889
Over six through twelve months	37,161
Over twelve months	25,283
Total	\$ 163,927

The following table sets forth the time deposits classified by rates at the dates indicated.

At December 31, (In thousands)	2006	2005	2004
0.00 - 1.00%	\$ 7	\$ 2,564	\$ 72,148
1.01 - 2.00%	108	30,389	236,011
2.01 - 3.00%	93,997	269,875	203,004
3.01 - 4.00%	264,228	404,457	97,658
4.01 - 5.00%	267,819	139,222	71,205
5.01 - 6.00%	267,687	1,181	2,755
6.01 - 7.00%	60	227	16,308
Total	\$ 893,906	\$ 847,915	\$ 699,089

The following table sets forth the amount and maturities of time deposits classified by rates at December 31, 2006.

(In thousands)	Amount Due				Total
	Less Than One Year	More Than One Year to Two Years	More Than Two Years to Three Years	More Than Three Years	
0.00 - 1.00%	\$ 4	\$ 3	\$	\$	\$ 7
1.01 - 2.00%	99			9	108
2.01 - 3.00%	84,519	7,005	2,429	44	93,997
3.01 - 4.00%	191,522	43,101	11,373	18,232	264,228
4.01 - 5.00%	243,747	23,503	124	445	267,819
5.01 - 6.00%	226,164	41,497	26		267,687
6.01 - 7.00%	39			21	60
Total	\$ 746,094	\$ 115,109	\$ 13,952	\$ 18,751	\$ 893,906

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table sets forth the deposit activity for the periods indicated.

Year Ended December 31, (In thousands)	2006	2005	2004
Beginning balance	\$ 1,655,033	\$ 1,597,933	\$ 1,546,412
Increase (decrease) before interest credited	(31,545)	25,109	25,991
Interest credited	44,388	31,991	25,530
Net increase (decrease) in deposits	12,843	57,100	51,521
Ending balance	\$ 1,667,876	\$ 1,655,033	\$ 1,597,933

Borrowings. We use borrowings from the Federal Home Loan Bank of Pittsburgh, as well as repurchase agreements and other sources of borrowings, to supplement our supply of funds for loans and investments.

Year Ended December 31, (Dollars in thousands)	2006	2005	2004
Maximum amount outstanding at any month-end during period:			
Federal Home Loan Bank advances	\$ 255,697	\$ 340,397	\$ 371,484
Repurchase agreements	125,350	92,918	19,869
Federal Home Loan Bank overnight borrowings	70,000	102,507	49,770
Other	52,496(1)	2,496	
Average outstanding balance during period:			
Federal Home Loan Bank advances	\$ 231,604	\$ 324,966	\$ 354,861
Repurchase agreements	101,883	45,650	17,607
Federal Home Loan Bank overnight borrowings	9,880	47,634	13,171
Other	29,930	2,496	
Weighted average interest rate during period:			
Federal Home Loan Bank advances	4.88%	4.67%	4.47%
Repurchase agreements	4.92	3.77	1.41
Federal Home Loan Bank overnight borrowings	4.63	3.24	1.90
Other	5.05	2.40	
Balance outstanding at end of period:			
Federal Home Loan Bank advances	\$ 196,550	\$ 262,897	\$ 345,334
Repurchase agreements	88,600	92,918	14,232
Federal Home Loan Bank overnight borrowings	9,746	49,900	49,770
Other	9,746	2,496	
Weighted average interest rate at end of period:			
Federal Home Loan Bank advances	5.01%	4.68%	4.48%
Repurchase agreements	4.93	4.43	2.26
Federal Home Loan Bank overnight borrowings	4.47	4.17	2.21
Other	4.47	2.38	

- (1) The \$50.0 million increase in borrowings during the period ended December 31, 2006 related to the federal funds purchased on May 31, 2006 to fund temporary liquidity needs.

Results of Operations for the Years Ended December 31, 2006, 2005 and 2004

Financial Highlights. Net income decreased \$1.6 million to \$11.6 million for the year ended December 31, 2006, from \$13.2 million for the year ended December 31, 2005. The decrease reflected a \$1.3 million decrease in net interest income and a \$2.5 million increase in higher non-interest expenses, which were partially offset by a \$2.4 million decrease in income tax expense. In 2005, net income increased \$1.6 million from \$11.6 million for the year ended December 31, 2004. The increase reflected a \$7.7 million increase in non-interest income and a \$700,000 decrease in the provision for loan losses, which were partially offset by a decrease in net interest income of \$408,000 and an increase of \$6.4 million in non-interest expense.

Summary Income Statements

Year Ended December 31, (Dollars in thousands)				Change 2006/2005		Change 2005/2004	
	2006	2005	2004	\$ Change	% Change	\$ Change	% Change
Net interest income	\$ 64,427	\$ 65,725	\$ 66,133	\$ (1,298)	(1.97)%	\$ (408)	(0.62)%
Provision for loan losses	1,575	1,703	2,400	(128)	(7.52)	(697)	(29.04)
Non-interest income	10,531	10,862	3,168	(331)	(3.05)	7,694	242.87
Non-interest expenses	59,436	56,956	50,573	2,480	4.35	6,383	12.62
Net income	11,625	13,200	11,624	(1,575)	(11.93)	1,576	13.56
Return on average equity	4.04%	4.83%	4.44%				
Return on average assets	0.49%	0.56%	0.51%				

Net Interest Income.

2006 vs. 2005. Net interest income decreased \$1.3 million or 2.0%, to \$64.4 million for 2006 from \$65.7 million for 2005. Total interest income increased \$10.2 million or 8.7% to \$127.3 million for 2006 as increases in interest and fees on loans were partially offset by decreases in interest and dividends on investment securities. Interest income and fees on loans increased 12.9% to \$104.1 million primarily due to an increase in the average balance of loans and a 49 basis point increase in the yield. Total interest expense increased \$11.5 million or 22.5% to \$63.0 million for 2006 primarily due to an increase in the average balance of interest-bearing deposits of \$29.7 million, and an increase in yields on interest-bearing deposits of 70 basis points. During 2006, the average balance of our time deposits increased \$96.4 million and the yield on time deposits increased 85 basis points.

2005 vs. 2004. Net interest income decreased by \$408,000 or 0.62% to \$65.7 million in 2005. Total interest income increased \$9.0 million or 8.34% to \$117.1 million for 2005 as increases in interest and fees on loans were partially offset by decreases in interest and dividends on investment securities. Interest income and fees on loans increased 11.9% to \$92.2 million primarily due to an increase in the average balance of loans and a 16 basis point increase in the yield. Interest and dividends on investment securities decreased 3.7% to \$24.5 million due to a decrease in the average balance of investment securities, and an increase in the yield on investment securities of 13 basis points. Total interest expense increased \$9.4 million, or 22.5% to \$51.4 million for 2005 primarily due to an increase in the average balance of interest-bearing deposits of \$53.3 million and an increase in yields on interest-bearing deposits of 41 basis points. During 2005, the average balance of our time deposits increased \$84.9 million and the yield on time deposits increased 54 points.

Analysis of Net Interest Income

December 31, (Dollars in thousands)				Change 2006/2005		Change 2005/2004	
	2006	2005	2004	\$ Change	% Change	\$ Change	% Change
Components of net interest income							
Loans	\$ 104,143	\$ 92,208	\$ 82,432	\$ 11,935	12.94%	\$ 9,776	11.86%
Investment securities	23,012	24,450	25,379	(1,438)	(5.88)	(929)	(3.66)
Other interest-earning assets	171	433	269	(262)	(60.51)	164	60.97
Total interest income	127,326	117,091	108,080	10,235	8.74	9,011	8.34
Deposits	44,622	32,878	25,592	11,744	35.72	7,286	28.47
Borrowings	18,277	18,488	16,355	(211)	(1.14)	2,133	13.04
Total interest expense	62,899	51,366	41,947	11,533	22.45	9,419	22.45
Net interest income	64,427	65,725	66,133	(1,298)	(1.97)	(408)	(0.62)
Average yield and rates paid							
Interest-earning assets	5.67%	5.17%	4.95%	0.50%	9.67%	0.22%	4.44%
Interest-bearing liabilities	3.21	2.60	2.22	0.61	23.46	0.38	17.12
Interest rate spread	2.45	2.57	2.73	(0.12)	(4.67)	(0.16)	(5.86)
Net interest margin	2.87	2.90	3.03	(0.03)	(1.03)	(0.13)	(4.29)
Average balances							
Loans	1,740,606	1,678,697	1,546,377	61,909	3.69	132,320	8.56
Investment securities	502,623	575,146	616,471	(72,523)	(12.61)	(41,325)	(6.70)
Other interest-earning assets	4,207	12,915	20,247	(8,708)	(67.43)	(7,332)	(36.21)
Deposits	1,583,450	1,553,735	1,500,456	29,715	1.91	53,279	3.55
Borrowings	373,297	420,746	385,639	(47,449)	(11.28)	35,107	9.10

Provision for Loan Losses.

Based on our evaluation of loan loss factors, management made a provision of \$1.6 million for the year ended December 31, 2006, a provision of \$1.7 million for the year ended December 31, 2005, and a provision of \$2.4 million for the year ended December 31, 2004. We had \$1.3 million in net charge-offs for the year ended December 31, 2006 compared to net charge-offs of \$1.7 million for the year ended December 31, 2005 and \$2.2 million for the year ended December 31, 2004. We used the same methodology and generally similar assumptions to determine the provision for all three periods. The provision for loan losses was determined by management to be an amount necessary to maintain a balance of allowance for loan losses at a level that considers all known and current losses in the loan portfolio. Changes in the provision were based on management's analysis of various factors such as: estimated fair value of underlying collateral, recent loss experience in particular segments of the portfolio, levels and trends in delinquent loans, and changes in general economic and business conditions.

The allowance for loan losses was \$17.4 million, or 1.03% of total loans outstanding as of December 31, 2006, as compared with \$17.1 million, or 0.99% as of December 31, 2005 and \$17.1 million, or 1.09% as of December 31, 2004. An analysis of the changes in the allowance for loan losses is presented under *Risk Management Analysis and Determination of the Allowance for Loan Losses*.

Non-interest Income. Non-interest income decreased \$331,000 to \$10.5 million in fiscal 2006. The decrease in non-interest income in 2006 was primarily a result of a decrease in the gain on sales of \$398,000 compared to 2005. Offsetting the decrease in the gain on sale of securities was a \$495,000 increase in income from service charges and fees, which increased to \$7.9 million, or 6.7%, compared to 2005 primarily due to an increase in insurance commission income. Non-interest income increased in 2005 compared to 2004 due primarily to a \$3.3 million increase in service charges and fees due to an increase in the insurance commission income generated by our insurance services subsidiary, Beneficial Insurance Services, LLC, which acquired the assets of the insurance brokerage firm of Paul Hertel & Co., Inc. in 2005, and the lack of an impairment change on securities, which occurred in 2004 due to the write-down of our holdings of FNMA and FHLMC preferred stock of \$3.25 million.

Non-interest Income Summary

Year Ended December 31, (Dollars in thousands)				Change 2006/2005		Change 2005/2004	
	2006	2005	2004	\$ Change	% Change	\$ Change	% Change
Service charges and fees	\$ 7,910	\$ 7,415	\$ 4,071	\$ 495	6.68%	\$ 3,344	82.14%
Gain (loss) on sale of securities	672	1,070	1,262	(398)	(37.20)	(192)	(15.21)
Impairment charge on securities			(3,250)			3,250	100.00
Other	1,949	2,377	1,085	(428)	(18.01)	1,292	119.08
Total	\$ 10,531	\$ 10,862	\$ 3,168	\$ (331)	(3.05)	\$ 7,694	242.87%

Non-interest Expenses. Non-interest expenses increased \$2.5 million, or 4.35%, in fiscal 2006 over the prior year and \$6.4 million or 12.62% from 2004 to 2005. The increase in salaries and employee benefits, as well as occupancy expense, which accounted for much of the increase, was due primarily to the opening of one and three additional branch offices in 2006 and 2005, respectively. Advertising and printing and supplies also increased as a result of our expansion efforts.

Non-interest Expense Summary

Year Ended December 31, (Dollars in thousands)				Change 2006/2005		Change 2005/2004	
	2006	2005	2004	\$ Change	% Change	\$ Change	% Change
Salaries and employee benefits	\$ 34,412	\$ 32,589	\$ 28,318	\$ 1,823	5.59%	\$ 4,271	15.08%
Occupancy expense	7,566	7,339	6,301	227	3.09	1,038	16.47
Depreciation, amortization and maintenance	5,269	5,093	4,526	176	3.46	567	12.53
Advertising	2,049	1,994	1,881	55	2.76	113	6.01
Insurance and protection	1,531	1,700	1,669	(169)	(9.94)	31	1.86
Professional fees	1,439	1,345	1,003	94	6.99	342	34.10
Printing and supplies	1,041	1,034	994	7	0.68	40	4.02
Correspondent Bank/ATM charges	1,086	1,030	1,111	56	5.44	(81)	(7.29)
Postage	595	544	538	51	9.38	6	1.12
Other	4,448	4,288	4,232	160	3.73	56	1.32
Total	\$ 59,436	\$ 56,956	\$ 50,573	\$ 2,480	4.35%	\$ 6,383	12.62%

Income Tax Expense. The provision for income taxes was \$2.3 million for 2006, reflecting an effective tax rate of 16.6%, compared to \$4.7 million for 2005, reflecting an effective tax rate of 26.4% and \$4.7 million for 2004, reflecting an effective tax rate of 28.8%. The change in 2006 from 2005 is due primarily to a decrease in income before income taxes of \$4.0 million along with increased tax-exempt income and federal income tax credits. Tax-exempt income increased \$700,000 to \$2.7 million in 2006 from \$2.0 million in 2005 while income tax credits increased to \$1.6 million in 2006 from \$1.5 million in 2005. These credits relate to investments maintained by Beneficial Mutual Savings Bank as a limited partner in partnerships that sponsor affordable housing projects utilizing low-income housing tax credits pursuant to section 42 of the Internal Revenue Code.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Average Balance Table

The following table presents information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting annualized average yields and costs. The yields and costs for the periods indicated are derived by dividing income or expense by the average daily balances of assets or liabilities, respectively, for the periods presented. Loan fees are included in interest income on loans and are not material. In addition, non-accrual loans are included in the average balances but are not deemed material.

(Dollars in thousands)	2006			2005			2004		
	Average Balance	Interest And Dividends	Yield/ Cost	Average Balance	Interest And Dividends	Yield/ Cost	Average Balance	Interest And Dividends	Yield/ Cost
Assets:									
Interest-bearing demand deposits	\$ 2,519	\$ 93	3.69%	\$ 865	\$ 51	5.90%	\$ 259	\$ 6	2.32%
Loans	1,740,606	104,143	5.98	1,678,697	92,208	5.49	1,546,377	82,432	5.33
Investment securities	160,493	6,755	4.21	144,769	5,201	3.59	122,737	3,969	3.23
Mortgage-backed securities	200,967	9,249	4.60	241,216	10,478	4.34	337,015	15,451	4.58
Collateralized mortgage obligations	141,163	7,008	4.96	189,161	8,771	4.64	156,719	5,959	3.80
Other interest-earning assets	1,688	78	4.62	12,050	382	3.17	19,988	263	1.32
Total interest-earning assets	2,247,436	127,326	5.67	2,266,758	117,091	5.17	2,183,095	108,080	4.95
Non-interest-earning assets	114,102			105,778			94,471		
Total assets	2,361,538	127,326		2,372,536	117,091		2,277,566	108,080	
Liabilities and stockholders equity:									
Interest-earning checking accounts	165,278	1,750	1.06	147,979	1,088	0.74	134,586	719	0.53
Money market accounts	263,703	6,906	2.62	316,202	5,973	1.89	345,317	5,283	1.53
Savings accounts	267,426	1,991	0.74	298,958	2,243	0.75	314,834	2,342	0.74
Time deposits	887,043	33,975	3.83	790,596	23,574	2.98	705,719	17,248	2.44
Total interest-bearing deposits	1,583,450	44,622	2.82	1,553,735	32,878	2.12	1,500,456	25,592	1.71
Federal Home Loan Bank advances	231,604	11,294	4.88	324,966	15,164	4.67	354,861	15,856	4.47
Repurchase agreements	101,883	5,014	4.92	45,650	1,722	3.77	17,607	249	1.41
Federal Home Loan Bank overnight borrowings	9,880	457	4.63	47,634	1,542	3.24	13,171	250	1.90
Other borrowings	29,930	1,512	5.05	2,496	60	2.40			
Total interest-bearing liabilities	1,956,747	62,899	3.21	1,974,481	51,366	2.60	1,886,095	41,947	2.22
Non-interest-bearing deposits	80,380			77,317			70,968		
Other non-interest-bearing liabilities	36,379			47,544			58,704		
Total liabilities	2,073,506	62,899		2,099,342	51,366		2,015,767	41,947	
Total stockholders equity	288,032			273,194			261,799		
Total liabilities and stockholders equity	\$ 2,361,538			\$ 2,372,536			\$ 2,277,566		
Net interest income		\$ 64,427		\$ 65,725			\$ 66,133		
Interest rate spread			2.45%			2.57%			2.73%

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Net interest margin	2.87%	2.90%	3.03%
Average interest-earning assets to average interest-bearing liabilities	114.86%	114.80%	115.75%

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Rate/Volume Analysis. The following table sets forth the effects of changing rates and volumes on our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. Changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionally based on the changes due to rate and the changes due to volume.

(In thousands)	Year Ended December 31, 2006 Compared to Year Ended December 31, 2005			Year Ended December 31, 2005 Compared to Year Ended December 31, 2004		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
Interest income:						
Interest-bearing deposits	\$ 61	\$ (19)	\$ 42	\$ 36	\$ 9	\$ 45
Loans receivable	3,704	8,238	11,942	7,264	2,497	9,761
Investment securities	662	898	1,560	791	442	1,233
Mortgage-backed securities	(1,851)	627	(1,224)	(4,158)	(809)	(4,967)
Collateralized mortgage obligations	(2,383)	605	(1,778)	1,504	1,316	2,820
Other interest-earning assets	(479)	172	(307)	(252)	371	119
	(286)	10,521	10,235	5,185	3,826	9,011
Interest expense:						
Interest-earning checking accounts	183	474	657	99	283	382
Money market	(1,375)	2,308	933	(550)	1,243	693
Savings accounts	(235)	(30)	(265)	(119)	31	(88)
Time deposits	3,694	6,725	10,419	2,531	3,768	6,299
	2,267	9,477	11,744	1,961	5,325	7,286
Federal Home Loan Bank advances	(4,556)	687	(3,869)	(1,395)	703	(692)
Repurchase agreements	2,768	524	3,292	1,058	415	1,473
Federal Home Loan Bank overnight borrowings	(1,748)	663	(1,085)	1,116	176	1,292
Other borrowings	1,385	66	1,451	60	60	60
	116	11,417	11,533	2,800	6,619	9,419
Total interest-bearing liabilities	116	11,417	11,533	2,800	6,619	9,419
Net change in net interest income	\$ (402)	\$ (896)	\$ (1,298)	\$ 2,385	\$ (2,793)	\$ (408)

Risk Management

Overview. Managing risk is an essential part of successfully managing a financial institution. Our most prominent risk exposures are credit risk, interest rate risk and market risk. Credit risk is the risk of not collecting the interest and/or the principal balance of a loan or investment when it is due. Interest rate risk is the potential reduction of interest income as a result of changes in interest rates. Market risk arises from fluctuations in interest rates that may result in changes in the values of financial instruments, such as available-for-sale securities that are accounted for on a mark-to-market basis. Other risks that we face are operational risks, liquidity risks and reputation risk. Operational risks include risks related to fraud, regulatory compliance, processing errors, technology and disaster recovery. Liquidity risk is the possible inability to fund obligations to depositors, lenders or borrowers. Reputation risk is the risk that negative publicity or press, whether true or not, could cause a decline in our customer base or revenue.

Credit Risk Management. Our strategy for credit risk management focuses on having well-defined credit policies and uniform underwriting criteria and providing prompt attention to potential problem loans.

When a borrower fails to make a required loan payment, we take a number of steps to have the borrower cure the delinquency and restore the loan to current status, including contacting the borrower by letter and phone at regular intervals beginning on the seventh day of delinquency. When the borrower is in default, we may commence collection proceedings. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure sale, the real property securing the loan generally is sold at foreclosure. Generally, when a consumer loan becomes 45 days past due, we institute collection proceedings and attempt to repossess any

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

personal property that secures the loan. Management informs the Board of trustees monthly of the amount of nonperforming loans to total loans and regarding charge-offs. More detailed information regarding delinquencies by loan type is provided to the Board of trustees on a quarterly basis.

Analysis of Nonperforming and Classified Assets. We consider repossessed assets and loans that are 90 days or more past due, except guaranteed student loans, to be nonperforming assets. Residential real estate loans are generally placed on nonaccrual status when they become 90 days delinquent and are not well secured and in the process of collection at which time the accrual of interest ceases and the allowance for any uncollectible accrued interest is established and charged against operations. Commercial loans are placed on non-accrual when the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Typically, payments received on a nonaccrual loan are applied to the outstanding principal and interest as determined at the time of collection of the loan.

Real estate that we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until it is sold. When property is acquired it is recorded at the lower of its cost, which is the unpaid balance of the loan plus foreclosure costs, or fair market value at the date of foreclosure less estimated costs to sell. Holding costs and declines in fair value after acquisition of the property result in charges against income.

We had no troubled debt restructurings in the periods presented.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

December 31, (Dollars in thousands)	2006	2005	2004	2003	2002
Nonaccrual loans:					
Real estate loans:					
One-to-four family					
Commercial real estate	363				
Residential construction					
Total real estate loans	363				
Commercial business loans					
Consumer loans:					
Home equity lines of credit					
Automobile loans	171	385	363	500	336
Other consumer loans			74	26	136
Total consumer loans	171	385	437	526	472
Total nonaccrual loans	534	385	437	526	472
Accruing loans past due 90 days or more:					
Real estate loans:					
One-to-four family	2,425	2,540	3,185	3,374	3,005
Commercial real estate	2,662		52	752	25
Residential construction					
Total real estate loans	5,087	2,540	3,237	4,126	3,030
Commercial business loans	83		12	50	
Consumer loans:					
Home equity lines of credit	54	1	1	41	29
Automobile loans	130	179	102	112	134
Other consumer loans	2,263	2,055	2,373	1,845	2,882
Total consumer loans	2,447	2,235	2,476	1,998	3,045
Total accruing loans past due 90 days or more	7,617	4,775	5,725	6,174	6,075
Total of nonaccrual and 90 days or more past due loans	8,151	5,160	6,162	6,700	6,547
Real estate owned	2,809	3,146	2,939	3,167	3,159
Total nonperforming assets	10,960	8,306	9,101	9,867	9,706
Total nonperforming loans to total loans	0.48%	0.30%	0.39%	0.45%	0.47%
Total nonperforming loans to total assets	0.35%	0.22%	0.26%	0.30%	0.30%
Total real estate owned to total assets	0.12%	0.13%	0.13%	0.14%	0.15%

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Interest income that would have been recorded for the year ended December 31, 2006, had nonaccruing loans been current according to their original terms, amounted to approximately \$260,000. No interest related to nonaccrual loans was included in interest income for the year ended December 31, 2006.

Federal regulations require us to review and classify our assets on a regular basis. In addition, the Federal Deposit Insurance Corporation has the authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful and loss. Substandard assets must have one or more defined weaknesses and are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. The regulations also provide for a special mention category, described as assets which do not currently expose us to a sufficient degree of risk to warrant classification but do possess credit deficiencies or potential weaknesses deserving our close attention. When we classify an asset as substandard or doubtful we establish a specific allowance for loan losses. If we classify an asset as loss, we charge off an amount equal to 100% of the portion of the asset classified loss.

The following table shows the aggregate amounts of our criticized assets at the dates included.

At December 31, (In thousands)	2006	2005	2004
Special mention assets	\$	\$ 1,000	\$ 1,000
Substandard assets	7,015	1,056	1,111
Doubtful assets			
Loss assets			
Total classified assets	\$ 7,015	\$ 2,056	\$ 2,111

Other than disclosed in the above tables, there are no other loans that management has serious doubts about the ability of the borrowers to comply with the present loan repayment terms.

Loan Delinquencies. The following table provides information about delinquencies in our loan portfolio at the dates indicated.

December 31, (In thousands)	December 31,									
	2006		2005		2004		2003		2002	
	30-59 Days Past Due	60-89 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	30-59 Days Past Due	60-89 Days Past Due
Real estate loans:										
One-to-four family	\$ 2,712	\$ 1,281	\$ 2,474	\$ 859	\$ 3,566	\$ 1,611	\$ 4,720	\$ 1,452	\$ 7,091	\$ 2,543
Commercial real estate	673	666	45	3	2,452	620	399	327	927	278
Residential construction										
Total real estate	3,385	1,947	2,519	862	6,018	2,231	5,119	1,779	8,018	2,821
Commercial business	5,700		8	1	427	108	60	49	200	60
Consumer:										
Home equity lines of credit	68	7	183	16	53	68	151	18	163	8
Automobile loans	1,028	217	1,014	310	963	194	799	295	880	277
Other consumer loans	2,756	1,147	2,728	1,148	2,700	1,269	2,447	1,144	3,285	1,057
Total consumer	3,852	1,371	3,925	1,474	3,716	1,531	3,397	1,457	4,328	1,342
Total	\$ 12,937	\$ 3,318	\$ 6,452	\$ 2,337	\$ 10,161	\$ 3,870	\$ 8,576	\$ 3,285	\$ 12,546	\$ 4,223

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Analysis and Determination of the Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable losses inherent in the loan portfolio. We evaluate the adequacy of the allowances for loan losses balance on loans on a quarterly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings.

Our methodology for assessing the appropriateness of the allowance for loan losses consists of: (1) a specific valuation allowance on identified problem loans; (2) a general valuation allowance on the remainder of the loan portfolio; and (3) an unallocated component. Although we determine the amount of each element of the allowance separately, the entire allowance for loan losses is available to absorb losses in the loan portfolio.

We evaluate all classified loans and establish a specific reserve if a determination is made that full collectibility may not be reasonably assured. When this occurs, we consider the estimated fair value of the underlying collateral, less selling costs and other market conditions. If a shortfall exists, we establish a specific allowance amount. In previous years, we established a specific reserve balance based on our asset review and classified loan list. Each loan category was assigned a percentage. Loans classified as *loss* were assigned a percentage of 100%, loans classified as *doubtful* were assigned a percentage of 50%, and loans classified as *substandard* were assigned a percentage of 25%.

We establish a general allowance for loans that are not evaluated separately for impairment to recognize the inherent losses associated with lending activities. This general valuation allowance is determined by segregating the loans by loan category and assigning allowance percentages to each category. The percentages may be adjusted for significant factors that, in management's judgment, affect the collectibility of the portfolio as of the evaluation date. These significant risk factors may include recent loss experience in particular segments of the portfolio, trends in loan volumes, levels and trends in delinquent loans, changes in existing general economic and business conditions affecting our primary lending areas, as well as other factors such as: concentrations, seasoning of the loan portfolio, and bank regulatory examination results. The applied loss factors are reevaluated periodically to ensure their relevance in the current economic environment. An unallocated component covers uncertainties that could affect our estimate of probable losses.

We identify loans that may need to be charged off as a loss by reviewing all delinquent loans, classified loans and other loans that management may have concerns about collectibility. For individually reviewed loans, the borrower's inability to make payments under the terms of the loan as well as a shortfall in collateral value may result in a write down to management's estimate of net realizable value. Personal loans are typically charged off at 120 days delinquent.

The Federal Deposit Insurance Corporation and Pennsylvania Department of Banking, as an integral part of their examination process, periodically review our allowance for loan losses. The Federal Deposit Insurance Corporation and Pennsylvania Department of Banking may require us to make additional provisions for loan losses based on judgments different from ours.

At December 31, 2006, our allowance for loan losses represented 1.03% of total gross loans. The allowance for loan losses increased 1.59% from December 31, 2005 to December 31, 2006, following the provision for loan losses of \$1.6 million. The increase in the allowance reflected the increase in the commercial loan portfolio by 16.34% and the softening in our local housing market.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table sets forth the breakdown of the allowance for loan losses by loan category at the dates indicated.

December 31, (Dollars in thousands)	2006		2005		2004	
	Amount of Allowance Allocated to Loan Category	Loan Category as a % of Total Loans	Amount of Allowance Allocated to Loan Category	Loan Category as a % of Total Loans	Amount of Allowance Allocated to Loan Category	Loan Category as a % of Total Loans
Real estate loans:						
One-to-four family	\$ 970	16.61%	\$ 942	17.12%	\$ 894	17.75%
Commercial real estate	8,124	24.38	7,261	21.48	6,905	17.95
Residential construction		0.59		0.96		0.67
Total real estate	9,094	41.58	8,203	39.56	7,799	36.37
Commercial business	1,955	5.87	1,311	3.88	1,201	3.12
Consumer:						
Home equity loans and lines of credit	2,326	22.88	2,623	22.90	2,659	22.20
Automobile loans	2,532	13.85	3,150	15.74	3,081	16.93
Other consumer loans	1,304	15.82	1,735	17.92	1,752	21.38
Total consumer	6,162	52.55	7,508	56.56	7,492	60.51
Unallocated	157		74		649	
Total allowance for loan losses	\$ 17,368	100.00%	\$ 17,096	100.00%	\$ 17,141	100.00%

December 31, (Dollars in thousands)	2003		2002	
	Amount of Allowance Allocated to Loan Category	Loan Category as a % of Total Loans	Amount of Allowance Allocated to Loan Category	Loan Category as a % of Total Loans
Real estate loans:				
One-to-four family	\$ 1,074	19.66%	\$ 882	20.24%
Commercial real estate	5,907	13.98	5,310	11.41
Residential construction		0.48		0.21
Total real estate	6,981	34.11	6,192	31.86
Commercial business	892	2.11	1,148	2.47
Consumer:				
Home equity loans and lines of credit	2,815	17.67	2,249	15.37
Automobile loans	3,138	18.10	3,619	18.43
Other consumer loans	2,026	28.01	2,428	31.87
Total consumer	7,979	63.78	8,296	65.67
Unallocated	1,092		1,168	
Total allowance for loan losses	\$ 16,944	100.00%	\$ 16,804	100.00%

Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and our results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Furthermore, while we believe we have established our allowance for loan losses in conformity with generally accepted accounting principles, there can be no assurance that regulators, in reviewing our loan portfolio, will not require us to increase our allowance for loan losses. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses is adequate or that increases will not be necessary should the quality of any loans deteriorate as a result of the factors discussed above. Any material increase in the allowance for loan losses may adversely affect our financial condition and results of operations.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Year Ended December 31, (Dollars in thousands)	2006	2005	2004	2003	2002
Allowance at beginning of period	\$ 17,096	\$ 17,141	\$ 16,944	\$ 16,804	\$ 16,324
Provision for loan losses	1,575	1,703	2,400	2,775	1,950
Charge offs:					
Real estate loans:					
One-to-four family	44	76	42	68	90
Commercial real estate		47			
Total real estate loans	44	123	42	68	90
Commercial business loans	12	110	109	120	
Consumer:					
Home equity lines of credit	81	93	185	134	117
Automobile loans	1,347	1,427	1,915	1,760	1,986
Other consumer loans	813	1,157	904	1,554	274
Total consumer loans	2,241	2,677	3,004	3,448	2,377
Total charge-offs	2,297	2,910	3,155	3,636	2,467
Recoveries:					
Real estate loans:					
One-to-four family	36	8	59	23	63
Commercial real estate		47	76	7	57
Total real estate loans	36	55	135	30	120
Commercial business	1	8	1	20	1
Consumer:					
Home equity lines of credit	123	223	90	160	198
Automobile loans	467	586	510	533	532
Other consumer loans	367	290	216	258	146
Total consumer loans	957	1,099	816	951	876
Total recoveries	994	1,162	952	1,001	997
Net charge-offs	\$ 1,303	\$ 1,748	\$ 2,203	\$ 2,635	\$ 1,470
Allowance at end of period	\$ 17,368	\$ 17,096	\$ 17,141	\$ 16,944	\$ 16,804
Allowance to nonperforming loans	213.09%	331.32%	278.17%	252.90%	256.67%
Allowance to total loans outstanding at the end of the period	1.03%	0.99%	1.09%	1.13%	1.21%
Net charge-offs (recoveries) to average loans outstanding during the period	0.07%	0.10%	0.14%	0.18%	0.11%

Interest Rate Risk Management. Interest rate risk is defined as the expose of current and future earnings, and capital that arises from adverse movements in interest rates. Depending on a bank's asset/liability structure, adverse movements in interest rates could be either rising or falling interest rates. For example, a bank with predominantly long-term fixed-rate loans, and short-term deposits could have an adverse earnings exposure to a rising rate environment. Conversely, a short-term or variable-rate asset base funded by longer-term liabilities could be negatively affected by falling rates. This is referred to as repricing or maturity mismatch risk.

Interest rate risk also arises from changes in the slope of the yield curve (yield curve risk); from imperfect correlations in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics (basis risk); and from interest rate related options imbedded in the bank's assets and liabilities (option risk).

Our goal is to manage our interest rate risk by determining whether a given movement in interest rates affects our net income and the market value of our portfolio equity in a positive or negative way, and to execute strategies to maintain interest rate risk within established limits.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Model Simulation Analysis. We view interest rate risk from two different perspectives. The traditional accounting perspective, which defines and measures interest rate risk as the change in net interest income and earnings caused by a change in interest rates, provides the best view of short-term interest rate risk exposure. We also view interest rate risk from an economic perspective, which defines and measures interest rate risk as the change in the market value of portfolio equity caused by changes in the values of assets and liabilities, which were changed due to changes in interest rates. The market value of portfolio equity, also referred to as the economic value of equity is defined as the present value of future cash flows from exiting assets, minus the present value of future cash flows from existing liabilities.

These two perspectives give rise to income simulation and economic value simulation, each of which presents a unique picture of our risk of any movement in interest rates. Income simulation identifies the timing and magnitude of changes in income resulting from changes in prevailing interest rates over a short-term time horizon (usually one year). Economic value simulation captures more information and reflects the entire asset and liability maturity spectrum. Economic value simulation reflects the interest rate sensitivity of assets and liabilities in a more comprehensive fashion, reflecting all future time periods. It can identify the quantity of interest rate risk as a function of the changes in the economic values of assets and liabilities, and the equity of Beneficial Mutual Savings Bank. Both types of simulation assist in identifying, measuring, monitoring and controlling interest rate risk and are employed by management to ensure that variations in interest rate risk exposure will be maintained within policy guidelines.

The Asset/Liability Management Committee produces reports on a quarterly basis, which compare baseline (no interest rate change) current positions showing forecasted net income, the economic value of equity and the duration of individual asset and liability classes, and of equity. Duration is defined as the weighted average time to the receipt of the present value of future cash flows. These baseline forecasts are subjected to a series of interest rate changes, in order to demonstrate or model the specific impact of the interest rate scenario tested on income, equity and duration. The model, which incorporates all asset and liability rate information, simulates the effect of various interest rate movements on income and equity value. The reports identify and measure our interest rate risk exposure present in our current asset/liability structure. If the results produce quantifiable interest rate risk exposure beyond our limits, then the testing will have served as a monitoring mechanism to allow us to initiate asset/liability strategies designed to reduce and therefore control interest rate risk.

The tables below set forth an approximation of our interest rate risk exposure. The simulation uses projected repricing of assets and liabilities at December 31, 2006 and at December 31, 2005. The primary interest rate exposure measurement applied to the entire balance sheet is the effect on net interest income and earnings of a gradual change in market interest rates of plus or minus 200 basis points over a one year time horizon, and the effect on economic value of equity of an instantaneous, parallel change in market interest rates of plus or minus 200 basis points for all projected future cash flows. Various assumptions are made regarding the prepayment speed and optionality of loans, investments and deposits, which are based on analysis, market information and in-house studies. The assumptions regarding optionality, such as prepayments of loans and the effective maturity of non-maturity deposit products are documented periodically through evaluation under varying interest rate scenarios.

Because prospective effects of hypothetical interest rate changes are based on a number of assumptions, these computations should not be relied upon as indicative of actual results. While we believe such assumptions to be reasonable, there can be no assurance that assumed prepayment rates will approximate actual future mortgage-backed security, collateralized mortgage obligation and loan repayment activity. Further the computation does not reflect any actions that management may undertake in response to changes in interest rates. Management periodically reviews its rate assumptions based on existing and projected economic conditions.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

As of December 31, 2006:

Basis point change in rates	-200	Base Forecast	+200
Net Interest Income at Risk:			
Net Interest Income	\$ 71,952	\$ 70,480	\$ 69,612
% change	2.09%		(1.23)%
Net Income at Risk:			
Net income	\$ 11,773	\$ 10,841	\$ 10,277
% change	8.60%		(5.20)%
Economic Value at Risk:			
Equity	\$ 393,596	\$ 378,781	\$ 321,776
% change	3.91%		(15.05)%

As of December 31, 2005:

Basis point change in rates	-200	Base Forecast	+200
Net Interest Income at Risk:			
Net Interest Income	\$ 70,269	\$ 71,806	\$ 72,242
% change	(2.14)%		(0.61)%
Net Income at Risk:			
Net income	\$ 13,133	\$ 14,133	\$ 14,416
% change	(7.08)%		2.00%
Economic Value at Risk:			
Equity	\$ 334,897	\$ 396,247	\$ 409,368
% change	(15.48)%		3.31%

As of December 31, 2006, based on the scenarios above, net interest income, net income and economic value would be adversely affected over a one-year time horizon in a rising rate environment.

The net interest income at risk results indicate a slightly liability sensitive profile, which provides net interest margin benefits and a decline in risk in declining rate scenarios. The economic value at risk remains limited in magnitude and indicates potential moderate exposures in increasing rate environments.

As of December 31, 2005, based on the scenarios above, net interest income, net income and economic value would be adversely affected over a one-year time horizon in a declining rate environment.

The net interest income profile as of December 31, 2005 is indirect and indicates an increase in income when interest rates rise and a decrease in income when rates decline. Our economic value of equity risk profile was also direct and indicates that economic value declines when rates decline and increases when rates increase.

For both years, the present value of equity remains at a premium to book value and our results indicate that we are well positioned with limited net interest income and economic value at risk and that all interest risk results continue to be within our policy guidelines.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Liquidity Management. Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, loan repayments, maturities of and payments on investment securities and borrowings from the Federal Home Loan Bank of Pittsburgh. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

We regularly adjust our investments in liquid assets based upon our assessment of (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest-earning deposits and securities and (4) the objectives of our asset/liability management policy.

Our most liquid assets are cash and cash equivalents. The levels of these assets depend on our operating, financing, lending and investing activities during any given period. At December 31, 2006, cash and cash equivalents totaled \$23.1 million. In addition, at December 31, 2006, we had arrangements to borrow up to \$969.8 million from the Federal Home Loan Bank of Pittsburgh. On December 31, 2006, we had \$196.6 million of advances outstanding.

A significant use of our liquidity is the funding of loan originations. At December 31, 2006, we had \$118.8 million in loan commitments outstanding, which consisted of \$52.5 million and \$2.5 million in commercial and consumer commitments to fund loans, respectively, \$46.1 million and \$12.2 million in commercial and consumer unused lines of credit, respectively, and \$5.5 million in standby letters of credit. Historically, many of the commitments expire without being fully drawn; therefore, the total commitment amounts do not necessarily represent future cash requirements. Another significant use of our liquidity is the funding of deposit withdrawals. Certificates of deposit due within one year of December 31, 2006 totaled \$746.1 million, or 83.5% of certificates of deposit. The large percentage of certificates of deposit that mature within one year reflects customers' hesitancy to invest their funds for long periods in the recent low interest rate environment. If these maturing deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before December 31, 2007. We believe, however, based on past experience, that a significant portion of our certificates of deposit will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

The following table presents certain of our contractual obligations at December 31, 2006.

(In thousands)	Payments due by period				
	Total	Less than One Year	One to Three Years	Three to Five Years	More Than Five Years
Commitments to fund loans	\$ 55,077	\$ 55,077	\$	\$	\$
Unused lines of credit	58,275	42,276	3,842		12,157
Standby letters of credit	5,492	5,033	459		
Operating lease obligations	25,871	4,247	8,034	5,050	8,540
Purchase obligations	2,948	1,488	941	519	
Total	\$ 147,663	\$ 108,121	\$ 13,276	\$ 5,569	\$ 20,697

Our primary investing activities are the origination and purchase of loans and the purchase of securities. Our primary financing activities consist of activity in deposit accounts and Federal Home Loan Bank advances. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors and other factors. We generally manage the pricing of our deposits to be competitive. Occasionally, we offer promotional rates on certain deposit products to attract deposits.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table presents our primary investing and financing activities during the periods indicated.

Year Ended December 31, (In thousands)	2006	2005	2004
Investing activities:			
Loan purchases	\$ (5,064)	\$ (38,283)	\$
Loan originations	(502,021)	(661,965)	(637,847)
Principal repayments on loans	550,048	544,164	559,473
Purchases of investment securities available for sale	(55,779)	(61,767)	(371,067)
Purchases of investment securities held to maturity	(474)	(555)	(10,952)
Proceeds from sales and maturities of investment securities available for sale	67,130	129,593	315,654
Proceeds from maturities, calls or repayments of investment securities held to maturity	33,162	42,345	69,472
Financing activities:			
Increase (decrease) in deposits	12,925	49,679	51,520
Increase (decrease) in Federal Home Loan Bank advances	(66,347)	(82,437)	(26,150)
Increase (decrease) in repurchase agreements	(4,318)	78,686	(5,768)
Increase (decrease) in Federal Home Loan Bank overnight borrowings	(49,900)	130	49,770
Increase (decrease) in other borrowings	7,250		

Capital Management. We are subject to various regulatory capital requirements administered by the Federal Deposit Insurance Corporation, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At December 31, 2006, we exceeded all of our regulatory capital requirements. We are considered well capitalized under regulatory guidelines. See *Regulation and Supervision Bank Regulation Prompt Corrective Regulatory Action, Regulatory Capital Compliance* and note 12 of the notes to the consolidated financial statements.

This offering is expected to increase our equity by \$247.7 million to \$555.1 million. See *Capitalization*. Following completion of this offering, we also will manage our capital for maximum stockholder benefit. The capital from the offering will significantly increase our liquidity and capital resources. Over time, the initial level of liquidity will be reduced as net proceeds from the stock offering are used for general corporate purposes, including the funding of lending activities. Our financial condition and results of operations will be enhanced by the capital from the offering, resulting in increased net interest-earning assets and net income. However, the large increase in equity resulting from the capital raised in the offering will, initially, have an adverse impact on our return on equity. Following the offering, we may use capital management tools such as cash dividends and common share repurchases. However, under Office of Thrift Supervision regulations, we will not be allowed to repurchase any shares during the first year following the offering, except: (1) in extraordinary circumstances, we may make open market repurchases of up to 5% of our outstanding stock if we receive the prior non-objection of the Office of Thrift Supervision of such repurchases; (2) repurchases of qualifying shares of a director or if we conduct an Office of Thrift Supervision-approved offer to repurchase made to all shareholders; (3) if we repurchase to fund a restricted stock award plan that has been approved by shareholders; or (4) if we repurchase stock to fund a tax-qualified employee stock benefit plan. All repurchases are prohibited, however, if the repurchase would reduce Beneficial Mutual Savings Bank's regulatory capital below regulatory required levels.

Off-Balance Sheet Arrangements. In the normal course of operations, we engage in a variety of financial transactions that, in accordance with generally accepted accounting principles, are not recorded in our consolidated financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit. For information about our loan commitments and unused lines of credit, see note 15 of the notes to the consolidated financial statements.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

For the year ended December 31, 2006, we did not engage in any off-balance sheet transactions reasonably likely to have a material effect on our financial condition, results of operations or cash flows.

Impact of Recent Accounting Pronouncements

For a discussion of the impact of recent accounting pronouncements, see note 2 of the notes to the consolidated financial statements included in this prospectus.

Effect of Inflation and Changing Prices

The consolidated financial statements and related financial data presented in this prospectus have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Business of FMS Financial

General

FMS Financial, a New Jersey corporation, headquartered in Burlington, New Jersey, is the holding company for Farmers & Mechanics Bank. FMS Financial conducts no significant business or operations of its own other than holding all of the outstanding common stock of Farmers & Mechanics Bank. As a result, references to FMS Financial generally refer to the consolidated entity which includes the main operating company, Farmers & Mechanics Bank, unless the context indicates otherwise.

FMS Financial principally operates through its 42 banking offices located in Burlington, Camden and Mercer Counties, New Jersey. FMS Financial is primarily engaged in the business of attracting deposits from the general public and originating loans which are secured by residential real estate. To a lesser extent, FMS Financial also originates consumer, commercial business loans and construction loans and invests in United States government securities and mortgage-related securities.

Competition

FMS Financial's primary market area consists of Burlington, Camden and Mercer Counties, New Jersey, and is one of many financial institutions serving this market area. The competition for deposit products comes from other insured financial institutions such as commercial banks, thrift institutions and credit unions in FMS Financial's market area. Deposit competition also includes a number of insurance products sold by local agents and investment products such as mutual funds and other securities sold by local and regional brokers. Loan competition comes from other insured financial institutions such as commercial banks, thrift institutions and credit unions.

Lending Activities

Analysis of Loan Portfolio

The following table sets forth the composition of FMS Financial's loan portfolio in dollar amounts and in percentages of the respective portfolios at the dates indicated. Except as shown below, there were no concentrations of loans exceeding 10% of FMS Financial's assets.

December 31, (Dollars in thousands)	2006		2005		2004		2003		2002	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total	Carrying Value	Percent of Total	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Mortgage loans:										
One-to-four family	\$ 288,052	63.24%	\$ 286,476	63.97%	\$ 275,843	65.08%	\$ 280,664	68.84%	\$ 272,777	74.38%
Commercial real estate	132,217	29.02	127,704	28.52	116,380	27.46	104,352	25.60	76,354	20.82
Commercial construction	2,956	.65	6,942	1.55	11,971	2.82	5,994	1.47	1,157	.32
Construction	3,760	.83	1,775	.40	897	.21	1,324	.32	306	.08
Total mortgage loans	426,985	93.74	422,897	94.44	405,091	95.57	392,334	96.23	350,594	95.60
Consumer and other loans:										
Consumer	2,251	.49	2,356	.53	2,472	.58	3,187	.78	3,522	.96
Commercial business	26,276	5.77	22,550	5.03	16,312	3.85	12,180	2.99	12,621	3.44
Total consumer and other loans	28,527	6.26	24,906	5.56	18,784	4.43	15,367	3.77	16,143	4.40
Total loans	\$ 455,512	100.00%	\$ 447,803	100.00%	\$ 423,875	100.00%	\$ 407,701	100.00%	\$ 366,737	100.00%

Loan Maturity

The following table sets forth maturities and interest rate sensitivity for all categories of loans as of December 31, 2006. Scheduled repayments are reported in the maturity category in which payment is due. Demand loans, loans having no stated maturity, and overdrafts are reported as due in one year or less.

December 31, 2006 (In thousands)	One-to-Four Family	Commercial Real Estate	Commercial Construction	Construction	Consumer	Commercial Business	Total Construction	Total Loans
Amounts due in:								
One year or less	\$ 2,603	\$ 5,095	\$ 2,493	\$ 3,760	\$ 876	\$ 13,635	\$ 6,253	\$ 28,462
One to five years	12,551	7,759	463		785	6,692	463	28,250
More than five years	272,898	119,363			590	5,949		398,800
Total due after one year	285,449	127,122	463		1,375	12,641	463	427,050
Total	\$ 288,052	\$ 132,217	\$ 2,956	\$ 3,760	\$ 2,251	\$ 26,276	\$ 6,716	\$ 455,512

Loan Sensitivity

The following table sets forth, as of December 31, 2006, the dollar amount of all loans due after December 31, 2007, based upon fixed rates of interest or floating or adjustable interest rates.

(In thousands)	Fixed Rates	Floating or Adjustable Rates	Total
One-to-four family	\$ 248,500	\$ 36,949	\$ 285,449
Commercial real estate	47,830	79,292	127,122
Commercial construction	457	6	463
Construction			
Consumer	1,040	335	1,375
Commercial business	10,286	2,355	12,641
Total	\$ 308,113	\$ 118,937	\$ 427,050

One-to-Four Family Loans. FMS Financial's primary lending activity consists of the origination of one-to-four family residential mortgage loans (residential loans) secured by the property in its market area. FMS Financial's residential loan portfolio also includes second mortgage loans and home equity loans (including home equity lines of credit loans). FMS Financial generally originates mortgage loans with terms of 15 to 30 years, amortized on a monthly basis, with principal and interest due each month. Typically, residential loans remain outstanding for significantly shorter periods than their contractual terms because borrowers may refinance or prepay loans at their option.

FMS Financial presently offers residential loans that adjust every year after an initial fixed term of one, two, five or seven years, at an interest rate indexed higher than the corresponding United States Treasury security index. The interest rates on these mortgages adjust annually after the one, two, five or seven-year anniversary date of the loan with an interest rate adjustment cap of 1.5% per year and presently not to exceed a rate of 11.5% over the life of the loan. At December 31, 2006, adjustable-rate residential first mortgage loans amounted to \$21.9 million or 4.82% of the total residential loan portfolio. These loans are generally not originated under terms, conditions and documentation which permit their sale in the secondary mortgage market to FreddieMac and FannieMae.

Fixed-rate mortgage loans are generally underwritten according to FreddieMac and FannieMae guidelines. FMS Financial periodically sells selected fixed-rate residential loans, without recourse, to provide additional funds for lending and to restructure the loan portfolio to improve interest rate risk. Generally, if the property is not owner-occupied, a higher rate of interest is charged on such loans. At December 31, 2006, \$225.2 million, or 49.45% of the total residential loan portfolio, consisted of long-term fixed-rate first mortgage loans, none of which were classified as held for sale.

FMS Financial's lending policies generally limit the maximum loan-to-value ratio on owner-occupied residential first mortgage loans to 97% of the lesser of the appraised value or purchase price, with the condition that private mortgage insurance is required on loans with loan-to-value ratios in excess of 80%. Mortgage loans on

investment properties are made at loan-to-value ratios up to 70%. The loan-to-value ratio, maturity and other provisions of the loans made by FMS Financial have generally reflected the policy of making less than the maximum loan permissible under applicable regulations, in accordance with established lending practices, market conditions and underwriting standards maintained by FMS Financial. FMS Financial requires fire and casualty insurance on all properties securing real estate loans and also performs title searches to ensure its lien position.

FMS Financial actively solicits and originates home equity loans and home equity lines of credit secured by the equity in the borrower's primary residence. These loans generally have terms of 10 to 15 years, some of which are fixed rates and some of which have rates that adjust based upon the prime rate. At December 31, 2006, FMS Financial had home equity loans in the amount of \$25.7 million, or 5.64% of its residential loan portfolio and approved \$38.2 million in home equity lines of credit, of which \$15.2 million was outstanding.

Commercial Real Estate Loans. Commercial real estate loans are loans secured by commercial real estate (e.g., shopping centers, medical buildings, retail offices) and multi-family dwelling units (e.g., apartment projects with more than four units), in FMS Financial's market area. Commercial real estate loans and multi-family residential loans have been made in amounts up to \$6.6 million, with most of such loans ranging in size from \$100,000 to \$2.0 million. Loans on commercial properties are generally originated in amounts up to 75% of the appraised value of the property. Commercial real estate loans and multi-family residential loans are generally made at rates which adjust above the prime interest rate (generally 1% to 2%) or a specified treasury index or are balloon loans with fixed interest rates which mature in three to five years with principal amortization for a period of up to 25 years. At December 31, 2006, FMS Financial's commercial real estate loan portfolio consisted of \$128.3 million of commercial real estate and \$3.9 million of multi-family loans.

Loans secured by commercial real estate are generally larger and involve a greater degree of risk than one-to-four family residential mortgage loans. Of primary concern, in commercial and multi-family real estate lending, is the borrower's creditworthiness and the feasibility and cash flow potential of the property. Loans secured by income producing properties are generally larger and involve greater risks than residential mortgage loans because payments on loans secured by income producing properties are often dependent on successful operation or management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate loans to adverse conditions in the real estate market or the economy.

Construction Loans. FMS Financial originates loans to finance the construction of one-to-four family dwellings and/or commercial real estate. Construction loans to builders are generally made only if FMS Financial makes the permanent mortgage loan or if the builder has a contract for sale and the purchaser has received a permanent mortgage commitment. Interim construction loans to builders generally have terms of up to nine months and interest rates which adjust above the prime interest rate (generally 1% to 2%).

Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction and development and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, FMS Financial may be required to advance funds beyond the amount originally committed to permit completion of the development. If the estimate of value proves to be inaccurate, FMS Financial may be confronted, at or prior to the maturity of the loan, with a project having a value which is insufficient to assure full repayment.

Consumer Loans. Regulations permit federally chartered thrift institutions to make secured and unsecured consumer loans up to 35% of the institution's assets. FMS Financial makes various types of secured and unsecured consumer loans including education loans, lines of credit, automobile loans (new and used) and loans secured by deposit accounts. Consumer loans generally have terms of six months to five years, some of which are at fixed rates and some of which have rates that adjust periodically.

Consumer loans may entail greater risk than residential loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. Repossessed collateral for a defaulted consumer loan may not be sufficient for repayment of the outstanding loan, and the remaining deficiency may not be collectible.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Commercial Business Loans. Commercial business loans are underwritten on the basis of the borrower's ability to service such debt from income and are generally made to small and mid-sized companies located within FMS Financial's primary lending area. Generally, FMS Financial requires additional collateral of equipment, chattel or other assets before making a commercial business loan.

Loan Commitments. FMS Financial issues loan origination commitments to real estate developers and qualified borrowers primarily for the construction, purchase and refinancing of residential real estate and commercial real estate. Such commitments are made on specified terms and conditions, including in most cases, the payment of a non-refundable commitment fee based on a percentage of the amount of committed funds. Generally, the commitment requires acceptance within 15 days of the date of issuance. At December 31, 2006, FMS Financial had \$6.0 million of commitments to cover originations and \$29.5 million in undisbursed funds on outstanding lines of credit. Management believes that virtually all of FMS Financial's commitments will be funded.

Origination of Loans

Commercial loan origination comes from a variety of sources, including FMS Financial's existing customer base, referrals from real estate offices, accountants, financial advisers, attorneys, builders and walk in business as well as solicitations by FMS Financial's business development officers. Residential mortgage loan customers are derived in a similar manner. Consumer loans are directly obtained through FMS Financial's network of branch offices and advertising.

All applications are processed in accordance with established policies of FMS Financial, including the review of credit references, verification of information provided and, where real estate is involved, the review of an appraisal completed by an independent third party appraiser from a list of approved appraisers that FMS Financial maintains.

Loan approvals may be approved by loan officers up to their individually assigned lending limit, which are established and modified periodically to reflect the officer's expertise and experience. Certain officers have joint lending authorities that exceed their individual authorities. The board of directors approves loans above the individual and joint authorities of the officers. The board reviews on an annual basis the loan approval authorities.

Non-Performing and Problem Assets

When a loan is more than 30 days delinquent, the borrower is contacted by mail or phone and payment is requested. If the delinquency continues, subsequent efforts are made to contact the delinquent borrower. In certain instances, FMS Financial may modify the loan or grant a limited moratorium on loan payments to enable the borrower to reorganize their financial affairs. If the loan continues in a delinquent status for 90 days or more, FMS Financial generally will initiate foreclosure proceedings.

Loans are generally placed on non-accrual status when either principal or interest is 90 days or more past due. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Such interest, when ultimately collected, is credited to income in the period received. At December 31, 2006, Farmers & Mechanics Bank had \$2.9 million of loans that were held on a non-accrual basis. Gross interest income of \$184,000 would have been recorded during the year ended December 31, 2006 if these loans had been performing in accordance with their terms. Interest income of \$142,000 was recorded on these loans during the year ended December 31, 2006.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Non-Performing Assets. The following table sets forth information regarding non-accrual loans, troubled debt restructured and real estate owned assets by FMS Financial at the dates indicated.

At December 31, (Dollars in thousands)	2006	2005	2004	2003	2002
Loans accounted for on a non-accrual basis:					
Mortgage loans:					
One-to-four family	\$ 1,056	\$ 794	\$ 819	\$ 507	\$ 960
Commercial real estate	1,800	985	985	1,189	1,786
Consumer and other					12
Total mortgage non-accrual loans	2,856	\$ 1,779	\$ 1,804	\$ 1,696	\$ 2,758
Troubled debt restructurings	33	\$ 176	\$ 718	\$ 1,027	\$ 987
Real estate owned, net				48	291
Other non-performing assets					88
Total non-performing assets	\$ 2,889	\$ 1,955	\$ 2,522	\$ 2,771	\$ 4,124
Total non-accrual loans to net loans	0.63%	0.40%	0.43%	0.42%	0.76%
Total non-accrual loans to total assets	0.24%	0.14%	0.14%	0.14%	0.24%
Total non-performing assets to total assets	0.24%	0.16%	0.20%	0.23%	0.37%

Classified Assets. The Office of Thrift Supervision regulations provide for a classification system for problem assets of insured institutions which covers all problem assets. Under this classification system, problem assets of insured institutions are classified as substandard, doubtful, or loss. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard, with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets may be designated special mention because of potential weaknesses that do not currently warrant classification in one of the aforementioned categories.

When an insured institution classifies problem assets as loss, it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the Office of Thrift Supervision.

Management's evaluation of the classification of assets and the adequacy of the reserve for loan losses is reviewed by the board on a regular basis and by the regulatory agencies as part of their examination process.

The following table sets forth FMS Financial's classified assets in accordance with its classification system.

At December 31, (In thousands)	2006	2005
Special mention	\$ 860	\$ 3,134
Substandard	5,659	4,917
Doubtful	755	
Total	\$ 7,274	\$ 8,051

At December 31, 2006, FMS Financial did not have any loans not classified as non-accrual, 90 days past due or restructured, but where known information about possible credit problems of borrowers caused management to have serious concerns as to the ability of the borrowers to comply with present loan repayment terms and may result in disclosure as non-accrual, 90 days past due or restructured.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Provision for Loan Losses. A provision for loan losses is charged to operations based on management's evaluation of the probable losses in FMS Financial's loan portfolio. Such evaluation, which includes a review of all loans of which full collectibility of interest and principal may not be reasonably assured, considers FMS Financial's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions.

Management will continue to review the entire loan portfolio to determine the extent, if any, to which further additional loss provisions may be deemed necessary. There can be no assurance that the allowance for losses will be adequate to cover losses which may in fact be realized in the future and that additional provisions for losses will not be required.

The following table sets forth an analysis of FMS Financial's allowance for loan losses for the periods indicated.

Year Ended December 31, (Dollars in thousands)	2006	2005	2004	2003	2002
Balance at beginning of period	\$ 5,063	\$ 4,719	\$ 4,408	\$ 4,317	\$ 4,231
Loans charged-off:					
One-to-four family		(9)	(3)		(10)
Commercial real estate					
Construction					
Consumer	(9)	(45)	(6)	(4)	(10)
Commercial business		(4)	(14)	(184)	(58)
Total charge-offs	(9)	(58)	(23)	(188)	(78)
Recoveries	7	42	4	9	15
Net loans charged-off	(2)	(16)	(19)	(179)	(63)
Provision for loan losses	330	360	330	270	149
Balance at end of period	\$ 5,391	\$ 5,063	\$ 4,719	\$ 4,408	\$ 4,317
Ratio of net charge-offs to average loans outstanding during the period	.0004%	0.005%	0.005%	0.046%	0.017%

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Analysis of the Allowance for Loan Losses

The following table sets forth the breakdown of the allowance for loan losses by loan category and the percent of loans in each category to total loans receivable for the periods indicated. The allocation of the allowance to each category is not necessarily indicative of future losses.

December 31, (Dollars in thousands)	2006		2005		2004		2003		2002	
	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans
Loans:										
One-to-four family	\$ 1,580	63.24%	\$ 1,694	63.97%	\$ 986	65.08%	\$ 1,446	68.84%	\$ 1,672	74.38%
Commercial real estate	3,243	29.02	2,792	28.52	2,883	27.46	2,540	25.60	2,284	20.82
Commercial construction	107	0.65	279	1.55	582	2.82	194	1.47	69	0.32
Construction	90	0.83	8	0.40	2	0.21	25	0.32	34	0.08
Consumer and other	18	0.49	19	0.53	22	0.58	24	0.78	28	0.96
Commercial business	353	5.77	271	5.03	244	3.85	179	2.99	230	3.44
Total allowance for loan losses	\$ 5,391	100.00%	\$ 5,063	100.00%	\$ 4,719	100.00%	\$ 4,408	100.00%	\$ 4,317	100.00%

Investment Activities

FMS Financial is required under federal regulations to maintain a minimum amount of liquid assets which may be invested in specified short-term securities and certain other investments. The level of liquid assets varies depending upon several factors, including: (i) the yields on investment alternatives, (ii) management's judgment as to the attractiveness of the yields then available in relation to other opportunities, (iii) expectation of future yield levels, and (iv) management's projections as to the short-term demand for funds to be used in loan origination and other activities. Investment securities, including mortgage-backed securities, are classified at the time of purchase, based upon management's intentions and abilities, as securities held to maturity or securities available for sale. Debt securities acquired with the intent and ability to hold to maturity are classified as held to maturity and are stated at cost and adjusted for amortization of premium and accretion of discount, which are computed using the level yield method and recognized as adjustments of interest income. All other debt securities are classified as available for sale to serve principally as a source of liquidity.

Current regulatory and accounting guidelines regarding investment securities (including mortgage-backed securities) require FMS Financial to categorize securities as held to maturity, available for sale, or trading. As of December 31, 2006, FMS Financial had securities classified as held to maturity and available for sale in the amount of \$428.4 million and \$146.0 million, respectively, and had no securities classified as trading. Securities classified as available for sale are reported for financial reporting purposes at the fair market value with their net unrealized gain or loss included as a separate component of stockholders' equity, net of income taxes. At December 31, 2006, FMS Financial's securities available for sale had an amortized cost of \$148.1 million and market value of \$146.0 million (net unrealized loss of \$1.2 million, net of income taxes). The changes in market value in FMS Financial's available for sale portfolio reflect normal market conditions and vary, either positively or negatively, based primarily on changes in general levels of market interest rates relative to the yields of the portfolio. Additionally, changes in the market value of securities available for sale do not affect FMS Financial's income nor does it affect Farmers & Mechanics Bank's regulatory capital requirements or its loan-to-one borrower limit.

FMS Financial's investment securities available-for-sale and held-to-maturity portfolios at December 31, 2006, did not contain securities of any issuer with an aggregate book value in excess of 10% of FMS Financial's equity, excluding those issued by the United States government agencies.

At December 31, 2006, FMS Financial's investment portfolio policy allowed investments in instruments such as: (i) United States Treasury obligations, (ii) United States federal agency or federally sponsored agency obligations, (iii) local municipal obligations, (iv) mortgage-backed securities, (v) banker's acceptances, (vi) certificates of deposit, and (vii) investment grade corporate bonds and commercial paper. The board of directors may authorize additional investments.

As a source of liquidity and to supplement its lending activities, FMS Financial has invested in residential mortgage-backed securities. Mortgage-backed securities can serve as collateral for borrowings and, through repayments, as a source of liquidity. Mortgage-backed securities represent a participation interest in a pool of single-family or other type of mortgages. Principal and interest payments are passed from the mortgage originators, through intermediaries (generally quasi-governmental agencies) that pool and repackage the participation interests in the form of securities, to investors, like FMS Financial. The quasi-governmental agencies guarantee the payment of principal and interest to investors and include Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA) and Federal Home Loan Mortgage Corporation (FHLMC).

Mortgage-backed securities typically are issued with stated principal amounts. The securities are backed by pools of mortgages that have loans with interest rates that are within a set range and have varying maturities. The underlying pool of mortgages can be composed of either fixed-rate or adjustable-rate mortgage loans. Mortgage-backed securities are generally referred to as mortgage participation certificates or pass-through certificates. The interest rate risk characteristics of the underlying pool of mortgages (*i.e.*, fixed-rate or adjustable-rate) and the prepayment risk, are passed on to the certificate holder. The life of a mortgage-backed pass-through security is equal to the life of the underlying mortgages. Expected maturities will differ from contractual maturities due to scheduled repayments and because borrowers may have the right to call or prepay obligations with or without

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

prepayment penalties. Mortgage-backed securities issued by GNMA, FNMA and FHLMC make up a majority of the pass-through certificates market.

FMS Financial also invests in mortgage-related securities, primarily collateralized mortgage obligations (CMOs), issued or sponsored by GNMA, FNMA and FHLMC, as well as private issuers. CMOs are a type of debt security that aggregates pools of mortgages and mortgage-backed securities and creates different classes of CMO securities with varying maturities and amortization schedules as well as a residual interest with each class having different risk characteristics. The cash flows from the underlying collateral are usually divided into tranches or classes whereby tranches have descending priorities with respect to the distribution of principal and interest repayment of the underlying mortgages and mortgage-backed securities as opposed to pass-through mortgage-backed securities where cash flows are distributed pro rata to all security holders. Unlike mortgage-backed securities from which cash flow is received and prepayment risk is shared pro rata by all securities holders, cash flows from the mortgages and mortgage-backed securities underlying CMOs are paid in accordance with a predetermined priority to investors holding various tranches of such securities or obligations. A particular tranche or class may carry prepayment risk which may be different from that of the underlying collateral and other tranches. CMOs attempt to moderate reinvestment risk associated with conventional mortgage-backed securities resulting from unexpected prepayment activity. Management believes these securities represent attractive alternatives relative to other investments due to the wide variety of maturity, repayment and interest rate options available.

The following table sets forth the carrying value of FMS Financial's investment securities held to maturity, securities available for sale, Federal Home Loan Bank stock and interest-bearing deposits and overnight investments at the dates indicated.

At December 31, (In thousands)	2006	2005	2004
Investment securities held to maturity:			
United States government and agency securities	\$ 197,326	\$ 192,328	\$ 164,381
CMOs	60,058	71,621	87,413
Municipal bonds	6,591	11,391	3,039
Mortgage-backed securities	164,467	208,196	269,222
Investment securities available for sale:			
United States government and agency securities	64,481	59,581	30,317
CMOs	18,420	21,990	37,602
Mortgage-backed securities	63,104	74,060	74,081
Total investment securities	574,447	639,167	666,055
Federal Home Loan Bank stock	6,314	8,248	10,250
Interest-bearing deposits and overnight investments	54,491	39,296	64,142
Total investments	\$ 635,252	\$ 686,711	\$ 740,447

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table sets forth the scheduled maturities, carrying values, market values and average yields for FMS Financial's investment securities at December 31, 2006. The following table does not take into consideration the effects of unscheduled repayments or the effects of possible prepayments.

(Dollars in thousands)	One Year or Less		One to Five Years		Five to Ten Years		More than Ten Years		Total Investment Securities		
	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Market Value	Average Yield
Investment securities held to maturity:											
U.S. Government and agency obligations	\$ 9,999	4.00%	\$ 19,996	4.66%	\$ 76,749	5.29%	\$ 90,582	5.91%	\$ 197,326	\$ 194,548	5.45%
Municipal bonds	6,491	4.00	100	4.30					6,591	6,592	4.00
CMOs			1,004	4.00	4,669	3.93	54,385	4.49	60,058	58,155	4.44
Mortgage-backed securities			19,076	4.29	5,704	5.53	94,134	5.45	118,914	117,980	5.27
Pass through certificates							45,553	4.74	45,553	44,354	4.74
Investment securities available for sale:											
U.S. Government and agency obligations			34,746	4.50	14,359	5.04	15,376	5.47	64,481	64,481	4.85
CMOs			404	4.25	2,836	4.59	15,180	4.78	18,420	18,420	4.74
Mortgage-backed securities			2,378	4.72	1,508	5.00	39,920	5.37	43,806	43,806	5.32
Pass through certificates							19,298	5.07	19,298	19,298	5.07
Federal Home Loan Bank stock							6,314	6.25	6,314	6,314	6.25
Interest-bearing deposits and overnight investments	54,491	5.20							54,491	54,491	5.20
Total	\$ 70,981		\$ 77,704		\$ 105,825		\$ 380,742		\$ 635,252	\$ 628,439	

Sources of Funds

General. Deposits are the major external source of FMS Financial's funds for lending and other investment purposes. Funds are derived from amortization and prepayment of loans and maturities of investment securities, borrowings, mortgage-backed securities and operations. Scheduled loan principal repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and market conditions.

Deposits. Deposits are attracted from within FMS Financial's market areas of Burlington, Camden and Mercer Counties, New Jersey, through the offering of a broad selection of deposit instruments including regular checking accounts, noninterest checking accounts, money market accounts, regular passbook accounts, certificates of deposit and IRA accounts. Deposit account terms vary according to the minimum balance required, the time periods the funds must remain on deposit and the interest rate, among other factors. FMS Financial regularly evaluates the internal cost of funds, surveys rates offered by competing institutions, reviews FMS Financial's cash flow requirements for lending and liquidity and executes rate changes when deemed appropriate. FMS Financial does not have any brokered deposits and has no present intention to accept or solicit such deposits.

Certificates of Deposit in Excess of \$100,000. The following table indicates the amount of FMS Financial's certificates of deposit of \$100,000 or more by time remaining until maturity as of December 31, 2006.

Maturity Period of Deposits (In thousands)	Certificates of Deposit
Three months or less	\$ 17,332
Three through six months	14,291
Six through twelve months	5,705
Over twelve months	6,620
Total	\$ 43,948

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Deposit Rate. The following table sets forth the distribution of FMS Financial's average balance of deposit accounts at the dates indicated and the weighted average nominal interest rates on each category of deposits presented.

At December 31, (Dollars in thousands)	2006			2005			2004		
	Average Balance	Percent of Total Deposits	Weighted Average Nominal Rate	Average Balance	Percent of Total Deposits	Weighted Average Nominal Rate	Average Balance	Percent of Total Deposits	Weighted Average Nominal Rate
Passbook and regular savings	\$ 177,914	19.14%	0.45%	\$ 185,680	19.61%	0.43%	\$ 182,873	19.95%	0.43%
Checking accounts	214,569	23.09	0.38	219,153	23.14	1.88	198,700	21.68	0.86
Non-interest checking	185,343	19.94		180,803	19.09		167,638	18.29	
Money market deposit accounts	127,365	13.70	1.22	142,137	15.01	0.89	139,038	15.17	0.72
Certificates of deposit	214,651	23.09	3.31	208,825	22.05	2.34	216,906	23.67	1.83
Surrogate statement	9,687	1.04	3.45	10,350	1.10	3.45	11,373	1.24	2.55
Total deposits	\$ 929,529	100.00%	1.73%	\$ 946,948	100.00%	1.21%	\$ 916,528	100.00%	0.84%

Securities Sold Under Agreements to Repurchase. The following table sets forth information regarding the balances and rates on our securities sold under agreement to repurchase.

(In thousands)	At or for the Year Ended December 31,		
	2006	2005	2004
Average balance outstanding during the period	\$ 152,709	\$ 164,513	\$ 211,725
Maximum amount outstanding at any month-end during the period	175,000	175,000	225,000
Balance outstanding at the end of period	115,000	175,000	195,000
Weighted average interest rate during the period	5.01%	4.93%	4.24%
Weighted average interest rate at end of period	5.24%	4.93%	4.49%

Personnel

As of December 31, 2006, FMS Financial had 344 full-time employees and 240 part-time employees. The employees are not represented by a collective bargaining unit. Management believes its relationship with its employees is good.

Regulation of FMS Financial

Set forth below is a brief description of certain laws which relate to the regulation of FMS Financial. The description does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations.

General. FMS Financial is a unitary savings and loan holding company, subject to regulation and supervision by the OTS. In addition, the OTS has enforcement authority over FMS Financial and any non-savings institution subsidiaries. This permits the OTS to restrict or prohibit activities that it determines to be a serious risk to Farmers & Mechanics Bank. This regulation is intended primarily for the protection of the depositors and not for the benefit of stockholders of FMS Financial.

Activities Restrictions. As a grandfathered unitary savings and loan holding company under the Gramm-Leach-Bliley Act (the GLB Act), FMS Financial is generally not subject to any restrictions on its business activities or those of its non-savings institution subsidiaries. However, if FMS Financial were to fail to meet the Qualified Thrift Lender Test, then it would become subject to the activities restrictions of the Home Owners Loan Act applicable to multiple holding companies. See *Regulation of Farmers & Mechanics Bank Qualified Thrift Lender Test*.

If FMS Financial were to acquire control of another savings association, it would lose its grandfathered status under the GLB Act and its business activities would be restricted to certain activities specified by OTS regulation, which include performing services and holding properties used by a savings institution subsidiary, certain activities authorized for savings and loan holding companies as of March 5, 1987, and nonbanking activities permissible for bank holding companies pursuant to the Bank Holding Company Act of 1956 (the BHC Act) or authorized for financial holding companies pursuant to the GLB Act. Furthermore, no company may acquire control of FMS Financial unless the acquiring company was a unitary savings and loan holding company on May 4, 1999 (or became a unitary savings and loan holding company pursuant to an application pending as of that date) or the acquiring company is only engaged in activities that are permitted for multiple savings and loan holding companies or for financial holding companies under the BHC Act as amended by the GLB Act.

Mergers and Acquisitions. FMS Financial must obtain approval from the OTS before acquiring more than 5% of the voting stock of another savings institution or savings and loan holding company or acquiring such an institution or holding company by merger, consolidation or purchase of its assets. In evaluating an application for FMS Financial to acquire control of a savings institution, the OTS would consider the financial and managerial resources and future prospects of FMS Financial and the target institution, the effect of the acquisition on the risk to the insurance funds, the convenience and the needs of the community and competitive factors.

The USA Patriot Act. In response to the events of September 11, 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA Patriot Act, was signed into law on October 26, 2001. The USA Patriot Act gives the federal government new powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, Title III of the USA Patriot Act takes measures intended to encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions, including banks, thrifts, brokers, dealers, credit unions, money transfer agents and parties registered under the Commodity Exchange Act.

Among other requirements, Title III of the USA Patriot Act imposes the following requirements with respect to financial institutions:

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Pursuant to Section 352, all financial institutions must establish anti-money laundering programs that include, at minimum: (i) internal policies, procedures, and controls; (ii) specific designation of an anti-money laundering compliance officer; (iii) ongoing employee training programs; and (iv) an independent audit function to test the anti-money laundering program.

Section 326 authorizes the Secretary of the Department of Treasury, in conjunction with other bank regulators, to issue regulations that provide for minimum standards with respect to customer identification at the time new accounts are opened.

Section 312 requires financial institutions that establish, maintain, administer or manage private banking accounts or correspondence accounts in the United States for non-United States persons or their representatives (including foreign individuals visiting the United States) to establish appropriate, specific, and, where necessary, enhanced due diligence policies, procedures and controls designed to detect and report money laundering.

Effective December 25, 2001, financial institutions are prohibited from establishing, maintaining, administering or managing correspondent accounts for foreign shell banks (foreign banks that do not have a physical presence in any country), and will be subject to certain record keeping obligations with respect to correspondent accounts of foreign banks.

Bank regulators are directed to consider a holding company's effectiveness in combating money laundering when ruling on Federal Reserve Act and Bank Merger Act applications.

Sarbanes-Oxley Act of 2002. On July 30, 2002, the President signed into law the Sarbanes-Oxley Act of 2002 (the Act), which implemented legislative reforms intended to address corporate and accounting fraud. In addition to the establishment of a new accounting oversight board to enforce auditing, quality control and independence standards and which is funded by fees from all publicly traded companies, the Act places certain restrictions on the scope of services that may be provided by accounting firms to their public company audit clients. Any non-audit services being provided to a public company audit client will require preapproval by the company's audit committee. In addition, the Act makes certain changes to the requirements for partner rotation after a period of time. The Act requires chief executive officers and chief financial officers, or their equivalent, to certify to the accuracy of periodic reports filed with the SEC, subject to civil and criminal penalties if they knowingly or willingly violate this certification requirement. In addition, under the Act, counsel is required to report evidence of a material violation of the securities laws or a breach of fiduciary duty by a company to its chief executive officer or its chief legal officer, and, if such officer does not appropriately respond, to report such evidence to the audit committee or other similar committee of the board of directors or the board itself.

Under the Act, longer prison terms apply to corporate executives who violate federal securities laws; the period during which certain types of suits can be brought against a company or its officers is extended; and bonuses issued to top executives prior to restatement of a company's consolidated financial statements are now subject to disgorgement if such restatement was due to corporate misconduct. Executives are also prohibited from insider trading during retirement plan blackout periods, and loans to company executives (other than loans by financial institutions permitted by federal rules and regulations) are restricted. In addition, a provision directs that civil penalties levied by the SEC as a result of any judicial or administrative action under the Act be deposited to a fund for the benefit of harmed investors. The Federal Accounts for Investor Restitution provision also requires the SEC to develop methods of improving collection rates. The legislation accelerates the time frame for disclosures by public companies, as they must immediately disclose any material changes in their financial condition or operations. Directors and executive officers must also provide information for most changes in ownership in a company's securities within two business days of the change.

The Act also increases the oversight of, and codifies certain requirements relating to audit committees of public companies and how they interact with the company's registered public accounting firm. Audit Committee members must be independent and are absolutely barred from accepting consulting, advisory or other compensatory fees from the issuer. In addition, companies must disclose whether at least one member of the committee is a financial expert (as such term is defined by the SEC) and if not, why not. Under the Act, a company's registered public accounting firm will be prohibited from performing statutorily mandated audit services for a company if such

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

company's chief executive officer, chief financial officer, comptroller, chief accounting officer or any person serving in equivalent positions had been employed by such firm and participated in the audit of such company during the one-year period preceding the audit initiation date. The Act also prohibits any officer or director of a company or any other person acting under their direction from taking any action to fraudulently influence, coerce, manipulate or mislead any independent accountant engaged in the audit of the company's consolidated financial statements for the purpose of rendering the consolidated financial statements materially misleading. The Act also requires the SEC to prescribe rules requiring inclusion of any internal control report and assessment by management in the annual report to shareholders. The Act requires the company's registered public accounting firm that issues the audit report to attest to and report on management's assessment of the company's internal controls. It is anticipated that FMS Financial will be subject to all of the requirements of the Act during 2008.

Regulation of Farmers & Mechanics Bank

General. As a federally chartered savings bank with deposits insured by the FDIC, Farmers & Mechanics Bank is subject to extensive regulation by the OTS and FDIC. Lending activities and other investments must comply with federal and state statutory and regulatory requirements. Farmers & Mechanics Bank is also subject to reserve requirements of the Federal Reserve System. Federal regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the Deposit Insurance Fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes.

The OTS regularly examines Farmers & Mechanics Bank and prepares reports for consideration by Farmers & Mechanics Bank's Board of Directors on deficiencies, if any, found in Farmers & Mechanics Bank's operations. Farmers & Mechanics Bank's relationship with its depositors and borrowers is also regulated by federal and state law, especially in such matters as the ownership of savings accounts and the form and content of Farmers & Mechanics Bank's mortgage documents.

Farmers & Mechanics Bank must file reports with the OTS concerning its activities and financial condition, and must obtain regulatory approvals prior to entering into certain transactions such as mergers with or acquisitions of other financial institutions. Any change in such regulations, whether by the OTS, the FDIC or the United States Congress, could have a material adverse impact on Farmers & Mechanics Bank, FMS Financial, and their operations.

Deposit Insurance. Farmers & Mechanics Bank's deposits are insured to applicable limits by the Federal Deposit Insurance Corporation. Although the FDIC is authorized to assess premiums under a risk-based system for such deposit insurance, most insured depository institutions have not been required to pay premiums for the last ten years. The Federal Deposit Insurance Reform Act of 2005, which was signed into law on February 15, 2006, has resulted in significant changes to the federal deposit insurance program: (i) effective March 31, 2006, the Bank Insurance Fund (which formerly insured the deposits of banks) and the Savings Association Insurance Fund (which formerly insured the deposits of savings associations like Farmers & Mechanics Bank) were merged into a new combined fund, called the Deposit Insurance Fund; (ii) the current \$100,000 deposit insurance coverage will be indexed for inflation (with adjustments every five years, commencing January 1, 2011); and (iii) deposit insurance coverage for retirement accounts has been increased to \$250,000 per participant subject to adjustment for inflation. The FDIC has been given greater latitude in setting the assessment rates for insured depository institutions, which could be used to impose minimum assessments.

The FDIC is authorized to set the reserve ratio for the Deposit Insurance Fund annually at between 1.15% and 1.5% of estimated insured deposits. If the Deposit Insurance Fund's reserves exceed the designated reserve ratio, the FDIC is required to pay out all or, if the reserve ratio is less than 1.5%, a portion of the excess as a dividend to insured depository institutions based on the percentage of insured deposits held on December 31, 1996 adjusted for subsequently paid premiums. Insured depository institutions that were in existence on December 31, 1996 and paid assessments prior to that date (or their successors) are entitled to a one-time credit against future assessments based on their past contributions to the Bank Insurance Fund or the Savings Association Insurance Fund.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

In addition, all FDIC-insured institutions are required to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation (FICO), an agency of the Federal government established to recapitalize the predecessor to the Savings Association Insurance Fund. The FICO assessment rates, which are determined quarterly, averaged 0.0128% of insured deposits in fiscal 2006. These assessments will continue until the FICO bonds mature in 2017.

Pursuant to the Reform Act, the FDIC has determined to maintain the designated reserve ratio at its current 1.25%. The FDIC has also adopted a new risk-based premium system that provides for quarterly assessments based on an insured institution's ranking in one of four risk categories based on their examination ratings and capital ratios. Beginning in 2007, well-capitalized institutions with the CAMELS ratings of 1 or 2 will be grouped in Risk Category I and will be assessed for deposit insurance at an annual rate of between five and seven basis points with the assessment rate for an individual institution to be determined according to a formula based on a weighted average of the institution's individual CAMEL component ratings plus either five financial ratios or the average ratings of its long-term debt. Institutions in Risk Categories II, III and IV will be assessed at annual rates of 10, 28 and 43 basis points, respectively.

Regulatory Capital Requirements. OTS capital regulations require savings institutions to meet three capital standards: (1) tangible capital equal to 1.5% of adjusted total assets, (2) Tier 1, or core, capital equal to at least 4% (3% if the institution has received the highest rating, composite 1 CAMELS, on its most recent examination) of adjusted total assets, and (3) risk-based capital equal to 8% of total risk-weighted assets.

Tangible capital is defined as core capital less all intangible assets (including supervisory goodwill), less certain mortgage servicing rights and less certain investments. Core capital is defined as common stockholders' equity (including stockholders' equity), noncumulative perpetual preferred stock and minority interests in the equity accounts of consolidated subsidiaries, certain nonwithdrawable accounts and pledged deposits of mutual savings associations and qualifying supervisory goodwill, less nonqualifying intangible assets, certain mortgage servicing rights, certain investments and unrealized gains and losses on certain available-for-sale securities.

The risk-based capital standard for savings institutions requires the maintenance of total risk-based capital (which is defined as core capital plus supplementary capital) of 8% of risk-weighted assets. The components of supplementary capital include, among other items, cumulative perpetual preferred stock, perpetual subordinated debt, mandatory convertible subordinated debt, intermediate-term preferred stock, and the portion of the allowance for loan losses not designated for specific loan losses (up to a maximum of 1.25% of risk-weighted assets) and up to 45% of unrealized gains on equity securities. Overall, supplementary capital is limited to 100% of core capital. A savings association must calculate its risk-weighted assets by multiplying each asset and off-balance sheet item by various risk factors as determined by the OTS, which range from 0% for cash to 100% for delinquent loans, property acquired through foreclosure, commercial loans, and other assets.

Dividend and Other Capital Distribution Limitations. The OTS imposes various restrictions or requirements on the ability of savings institutions to make capital distributions including cash dividends.

A savings association that is a subsidiary of a savings and loan holding company, such as Farmers & Mechanics Bank, must file an application or a notice with the OTS at least 30 days before making a capital distribution. A savings association is not required to file an application for permission to make a capital distribution and need only file a notice if the following conditions are met: (1) it is eligible for expedited treatment under OTS regulations, (2) it would remain adequately capitalized after the distribution, (3) the annual amount of its capital distributions does not exceed net income for that year to date added to retained net income for the two preceding years, and (4) the capital distribution would not violate any agreements between the OTS and the savings association or any OTS regulations. Any other situation would require an application to the OTS.

In addition, the OTS could prohibit a proposed capital distribution if, after making the distribution, which would otherwise be permitted by the regulation, the OTS determines that the distribution would constitute an unsafe or unsound practice.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

A federal savings institution is prohibited from making a capital distribution if, after making the distribution, the institution would be unable to meet any one of its minimum regulatory capital requirements. Further, a federal savings institution cannot distribute regulatory capital that is needed for its liquidation account.

Qualified Thrift Lender Test. Savings institutions must meet a qualified thrift lender (QTL) test or they become subject to the business activity restrictions and branching rules applicable to national banks. To qualify as a QTL, a savings institution must either (i) be deemed a domestic building and loan association under the Internal Revenue Code by maintaining at least 60% of its total assets in specified types of assets, including cash, certain government securities, loans secured by and other assets related to residential real property, educational loans and investments in premises of the institution or (ii) satisfy the statutory QTL test set forth in the Home Owners Loan Act by maintaining at least 65% of its portfolio assets in certain Qualified Thrift Investments (defined to include residential mortgages and related equity investments, certain mortgage-related securities, small business loans, student loans and credit card loans, and 50% of certain community development loans). For purposes of the statutory QTL test, portfolio assets are defined as total assets minus intangible assets, property used by the institution in conducting its business, and liquid assets up to 20% of total assets. A savings institution must maintain its status as a QTL on a monthly basis in at least nine out of every 12 months. As of December 31, 2006, Farmers & Mechanics Bank was in compliance with its QTL requirement.

Federal Home Loan Bank System. Farmers & Mechanics Bank is a member of the FHLB of New York, which is one of 12 regional FHLBs that administer the home financing credit function of savings associations. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members (*i.e.*, advances) in accordance with policies and procedures established by the Board of Directors of the FHLB.

As a member, Farmers & Mechanics Bank is required to purchase and maintain stock in the FHLB of New York in an amount equal to the greater of 1% of its aggregate unpaid residential mortgage loans, home purchase contracts or similar obligations at the beginning of each year, or 5% of its outstanding advances.

Federal Reserve System. The Federal Reserve System requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts (primarily checking, NOW and Super NOW checking accounts) and non-personal time deposits. The balances maintained to meet the reserve requirements imposed by the Federal Reserve System may be used to satisfy the liquidity requirements that are imposed by the OTS. At December 31, 2006, Farmers & Mechanics Bank was in compliance with these requirements.

**Management's Discussion and Analysis of
Results of Operations and Financial Condition of
FMS Financial**

General

The Private Securities Litigation Reform Act of 1995 contains safe harbor provisions regarding forward-looking statements. When used in this discussion, the words believes, anticipates, contemplates, expects, and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Those risks and uncertainties include changes in interest rates, credit risk, risks associated with the effect of opening a new branch, the ability to control costs and expenses and general economic conditions.

Earnings of FMS Financial are primarily dependent on the earnings of Farmers & Mechanics Bank because FMS Financial engages in no significant operations of its own. Accordingly, the earnings of FMS Financial are largely dependent on the receipt of earnings from Farmers & Mechanics Bank in the form of dividends.

The earnings of Farmers & Mechanics Bank depend primarily on its net interest income. Net interest income is affected by: (i) the volume of interest-earning assets and interest-bearing liabilities (see *Rate/Volume Analysis*), (ii) rates of interest earned on interest-earning assets and rates paid on interest-bearing liabilities, and (iii) the difference (interest rate spread) between average rates of interest earned on interest-earning assets and average rates paid on interest-bearing liabilities. When interest-earning assets approximate or exceed interest-bearing liabilities, any positive interest rate spread will generate net interest income. In recent years, FMS Financial's interest rate spread, like that of most financial institutions, has narrowed significantly due to a flattening of the yield curve which has made it difficult to obtain interest earning assets at rates significantly higher than the rates it must pay on its interest bearing liabilities. FMS Financial anticipates that this will continue in 2007 and has tried to offset the impact of this interest rate environment by increasing its non-interest income.

Farmers & Mechanics Bank also derives income from service charges on customer deposit accounts and fees on loans. In addition to interest expense, Farmers & Mechanics Bank incurs operating expenses such as salaries, employee benefits, deposit insurance premiums, depreciation, property maintenance and advertising.

Market and Liquidity Risk

Market risk is the risk of loss from adverse changes in market prices and rates. Farmers & Mechanics Bank's market risk arises primarily from interest rate risk inherent in its lending, investment and deposit-taking activities. Farmers & Mechanics Bank's profitability is affected by fluctuations in interest rates. A sudden and substantial increase in interest rates may adversely impact Farmers & Mechanics Bank's earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis. To that end, management actively monitors and manages its interest rate risk exposure. Farmers & Mechanics Bank does not participate in hedging programs including interest rate swaps or other activities involving the use of off-balance sheet derivative financial instruments. Farmers & Mechanics Bank's investment policy allows investment only in securities which have a rating of AA or better. United States government agency investments are callable notes issued by Fannie Mae, Freddie Mac and the Federal Home Loan Bank, which carry either a direct government or quasi-government guarantee. Farmers & Mechanics Bank holds a substantial component of its investment portfolio in mortgage-backed securities and collateralized mortgage obligations (collectively, MBS and CMO). At the end of 2006, the total investment in MBSs and CMOs amounted to \$307.2 million, or 48.4%, of total investments. These are instruments collateralized by pools of residential and commercial mortgages which return interest and principal payments to the investor when performing in accordance with their terms. Approximately 53.1% of Farmers & Mechanics Bank's MBS holdings are United States government agency securities, which carry either direct government or quasi-government guarantees and are rated AAA in terms of credit quality. Farmers & Mechanics Bank also owns non-agency CMOs, issued by major financial institutions, which are rated AAA or AA. CMOs are generally very liquid issues with major brokerage houses providing ready markets. However, CMOs are subject to prepayment and extension risk, which can adversely affect their yields and

expected average life. MBS s, CMO s and agency notes of \$49.0 million and \$54.1 million were used to secure public funds on deposit at December 31, 2006 and 2005, respectively. At December 31, 2006, FMS Financial had total unrealized losses of \$9.5 million on its investment portfolio. The unrealized losses were due to changes in market value stemming from changes in the general level of interest rates and are considered to be temporary and not material to FMS Financial.

Interest Rate Risk

Interest rate risk is the risk of loss in value due to changes in interest rates. This risk is addressed by the Funds Management Committee (FMC), which includes senior management. The FMC monitors and considers methods of managing interest rate risk by monitoring changes in the interest rate repricing gap (GAP), the net portfolio values (NPV) and net interest income under various interest rate scenarios. The FMC attempts to manage the various components of Farmers & Mechanics Bank s balance sheet to minimize the impact of sudden and sustained changes in interest rates through GAP, NPV and net interest income scenarios.

Farmers & Mechanics Bank s exposure to interest rate risk is reviewed on a periodic basis by the board of directors and the FMC. Interest rate sensitivity is a measure of the difference between amounts of interest-earning assets and interest-bearing liabilities which either reprice or mature within a given period of time.

The difference, or the interest rate repricing GAP, provides an indication of the extent to which an institution s interest rate spread will be affected by changes in interest rates over a period of time. A GAP is considered positive when the amount of interest rate sensitive assets maturing or repricing over a specified period of time exceeds the amount of interest rate sensitive liabilities maturing or repricing within that period and is considered negative when the amount of interest rate sensitive liabilities maturing or repricing over a specified period of time exceeds the amount of interest rate sensitive assets maturing or repricing within that period. Generally, during a period of rising interest rates, a negative GAP within a given period of time would adversely affect net interest income, while a positive GAP within such period of time may result in an increase in net interest income; during a period of falling interest rates, a negative GAP within a given period of time may result in an increase in net interest income while a positive GAP within such period of time may have the opposite effect. At December 31, 2006, Farmers & Mechanics Bank s GAP position for net assets repricing for one year cumulative totaled a negative \$151.8 million or 12.8%.

Interest rate risk exposure is also measured using interest rate sensitivity analysis to determine Farmers & Mechanics Bank s change in NPV in the event of hypothetical changes in interest rates. The board of directors may direct management to adjust its asset and liability mix to bring interest rate risk within board approved limits if potential changes to NPV and net interest income resulting from hypothetical interest rate changes are not within the limits established.

Farmers & Mechanics Bank has developed strategies to manage its liquidity, shorten the effective maturities of certain interest-earning assets and increase the effective maturities of certain liabilities to reduce the exposure to interest rate fluctuations. These strategies include focusing its investment activities on short and medium-term securities, maintaining and increasing the transaction deposit accounts, as these accounts are considered to be relatively resistant to changes in interest rates, and utilizing Federal Home Loan Bank (FHLB) borrowings and deposit marketing programs to adjust the repricing intervals of its liabilities.

Farmers & Mechanics Bank measures its interest rate risk using the Office of Thrift Supervision s NPV method. NPV is calculated based on the net present value of estimated cash flows utilizing market prepayment assumptions and market rates of interest provided by independent broker quotations and other public sources. An institution s interest rate risk is measured as the change to its NPV as a result of a hypothetical immediate 200 basis point change in market interest rates. Based on this analysis at December 31, 2006, Farmers & Mechanics Bank would experience a 390 basis point decrease in its NPV as a percent of assets if rates rise by 200 basis points in comparison to a flat rate scenario.

December 31, 2006
Net Portfolio Value

Changes in Interest Rates (basis points)	\$ Amount	\$ Change	% Change	NPV Ratio (1)
+300	\$ 79,524	\$ (79,184)	(50)%	6.84%
+200	104,835	(53,873)	(34)	8.81
+100	133,522	(25,186)	(16)	10.94
0	158,708	0	0	12.71
(100)	166,976	8,269	5	13.24
(200)	163,170	4,463	3	12.92

December 31, 2005
Net Portfolio Value

Changes in Interest Rates (basis points)	\$ Amount	\$ Change	% Change	NPV Ratio (1)
+300	\$ 69,534	\$ (84,249)	(55)%	5.78%
+200	98,609	(55,174)	(36)	8.00
+100	128,179	(25,604)	(17)	10.14
0	153,783	0	0	11.89
(100)	161,736	7,953	(5)	12.37
(200)	153,229	(554)	0	11.73

(1) Calculated as the estimated NPV divided by present value of total assets.

Although the NPV calculation provides an indication of Farmers & Mechanics Bank's interest rate risk at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on Farmers & Mechanics Bank's net interest income and will differ from actual results.

Financial Condition

Total assets of FMS Financial decreased \$43.2 million or 3.5% to \$1.19 billion at December 31, 2006 from \$1.23 billion at December 31, 2005. Short-term funds increased \$14.2 million or 36.1% to \$53.4 million at December 31, 2006 from \$39.3 million at December 31, 2005, primarily due to an increase in short-term money market accounts. Investment securities held to maturity decreased \$55.1 million or 11.4% to \$428.4 million at December 31, 2006 from \$483.5 million at December 31, 2005 primarily due to \$43.1 million in principal paydowns and \$27.8 million in investment calls and maturities, partially offset by purchases of \$5.0 million of United States government agency notes and \$11.0 million of municipal bonds. Investment securities available for sale decreased \$9.6 million or 6.2% to \$146.0 million during the year ended December 31, 2006 from \$155.6 million at December 31, 2005, due to principal paydowns of \$14.2 million and calls and maturities of \$5.0 million, partially offset by purchases of \$10.0 million in United States government agency notes. Loans receivable increased \$7.5 million or 1.7% to \$450.1 million at December 31, 2006 from \$442.6 million at December 31, 2005 primarily due to \$105.1 million of loans originated, partially offset by \$97.0 million of principal collected on loans. Federal Home Loan Bank stock decreased \$1.9 million or 23.5% to \$6.3 million at December 31, 2006 from \$8.2 million at December 31, 2005 due to mandatory redemption by the Federal Home Loan Bank as a result of Farmers & Mechanics Bank's repayment of Federal Home Loan Bank borrowings during the year.

Total liabilities decreased \$46.4 million or 4.0% to \$1.11 billion at December 31, 2006 from \$1.16 billion at December 31, 2005. Deposits decreased \$14.0 million or 1.5% to \$933.1 million at December 31, 2006 from \$947.1 million at December 31, 2005. The decrease in total deposits during the year was due to decreases in money market accounts of \$18.3 million, savings accounts of \$13.8 million and checking accounts of \$1.8 million, partially

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

offset by an increase in time deposits of \$19.9 million. Securities sold under agreements to repurchase decreased \$60.0 million or 34.3% to \$115.0 million at December 31, 2006 from \$175.0 million at December 31, 2005 due to the repayment of these borrowings during the year. These borrowings are collateralized by United States government agency notes, MBSs and CMOs and had a weighted average rate of 5.24% and 4.93% at December 31, 2006 and 2005, respectively. FMS Statutory Trust I and II debentures increased \$25.8 million or 100% to \$51.5 million at December 31, 2006 from \$25.8 million at December 31, 2005. FMS Financial established FMS Statutory Trust II in June 2006 and issued \$25.0 million of floating rate capital securities to institutional investors and \$774,000 of common securities to FMS Financial.

Stockholders' equity increased \$3.3 million or 4.4% to \$78.4 million at December 31, 2006 from \$75.1 million at December 31, 2005. The increase was due to net income of \$5.3 million and the exercise of stock options of \$165,000 partially offset by \$782,000 of dividends declared on common stock and a decrease of \$1.4 million in accumulated comprehensive income (\$136,000 increase in the net unrealized loss on available for sale securities and a \$1.3 million net increase in underfunded pension and post-retirement liabilities).

Results of Operations

Net Interest Income

The earnings of FMS Financial depend primarily upon the level of net interest income, which is the difference between interest earned on its interest-earning assets, such as loans and investments, on a tax equivalent basis and the interest paid on interest-bearing liabilities, such as deposits including noninterest-bearing checking accounts and borrowings. Net interest income is a function of the interest rate spread, which is the difference between the weighted average yield earned on interest-earning assets and the weighted average rate paid on interest-bearing liabilities, as well as the average balance of interest-earning assets as compared to interest-bearing liabilities. Net income is also affected by non-interest income and expenses, such as gains and losses on the sale of investments, provision for loan losses, service charges and other fees, and operating expenses.

The following table sets forth certain information relating to FMS Financial's average balance sheet and reflects the average yield on assets and average rates paid on liabilities for the periods indicated. Such yields and rates are derived by dividing interest income or expense, on a tax-equivalent basis, by the average balance of interest-earning assets or interest-bearing liabilities, respectively for the periods presented.

Years Ended December 31, (Dollars in thousands)	2006			2005			2004		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest-earning assets:									
Loans receivable	\$ 456,185	\$ 27,082	6.09%	\$ 436,338	\$ 25,906	5.94%	\$ 418,354	\$ 24,634	5.89%
Interest-bearing deposits	40,739	2,107	5.17	46,693	1,338	2.87	50,928	667	1.31
Mortgage-backed securities	250,778	12,559	5.01	308,078	14,630	4.75	396,962	17,389	4.38
Investment securities	366,474	18,719	5.11	340,922	16,124	4.73	281,314	13,149	4.67
Total interest-earning assets	1,114,176	61,187	5.49	1,132,031	57,998	5.12	1,147,558	55,839	4.87
Interest-bearing liabilities:									
Checking deposits	399,912	6,293	1.57	399,956	4,125	1.03	366,338	1,717	0.47
Savings deposits	187,601	1,138	0.61	196,030	1,149	0.59	194,246	1,071	0.55
Money market deposits	127,365	1,548	1.22	142,137	1,266	0.89	139,038	1,001	0.72
Time deposits	214,651	7,105	3.31	208,825	4,878	2.34	216,906	3,965	1.83
Borrowings	152,725	7,753	5.08	167,402	8,293	4.95	221,883	9,291	4.19
Long-term debt	39,735	3,578	9.00	25,774	1,826	7.08	25,774	1,369	5.31
Total interest-bearing liabilities	\$ 1,121,989	27,415	2.44	\$ 1,140,124	21,537	1.89	\$ 1,164,185	18,414	1.58
Net interest income		\$ 33,772			\$ 36,461			\$ 37,425	
Interest rate spread			3.05			3.23			3.29
Net yield on average interest-earning assets			3.03			3.22			3.26
Ratio of average interest-earning assets to average interest-bearing liabilities			99.30%			99.29%			98.57%

Rate/Volume Analysis

The table below sets forth certain information regarding changes in Farmers & Mechanics Bank's interest income and interest expense, on a tax-equivalent basis, for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (changes in average volume multiplied by old rate); (ii) changes in rates (changes in rate multiplied by old average volume); (iii) changes in rate-volume (changes in rate multiplied by the change in average volume).

Years Ended December 31, (In thousands)	2006 vs. 2005			2005 vs. 2004		
	Increase (Decrease) Due to change in			Increase (Decrease) Due to change in		
	Rate	Volume	Total	Rate	Volume	Total
Interest income:						
Loans	\$ 718	\$ 1,178	\$ 1,896	\$ 213	\$ 1,059	\$ 1,272
Interest-bearing deposits	940	(171)	769	726	(55)	671
Mortgage-backed securities	650	(2,721)	(2,071)	1,135	(3,894)	(2,759)
Investment securities	1,387	1,208	2,595	189	2,786	2,975
Total change interest income	3,695	(506)	3,189	2,263	(104)	2,159
Interest expense:						
Checking deposits	2,168		2,168	2,250	158	2,408
Savings deposits	38	(49)	(11)	68	10	78
Money market deposits	414	(132)	282	243	22	265
Time deposits	2,091	136	2,227	1,061	(148)	913
Borrowings	187	(727)	(540)	1,283	(2,281)	(998)
Long-term debt	763	989	1,752	457		457
Total change interest expense	5,661	217	5,878	5,362	(2,239)	3,123
Net change in net interest income	\$ (1,966)	\$ (723)	\$ (2,689)	\$ (3,099)	\$ 2,135	\$ (964)

Comparisons of Years Ended December 31, 2006 and 2005**Net Income**

FMS Financial and its subsidiary recorded net income of \$5.3 million for the year ended December 31, 2006, or \$0.81 diluted earnings per share, as compared to net income of \$6.7 million, or \$1.03 diluted earnings per share for the year ended December 31, 2005. Net interest income on a tax equivalent basis was \$33.8 million in 2006 compared to \$36.5 million in 2005. Provisions for loan losses were \$330,000 in 2006 and \$360,000 in 2005. Non-interest income was \$7.2 million in 2006 compared to \$5.4 million in 2005. Total non-interest expenses for the year ended December 31, 2006 were \$31.7 million compared to \$30.1 million in the previous year. During 2006, FMS Financial declared cash dividends, which totaled \$782,000 or \$0.12 per share, which resulted in a dividend payout ratio of 14.81%.

Interest Income

Total interest income on a tax-equivalent basis increased \$3.2 million to \$61.2 million in 2006 from \$58.0 million in 2005. The increase in 2006 is attributable to increases in interest income on investment securities of \$2.6 million, loans of \$1.9 million and interest-bearing deposits of \$769,000, partially offset by a decrease in interest income on mortgage-backed securities of \$2.1 million.

Interest income on investment securities increased \$2.6 million to \$18.7 million in 2006 from \$16.1 million in 2005. The average yield on the portfolio increased 38 basis points to 5.11% in 2006 from 4.73% in 2005, which resulted in an increase in interest income of \$1.4 million. The average balance of the portfolio increased \$25.6

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

million to \$366.5 million in 2006 from \$340.9 million in 2005, which resulted in an increase in interest income of \$1.2 million in 2006. The investment portfolio increased primarily due to purchases of \$15.0 million of United States government agency notes and \$11.0 million in municipal bonds during the year ended December 31, 2006. These increases were partially offset by principal paydowns of CMOs of \$15.0 million and calls of \$5.0 million of United States government agency notes during the year.

Interest income on loans increased \$1.9 million to \$27.8 million in 2006 from \$25.9 million in 2005. The average balance of the loan portfolio increased \$19.9 million to \$456.2 million in 2006 from \$436.3 million in 2005. The increase in the average balance in 2006 was primarily due to \$105.1 million in loans originated, partially offset by \$97.0 million in principal collected. The increase in the loan volume during 2006 resulted in a volume increase in interest income of \$1.2 million. The average yield on the loan portfolio increased 15 basis points to 6.09% in 2006 from 5.94% in 2005, which resulted in an increase in interest income of \$718,000.

Interest income on interest-bearing deposits increased \$769,000 to \$2.1 million in 2006 from \$1.3 million in 2005. The increase was primarily due to an increase in the average yield on the portfolio of 230 basis points to 5.17% in 2006 from 2.87% in 2005, which resulted in an increase in interest income of \$940,000. The average balance decreased \$6.0 million to \$40.7 million in 2006 from \$46.7 million in 2005, which resulted in a decrease in interest income of \$171,000.

Interest income on mortgage-backed securities decreased \$2.0 million to \$12.6 million in 2006 from \$14.6 million in 2005. The average balance of the portfolio decreased \$57.3 million to \$250.8 million in 2006 from \$308.1 million in 2005, resulting in a decrease in interest income of \$2.7 million. The average balance decrease in 2006 was due to \$31.6 million in principal paydowns on mortgage-backed securities and security sales of \$12.0 million. The average yield on the portfolio increased 26 basis points to 5.01% in 2006 from 4.75% in 2005, which resulted in an increase in interest income of \$650,000.

Interest Expense

Total interest expense increased \$5.9 million to \$27.4 million in 2006 from \$21.5 million in 2005. The increase in interest expense on time deposits of \$2.2 million, checking deposits of \$2.2 million, long-term debt of \$1.8 million and money market deposits of \$282,000 were partially offset by decreases in interest expense on borrowings of \$540,000 and savings deposits of \$11,000.

Interest expense on time deposits increased \$2.2 million to \$7.1 million in 2006 from \$4.9 million in 2005. The average rate on time deposits increased 97 basis points to 3.31% in 2006 from 2.34% in 2005, resulting in a \$2.1 million increase in interest expense due to changes in rate. The average balance of time deposits increased \$5.9 million to \$214.7 million in 2006 from \$208.8 million in 2005, resulting in a \$136,000 increase in interest expense due to volume.

Interest expense on checking deposits increased \$2.2 million to \$6.3 million in 2006 from \$4.1 million in 2005. The average rate on checking deposits increased 54 basis points to 1.57% in 2006 from 1.03% in 2005, which resulted in an increase in interest expense of \$2.2 million from higher rates. The average balance of checking deposits remained constant at \$400.0 million in 2006 and 2005.

Interest expense on long-term debt increased \$1.8 million to \$3.6 million in 2006 from \$1.8 million in 2005. The average balance on debentures increased \$13.9 million to \$39.7 million in 2006 from \$25.8 million in 2005, which resulted in an increase in interest expense of \$989,000. This increase is primarily due to the Trust II issuance in June 2006 of \$25.0 million of floating rate debentures. The average rate increased 192 basis points to 9.00% in 2006 from 7.08% in 2005, which increased interest expense on long-term debt \$763,000.

Interest expense on money market deposits increased \$282,000 to \$1.5 million in 2006 from \$1.3 million in 2005. The average rate on money market deposits increased 33 basis points to 1.22% in 2006 from 0.89% in 2005, which resulted in an increase in interest expense of \$414,000. The average balance of money market deposits decreased \$14.7 million to \$127.4 million in 2006 from \$142.1 million in 2005, which resulted in a volume decrease in interest expense of \$132,000.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Interest expense on borrowings decreased \$540,000 to \$7.8 million in 2006 from \$8.3 million in 2005. The average balance of borrowings decreased \$14.7 million to \$152.7 million in 2006 from \$167.4 million in 2005, which resulted in a decrease in interest expense of \$727,000. The average rate paid on borrowings increased 13 basis points to 5.08% in 2006 from 4.95% in 2005, which resulted in an increase in interest expense of \$187,000 due to rate changes.

Interest expense on savings deposits decreased \$11,000 to \$1.1 million in 2006 from \$1.1 million in 2005. The average balance of savings deposits decreased \$8.4 million to \$187.6 million in 2006 from \$196.0 million in 2005, which resulted in a decrease in interest expense of \$49,000. The average rate on savings deposits increased 2 basis points to 0.61% in 2006 from 0.59% in 2005, which resulted in an increase in interest expense of \$38,000.

Critical Accounting Estimate Provision For Loan Losses

A critical accounting estimate of Farmers & Mechanics Bank is the provision for loan losses. The provision for loan losses decreased \$30,000 to \$330,000 in 2006 from \$360,000 in 2005. The decrease in the provision was due to the moderate to low actual loan loss experienced over the last several years along with allowance for loan loss approaching 1.20% of total loans. The amount of the allowance for loan losses is based on management's analysis of risk characteristics of various classifications of loans, previous loan loss experience, estimated fair value of the underlying collateral and current economic conditions. The net charge-offs for 2006 and 2005 totaled \$2,000 and \$16,000, respectively. Farmers & Mechanics Bank will continue to monitor its allowance for loan losses and make future adjustments to the allowance through the provision for loan losses. Management continues to offer a wider variety of loan products coupled with the continued change in the mix of the products offered in the loan portfolio from lower yielding loans (i.e., one-to-four family loans) to higher yielding loans (i.e., commercial real estate mortgage, commercial construction, consumer, and commercial business) which have a higher degree of risk than one-to-four family loans. Although Farmers & Mechanics Bank maintains its allowance for loan losses at a level that it considers to be adequate to provide for the probable existing loss in the loan portfolio, there can be no assurance that future losses will not exceed estimated amounts or that additional provisions for loan losses will not be required in future periods due to the higher degree of credit risk which might result from the change in the mix of the loan portfolio.

Most of Farmers & Mechanics Bank's lending activity is with customers located within southern New Jersey. Generally, the loans are secured by real estate consisting of single-family residential properties. While this represents a concentration of credit risk, the credit losses arising from this type of lending compare favorably with the Farmers & Mechanics Bank's credit loss experience on its portfolio as a whole. The ultimate repayment of these loans is dependent to a certain degree on the local economy and real estate market.

FMS Financial recognizes deferred tax assets and liabilities for the future tax effects of temporary differences. Deferred tax assets are subject to management's judgment based upon available evidence that future realization is more likely than not. If management determines that FMS Financial may be unable to realize all or part of net deferred tax assets in the future, a direct charge to income tax expense may be required to reduce the recorded value of the net deferred tax asset to the expected realizable amount.

Non-interest Income

Non-interest income from operations increased \$1.8 million to \$7.2 million in 2006 compared with \$5.4 million in 2005. The increase is primarily due to the gain on the sale of fixed assets of \$837,000 and the gain on the sale of investment securities of \$365,000 during 2006.

Service charges on accounts increased \$537,000 to \$5.8 million in 2006 from \$5.3 million in 2005. This is primarily due to a new fee structure for retail banking fees, effective April 2006, resulting in an increase of \$362,000 to \$3.3 million in 2006 from \$2.9 million in 2005. Check card income increased \$175,000 to \$1.8 million in 2006 from \$1.6 million in 2005 due to increased customer activity.

Non-interest Expense

Non-interest expense increased \$1.6 million to \$31.7 million in 2006 from \$30.1 million in 2005.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Salaries and benefits increased \$1.0 million to \$19.0 million in 2006 from \$18.0 million in 2005. The increase was primarily due to a \$981,000 increase in retirement and health insurance costs in 2006. Average full time equivalent employees were 519 during 2006 as compared to 525 during 2005.

Occupancy and equipment expense increased \$516,000 to \$6.1 million in 2006 from \$5.6 million in 2005. Maintenance expense increased \$259,000, property taxes increased \$152,000 and light, heat and utilities expense increased \$93,000 during 2006.

Telecommunications expense increased \$100,000 to \$556,000 in 2006 from \$456,000 in 2005. This increase was due to enhancing our network lines to provide more efficient service to our customers.

Comparisons of Years Ended December 31, 2005 and 2004

Net Income

FMS Financial and its subsidiary recorded net income of \$6.7 million for the year ended December 31, 2005, or \$1.03 diluted earnings per share, as compared to net income of \$8.8 million, or \$1.34 diluted earnings per share for the year ended December 31, 2004. Net interest income on a tax equivalent basis was \$36.4 million in 2005 compared to \$37.4 million in 2004. Provisions for loan losses were \$360,000 in 2005 and \$330,000 in 2004. Non-interest income was \$5.4 million in 2005 compared to \$6.1 million in 2004. Total non-interest expenses for the year ended December 31, 2005 were \$30.1 million compared to \$28.4 million in the previous year. During 2005, FMS Financial declared cash dividends of 780,000 or \$0.12 per share, which resulted in a dividend payout ratio of 11.65%.

Interest Income

Total interest income on a tax equivalent basis increased \$2.2 million to \$58.0 million in 2005 from \$55.8 million in 2004. The increase in 2005 is attributable to increases in interest income on investment securities of \$3.0 million, loans of \$1.3 million and interest-bearing deposits of \$671,000, partially offset by a decrease in interest income on mortgage-backed securities of \$2.8 million.

Interest income on investment securities increased \$3.0 million in 2005. The average balance of the portfolio increased \$59.6 million to \$340.9 million in 2005 from \$281.3 million in 2004. The investment portfolio increased in 2005 primarily due to purchases of \$123.0 million of U. S. Government agency notes and \$9.4 million of CMOs. These increases in 2005 were partially offset by calls of \$94.7 million of United States government agency notes and principal paydowns of CMOs of \$25.2 million. The increase in the average balance of investment securities resulted in an increase in interest income of \$2.8 million in 2005. The average yield on the portfolio increased 6 basis points to 4.73% in 2005 from 4.67% in 2004, which resulted in an increase in interest income of \$189,000.

Interest income on loans increased \$1.3 million to \$25.9 million in 2005 from \$24.6 million in 2004. The average balance of the loan portfolio increased \$17.9 million to \$436.3 million in 2005 from \$418.4 million in 2004. Loans originated during the year totaled \$117.4 million and principal collected on loans totaled \$93.3 million in 2005. The increase in the loan volume during 2005 resulted in a volume increase in interest income of \$1.1 million. The average yield on the loan portfolio increased 5 basis points to 5.94% in 2005 from 5.89% in 2004, which resulted in an increase in interest income of \$213,000.

Interest income on interest-bearing deposits increased \$671,000 to \$1.3 million in 2005 from \$667,000 in 2004. The increase was due to an increase in the average yield on the portfolio of 156 basis points to 2.87% in 2005 from 1.31% in 2004, which resulted in an increase in interest income of \$726,000. The average balance decreased \$4.2 million to \$46.7 million in 2005 from \$50.9 million in 2004. This decrease was primarily due to a \$5.8 million decline in the average balance of the money market investment account during the year, which resulted in a decrease in interest income of \$55,000.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Interest income on mortgage-backed securities decreased \$2.8 million in 2005 due to volume decreases in the portfolio. The average balance of the portfolio decreased \$88.9 million to \$308.1 million in 2005 from \$397.0 million in 2004, resulting in a decrease in interest income of \$3.9 million. The average balance decrease in 2005 was due to principal paydowns on mortgage-backed securities of \$63.1 million, partially offset by purchases of \$3.0 million in FHLMC securities. The average yield on the portfolio increased 37 basis points to 4.75% in 2005 from 4.38% in 2004, which resulted in an increase in interest income of \$1.1 million.

Interest Expense

Total interest expense increased \$3.1 million to \$21.5 million in 2005 from \$18.4 million in 2004. The increase in interest expense on checking deposits of \$2.4 million, time deposits of \$913,000, long-term debt of \$457,000, money market deposits of \$265,000 and savings deposits of \$78,000, was partially offset by a decrease in interest expense on borrowings of \$998,000.

Interest expense on checking deposits increased \$2.4 million to \$4.1 million in 2005 from \$1.7 million in 2004. The average rate on time deposits increased 56 basis points to 1.03% in 2005 from 0.47% in 2004, which resulted in an increase in interest expense of \$2.3 million from higher rates. The average balance of checking deposits increased \$33.7 million to \$400.0 million in 2005 from \$366.3 million in 2004, which resulted in an increase in interest expense of \$158,000.

Interest expense on time deposits increased \$913,000 to \$4.9 million in 2005 from \$4.0 million in 2004. The average rate on time deposits increased 51 basis points to 2.34% in 2005 from 1.83% in 2004, resulting in a \$1.1 million increase in interest expense due to changes in rate. The average balance of time deposits decreased \$8.1 million to \$208.8 million in 2005 from \$216.9 million in 2004, resulting in a \$148,000 decrease in interest expense due to volume.

Interest expense on long-term debt increased \$457,000 to \$1.8 million in 2005 from \$1.4 million in 2004. The average rate on long-term debt increased 177 basis points to 7.08% in 2005 from 5.31% in 2004, which resulted in an increase in interest expense of \$457,000. The average balance of long-term debt remained constant at \$25.8 million in 2005 and 2004.

Interest expense on money market deposits increased \$265,000 to \$1.3 million in 2005 from \$1.0 million in 2004. The average rate on money market deposits increased 17 basis points to 0.89% in 2005 from 0.72% in 2004, which resulted in an increase in interest expense of \$243,000. The average balance of money market deposits increased \$3.1 million to \$142.1 million in 2005 from \$139.0 million in 2004, which resulted in an increase in interest expense of \$22,000.

Interest expense on savings deposits increased \$78,000 to \$1.1 million in 2005 from \$1.1 million in 2004. The average rate on savings deposits increased 4 basis points to 0.59% in 2005 from 0.55% in 2004, which resulted in an increase in interest expense of \$68,000. The average balance of savings deposits increased \$1.8 million to \$196.0 million in 2005 from \$194.2 million in 2004, which resulted in an increase in interest expense of \$10,000.

Interest expense on borrowings decreased \$998,000 to \$8.3 million in 2005 from \$9.3 million in 2004. The average balance of borrowings decreased \$54.5 million to \$167.4 million in 2005 from \$221.9 million in 2004, resulting in a \$2.3 million volume decrease in interest expense. The average rate on borrowings increased 76 basis points to 4.95% in 2005 from 4.19% in 2004, resulting in a \$1.3 million increase in interest expense due to rate changes.

Critical Accounting Estimate Provision For Loan Losses

A critical accounting estimate of Farmers & Mechanics Bank is the provision for loan losses. The provision for loan losses increased \$30,000 to \$360,000 in 2005 from \$330,000 in 2004. The increase in the provision was due to increases in the total loan portfolio and particularly increases in commercial construction and commercial real estate loans, which have a higher risk of loss than residential mortgages. The net charge-offs for 2005 and 2004 totaled \$16,000 and \$19,000, respectively.

Non-interest Income

Non-interest income from operations decreased \$636,000 to \$5.4 million in 2005 compared with \$6.1 million in 2004. The decrease is primarily due to the absence of a \$683,000 gain on the sale of investment securities recorded in 2004.

Service charges on accounts increased \$109,000 to \$5.3 million in 2005 from \$5.2 million in 2004. This is primarily the result of an increase in check card income of \$218,000 to \$1.6 million in 2005 from \$1.4 million in 2004, partially offset by a \$90,000 reduction in returned item charges to \$1.8 million in 2005 from \$1.9 million in 2004.

Non-interest Expense

Non-interest expense increased \$1.7 million to \$30.1 million in 2005 from \$28.4 million in 2004.

Salaries and benefits increased \$1.1 million to \$18.0 million in 2005 from \$16.9 million in 2004. The increase was primarily due to annual pay rate increases of \$359,000 and an increase of \$472,000 in retirement and health insurance costs in 2005. Average full time equivalent employees during 2005 were 525 as compared to 515 during 2004.

Occupancy and equipment expense increased \$203,000 to \$5.6 million in 2005 from \$5.4 million in 2004. Furniture, fixture and equipment expense increased \$104,000, light, heat and utilities expense increased \$58,000 and maintenance expense increased \$57,000. These increases were due to the addition of the Cherry Hill Walmart branch opened in 2005, and other facility and equipment additions and improvements during the year.

Telecommunications expense increased \$153,000 to \$456,000 in 2005 from \$303,000 in 2004. This increase was due to enhancing our network to provide more efficient service to our customers.

Impact of Inflation and Changing Prices

Unlike most industrial companies, substantially all the assets of FMS Financial are monetary in nature. As a result, movements in interest rates have a greater impact on FMS Financial's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Liquidity and Capital Resources

Farmers & Mechanics Bank's liquidity is a measure of its ability to fund loans, withdrawals of deposits and other cash outflows in a cost effective manner. Farmers & Mechanics Bank's primary sources of funds are deposits and scheduled repayments and prepayments of loan principal. Farmers & Mechanics Bank also obtains funds from the sale and maturity of investment securities and short-term investments as well as the maturity of mortgage-backed securities and funds provided by operations. During the past several years, Farmers & Mechanics Bank has used such funds primarily to meet its ongoing commitments to fund maturing time deposits and savings withdrawals, to fund existing and continuing loan commitments and to maintain liquidity. Farmers & Mechanics Bank has periodically supplemented its funding needs with securities sold under agreements to repurchase (repurchase agreements) and advances from the Federal Home Loan Bank. At December 31, 2006, Farmers & Mechanics Bank had \$115.0 million in repurchase agreements. While loan payments, maturing investments and mortgage-backed securities are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. Farmers & Mechanics Bank's liquidity is also influenced by the level of demand for funding loan originations. Liquidity may be adversely affected by unexpected deposit outflows, excessive interest rates paid by competitors, adverse publicity relating to the banking industry and similar matters. Management monitors projected liquidity needs and determines the level desirable, based in part on FMS Financial's commitment to make loans and management's assessment of FMS Financial's ability to generate funds.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Farmers & Mechanics Bank is also subject to federal regulations that impose certain minimum capital requirements. At December 31, 2006 and 2005, Farmers & Mechanics Bank was in compliance with all of these requirements. A reconciliation of GAAP capital to regulatory capital is as follows:

	December 31, 2006	December 31, 2005
Bank GAAP Capital	\$ 94,220,043	\$ 91,137,726
Accumulated other comprehensive loss	2,485,410	1,099,630
Less:		
Subsidiary investments not includable	(745,645)	(745,645)
Core deposit intangible	(1,159,614)	(1,875,822)
	\$ 94,800,194	\$ 89,615,889
Less:		
General Valuation allowance	4,977,001	4,649,217
	\$ 99,777,195	\$ 94,265,106

The amount of time deposit accounts which are scheduled to mature during the twelve months ending December 31, 2007 is approximately \$180.4 million. To the extent these deposits do not remain at Farmers & Mechanics Bank upon maturity, Farmers & Mechanics Bank believes it can replace these funds with deposits, FHLB advances or outside borrowings. It has been Farmers & Mechanics Bank's experience that a substantial portion of such maturing deposits remain with Farmers & Mechanics Bank.

Contractual Obligations

FMS Financial is subject to certain contractual obligations at December 31, 2006 as shown in the table below:

Contractual Obligations (In thousands)	Less than One Year	One to Three Years	Three to Five Years	More Than Five Years	Total
Securities sold under agreements to repurchase ⁽¹⁾	\$ 20,000	\$	\$ 80,000	\$ 15,000	\$ 115,000
FMS Statutory Trust I and II debentures				51,548	51,548
Operating leases	375	557	217	609	1,758
Commitments to fund loans	6,017				6,017
Unused lines of credit				29,531	29,531
Standby letters of credit	6,569				6,569
Software maintenance contracts	90				90

(1) Subject to prepayment calls, which may accelerate the payment of these obligations.

Our Management

Boards of Directors and Trustees

Currently, the boards of directors of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp and the board of trustees of Beneficial Mutual Savings Bank are each composed of fourteen (14) persons who are elected for a term of one year, and re-elected annually. Upon consummation of the offering and the merger, the boards of directors of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp will be placed in classes and serve for three year terms. The board of trustees of Beneficial Mutual Savings Bank, who are elected for a one year term, are elected by Beneficial Mutual Bancorp, as the sole shareholder of Beneficial Mutual Savings Bank. The board of directors of Beneficial Mutual Bancorp is currently elected by Beneficial Savings Bank MHC, as the sole shareholder of Beneficial Mutual Bancorp; however, following the offering, all shareholders will have the opportunity to elect Beneficial Mutual Bancorp's directors. Beneficial Savings Bank MHC has no members. Consequently, the Board of Directors of Beneficial Savings Bank MHC has the sole power to elect directors and amend Beneficial Savings Bank MHC's charter and bylaws. The same individuals comprise the boards of Beneficial Savings Bank MHC, Beneficial Mutual Bancorp and Beneficial Mutual Savings Bank. Upon consummation of our merger with FMS Financial, Messrs. Craig W. Yates, the current President and Chief Executive Officer of FMS Financial, and Roy D. Yates, a current director of FMS Financial, will be appointed to the boards of Beneficial Savings Bank MHC, Beneficial Mutual Bancorp and Beneficial Mutual Savings Bank. All of our directors are independent under the current listing standards of the Nasdaq Stock Market, except for Mr. George Nise, whom we employed as President and Chief Executive Officer until January 1, 2007, and Mr. Gerard Cuddy, whom we currently employ as President and Chief Executive Officer. Information regarding the directors is provided below. Unless otherwise stated, each person has held his or her current occupation for the last five years. Ages presented are as of December 31, 2006.

R. Joseph Barnes, Jr. is the retired President of R.J. Barnes & Son, Inc., a commodities futures company, and Tidewater Grain Company, a grain export company. Age 81. Trustee of Beneficial Mutual Savings Bank since 1968 and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since their formation.

Edward G. Boehne is a Senior Economic Advisor for Haverford Trust Company, an asset management company. Age 66. Trustee of Beneficial Mutual Savings Bank since 2000 and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since their formation. He is also a director of Toll Brothers, Inc. (NYSE: TOL) and the privately held companies of Haverford Trust Company, Penn Mutual Life Insurance Company and AAA Mid-Atlantic. Mr. Boehne also served as the President of Federal Reserve Bank of Philadelphia.

Gerard P. Cuddy is our President and Chief Executive Officer, effective January 1, 2007, and also serves as the Chairman of the Board. Mr. Cuddy is a twenty-five year veteran with broad experience in commercial and private banking. From May 2005 to November 2006, Mr. Cuddy was a senior lender at Commerce Bank and from 2002 to 2005, Mr. Cuddy served as a Senior Vice President of Fleet/Bank of America. Prior to Mr. Cuddy's service with Fleet/Bank of America, Mr. Cuddy held senior management positions with First Union National Bank and Citigroup. Age 47. Trustee of Beneficial Mutual Savings Bank and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since December 2006.

Frank A. Farnesi is a retired partner of KPMG, LLP. Age 59. Trustee of Beneficial Mutual Savings Bank and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since 2004. He is also a director of RAIT Investment Trust (NYSE: RAS) and a Trustee of Immaculata University.

Elizabeth H. Gemmill serves as the President of the Warwick Foundation, a private family foundation. Age 61. Trustee of Beneficial Mutual Savings Bank and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since 2005. She is also a director of Universal Display Corporation (Nasdaq: PANL), a director of Philadelphia Insurance Companies (Nasdaq: PHLI) and the Chairman of the board of directors of Philadelphia University.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Thomas F. Hayes is the retired President of Philadelphia Gear Corporation, a power transmission company. Age 84. Trustee of Beneficial Mutual Savings Bank since 1974 and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since their formation.

Paul M. Henkels serves as the Chairman of Henkels & McCoy, Inc., an engineering and construction company. Age 82. Trustee of Beneficial Mutual Savings Bank since 1978 and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since their formation.

William J. Henrich, Jr., Esq. is a partner at the law firm of Dilworth Paxson LLP. Age 77. Trustee of Beneficial Mutual Savings Bank since 1989 and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since their formation.

Charles Kahn, Jr. serves as the Chairman of Kahn & Co., Inc., a real estate company. Age 82. Trustee of Beneficial Mutual Savings Bank since 1974 and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since their formation.

Thomas J. Lewis is the President and Chief Executive Officer of Thomas Jefferson University Hospitals, Inc. Age 54. Trustee of Beneficial Mutual Savings Bank and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since 2005.

Joseph J. McLaughlin is the retired President of Beneficial Mutual Savings Bank. Age 78. Trustee of Beneficial Mutual Savings Bank since 1974 and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since their formation.

Michael J. Morris is the retired President and Chief Executive Officer of Transport International Pool Inc., a transport trailer company. Age 72. Trustee of Beneficial Mutual Savings Bank since 1989 and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since their formation. He is also a director of Philadelphia Insurance Companies (Nasdaq: PHLI) and Met-Pro Corporation (NYSE: MPR).

George W. Nise served as our President and Chief Executive Officer until his retirement effective January 1, 2007. Age 64. Trustee of Beneficial Mutual Savings Bank since 2000 and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since their formation.

Donald F. O'Neill is the Chairman of PM Company, a paper converting company. Age 67. Trustee of Beneficial Mutual Savings Bank since 1988 and director of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp since their formation.

Craig W. Yates has been the President and Chief Executive Officer of FMS Financial and Farmers & Mechanics Bank since 1990. Age 64.

Roy D. Yates serves as the Chairman of the Board of FMS Financial. Mr. Yates is a Professor of Electrical and Computer Engineering at Rutgers University in Piscataway, New Jersey. Age 44. Roy D. Yates is the nephew of Craig W. Yates.

Executive Officers

The executive officers of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp are elected annually by their respective boards of directors and serve at the boards' discretion. There will be no change in the management structure of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp in connection with the offering and merger. Currently, the executive officers of Beneficial Savings Bank MHC and Beneficial Mutual Bancorp are:

Name	Position
Gerard P. Cuddy	President and Chief Executive Officer
Joseph F. Connors	Executive Vice President and Chief Financial Officer
Paul R. Driscoll	Executive Vice President, Secretary
Andrew J. Miller	Executive Vice President and Chief Lending Officer
Robert J. Bush	Senior Vice President

The officers of Beneficial Mutual Savings Bank are elected annually by the board of trustees and serve at the board's discretion. There will be no change in the management structure of Beneficial Mutual Savings Bank in connection with the offering and merger. The executive officers and key employees of Beneficial Mutual Savings Bank are:

Name	Position
Gerard P. Cuddy	President and Chief Executive Officer
Joseph F. Connors	Executive Vice President and Chief Financial Officer
Paul R. Driscoll	Executive Vice President, Secretary
Andrew J. Miller	Executive Vice President and Chief Lending Officer
Robert J. Bush	Senior Vice President

Below is information regarding our executive officers who are not also directors. Each executive officer has held his or her current position for at least the last five years, unless otherwise stated. Ages presented are as of December 31, 2006.

Joseph F. Connors has been Executive Vice President and Chief Financial Officer of Beneficial Mutual Savings Bank since 2000. He joined Beneficial Mutual Savings Bank in 1994. Age 49.

Paul R. Driscoll has been Executive Vice President of Beneficial Mutual Savings Bank since 2000. He joined Beneficial Mutual Savings Bank in 1972. Age 57.

Andrew J. Miller has been Executive Vice President and Chief Lending Officer of Beneficial Mutual Savings Bank since 2000. He joined Beneficial Mutual Savings Bank in 1973. Age 51.

Robert J. Bush has been Senior Vice President of Beneficial Mutual Savings Bank and President of Beneficial Insurance Services since our acquisition of Paul Hertel & Co., Inc. in January 2005. Prior to that time, Mr. Bush served as the President and Chief Executive Officer of Paul Hertel & Co., Inc. Age 48.

Meetings and Committees of the Boards of Directors and Trustees

We conduct business through meetings of our boards of directors and trustees and their committees. During the year ended December 31, 2006, the board of directors of Beneficial Mutual Bancorp and the board of trustees of Beneficial Mutual Savings Bank met three and 14 times, respectively.

Committees of Beneficial Mutual Savings Bank

The board of trustees of Beneficial Mutual Savings Bank has standing Audit, Corporate Governance/ Compensation and Executive Committees, among others.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The Audit Committee, consisting of Messrs. Farnesi, McLaughlin, Boehne, O'Neill and Henrich and Ms. Gemmill, is responsible for assisting the board in fulfilling its responsibilities concerning Beneficial Mutual Savings Bank's accounting and reporting practices, and facilitating open communication among the committee, board, internal auditor, independent auditors and management. Mr. Farnesi is the Audit Committee Chairman. This committee met five times during the year ended December 31, 2006.

The Corporate Governance/Compensation Committee, consisting of Messrs. Lewis, Boehne, Henkels, Henrich and Kahn, is responsible for both (i) determining annual grade and salary levels for employees and establishing personnel policies, and (ii) selecting management's nominees for election as trustees. Mr. Boehne is the Corporate Governance/Compensation Committee Chairman. This committee met 13 times during the year ended December 31, 2006.

The Executive Committee, consisting of Messrs. Morris, Farnesi, Hayes, Kahn, O'Neill and Cuddy and Ms. Gemmill, is responsible for overseeing Beneficial Mutual Savings Bank's strategic direction. Mr. Morris is the Executive Committee Chairperson. This committee met eight times during the year ended December 31, 2006.

In addition, the board of trustees has other committees, including Community Reinvestment, Investment Oversight, Pension, Real Estate and Senior Loan Committees.

Committees of Beneficial Mutual Bancorp

In connection with our stock offering, we are forming the following committees:

The Audit Committee will consist of Messrs. Farnesi, McLaughlin, Boehne, O'Neill and Henrich and Ms. Gemmill. The Audit Committee will be responsible for providing oversight relating to our consolidated financial statements and financial reporting process, systems of internal accounting and financial controls, internal audit function, annual independent audit and the compliance and ethics programs established by management and the board. Each member of the Audit Committee is independent in accordance with the listing standards of the Nasdaq Stock Market. The board of directors of Beneficial Mutual Bancorp has designated Mr. Farnesi as an audit committee financial expert under the rules of the Securities and Exchange Commission.

The Corporate Governance Committee will consist of Messrs. Lewis, Boehne, Farnesi, Henkels, Henrich and Kahn. The Corporate Governance Committee will be responsible for the annual selection of management's nominees for election as directors and developing and implementing policies and practices relating to corporate governance, including implementation of and monitoring adherence to our corporate governance policy. Mr. Boehne will be the Corporate Governance Committee Chairman. Each member of the Corporate Governance Committee is independent in accordance with the listing standards of the Nasdaq Stock Market.

The Compensation Committee will consist of Messrs. Lewis, Boehne, Farnesi, Henkels, Henrich and Kahn. The Compensation Committee will be responsible for determining annual grade and salary levels for our employees and establishing our personnel policies. Mr. Boehne will be the Compensation Committee Chairman. Each member of the Compensation Committee is independent in accordance with the listing standards of the Nasdaq Stock Market.

Each of the committees listed above will operate under a written charter, which will govern their composition, responsibilities and operations.

Corporate Governance Policies and Procedures

In addition to establishing committees of the board of directors, Beneficial Mutual Bancorp will also adopt several policies to govern our activities, including a corporate governance policy and a code of business conduct and ethics. The corporate governance policy will set forth:

- (1) the duties and responsibilities of each director;
- (2) the composition, responsibilities and operation of the board of directors;

- (3) the establishment and operation of board committees;
- (4) succession planning;
- (5) convening executive sessions of independent directors;
- (6) the board of directors' interaction with management and third parties; and
- (7) the evaluation of the performance of the board of directors and of the chief executive officer.

The code of business conduct and ethics, which will apply to all employees, officers and board members, will address conflicts of interest, the treatment of confidential information, general employee conduct and compliance with applicable laws, rules and regulations. In addition, the code of business conduct and ethics will be designed to deter wrongdoing and to promote honest and ethical conduct, the avoidance of conflicts of interest, full and accurate disclosure and compliance with all applicable laws, rules and regulations.

Compensation Discussion and Analysis

Our Compensation Philosophy

Our compensation philosophy starts from the premise that the success of Beneficial Mutual Bancorp depends, in large part, on the dedication and commitment of the people we place in key operating positions to drive our business strategy. We strive to satisfy the demands of our business model by providing our management team with incentives tied to the successful implementation of our corporate objectives. However, we recognize that the company operates in a competitive environment for talent. Therefore, our approach to compensation considers the full range of compensation techniques that enable us to compare favorably with our peers as we seek to attract and retain key personnel.

We intend to base our compensation decisions as a public company on four basic principles:

Meeting the Demands of the Market Our goal is to compensate our employees at competitive levels that position us as the employer of choice among our peers who provide similar financial services in the markets we serve.

Aligning with Shareholders We intend to use equity compensation as a key component of our compensation mix to develop a culture of ownership among our key personnel and to align their individual financial interest with the interests of our shareholders.

Driving Performance We will structure compensation around the attainment of company-wide, business unit and individual targets that return positive results to our bottom line.

Reflecting our Business Philosophy Our approach to compensation reflects our values and the way we do business in the communities we serve.

Prior to our initial public offering, our compensation program relied on two primary elements: (i) base compensation or salary and (ii) discretionary cash-based, short-term incentive compensation. Following our initial public offering, we expect that equity-based, long-term incentive compensation will also become an important element of our executive compensation program. Our ability to introduce equity awards to our compensation mix will depend on shareholder approval of an equity compensation program and compliance with applicable regulatory guidelines relating to such programs. As a public company, we believe that we can meet the objectives of our compensation philosophy by achieving a balance among these three elements that is competitive with our industry peers and creates appropriate incentives for our management team. To achieve the necessary balance, we expect that the Compensation Committee of our board of directors will work closely with Pearl Meyer and Associates independent compensation consultants who provide us with their special expertise on competitive compensation practices and help us to benchmark our compensation program and our financial performance to our peers.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Base Compensation. The salaries of our executive and other officers are reviewed at least annually to assess our competitive position and make any necessary adjustments. Our goal is to maintain salary levels for our officers at a level consistent with base pay received by those in comparable positions at our peers. To further that goal, we obtain peer group information from a variety of sources including survey data gathered by Peter R. Johnson & Company, an independent compensation consultant. We also evaluate salary levels at the time of promotion or other change in responsibilities or as a result of specific commitments we made when a specific officer was hired. Individual performance and retention risk are also considered as part of our annual assessment.

Cash-Based Incentive Compensation. During 2006, the board of directors of Beneficial Mutual Savings Bank authorized bonuses for key personnel on an occasional and discretionary basis utilizing incentive compensation survey data provided by Peter R. Johnson & Company. For 2007, Beneficial Mutual Savings Bank has established a formal short-term, cash-based incentive program to reward the attainment of annual company-wide financial objectives at specified levels and individual performance relative to the specific tasks we expect members of our senior management team to accomplish during the year. The objective of the new management incentive plan is to drive annual performance at both the company, bank and individual levels to the highest attainable levels by establishing floor, target and ceiling thresholds tied to increasing levels of incentive awards. See *Executive Compensation Benefit Plans Management Incentive Plan* for a discussion of the terms and conditions of the new plan.

Long-Term Equity-Based Compensation. Following our initial public offering, we intend to establish a long-term incentive compensation program based on the delivery of competitive equity awards to our management team. We expect to use an equity-based, long-term incentive compensation program to reward outstanding performance with incentives that focuses our management team on the task of creating long-term shareholder value. By increasing the equity holdings of our management team, we will provide them with a continuing stake in our long-term success. The nature and size of awards under our equity-based program will be based on a number of factors including regulatory guidelines, awards made to those holding comparable positions in our peer group and the tax or accounting treatment of specific equity compensation techniques.

Role of the Compensation Committee

Prior to our initial public offering, the Compensation Committee of the Board of Directors of Beneficial Mutual Savings Bank developed and administered the executive compensation program with the assistance of an independent compensation consultant. See *Role of Compensation Consultant* below. The Beneficial Mutual Savings Bank Compensation Committee does not operate under a formal charter. As a public company, we have established a Compensation Committee of the Board of Directors of Beneficial Mutual Bancorp to work with the Beneficial Mutual Savings Bank Compensation Committee to monitor the success of the overall compensation program in achieving the objectives of our compensation philosophy. The Beneficial Mutual Bancorp Compensation Committee consists of six independent directors. The Compensation Committees will be responsible for the administration of our compensation programs and policies, including the administration of our cash-based and future equity-based incentive programs. Our Compensation Committee will review and approve all compensation decisions relating to our named executive officers. Our Compensation Committee will operate under the mandate of a formal charter that establishes a framework for the fulfillment of its responsibilities.

Role of the Compensation Consultant

Prior to our initial public offering, Beneficial Mutual Savings Bank engaged Peter R. Johnson & Company, an independent compensation consultant, to gather cash compensation data for peer institutions to assist the Beneficial Mutual Savings Bank Compensation Committee in benchmarking base salary and bonus levels. See *Peer Group Analysis* below. In 2007, Beneficial Mutual Savings Bank engaged Pearl Meyer & Partners to prepare an annual cash-based incentive plan to recognize and reward executives for their collective and individual contributions to Beneficial Mutual Savings Bank. See *Executive Compensation Benefits Plans Management Incentive Plan*. We intend to continue to work closely with Pearl Meyer & Partners to ensure that our compensation program is consistent with prevailing practice in our industry. During 2007, Pearl Meyer & Partners will prepare a comprehensive executive compensation review which will cover all aspects of compensation for our senior management team, including our chief executive officer, chief financial officer and other named executive officers, as well as a review of board compensation.

Role of Management

Our CEO and other named executive officers will, from time to time, make recommendations to the Compensation Committee regarding the appropriate mix and level of compensation for their subordinates. Those recommendations consider the objectives of our compensation philosophy and the range of compensation programs authorized by the Compensation Committee. Our senior management team will not participate in Committee discussions or the review of Committee documents relating to the determination of their own compensation.

Peer Group Analysis

We firmly believe that the cornerstone of our compensation program is the maintenance of a competitive compensation program relative to the companies with whom we compete for talent. During 2006, we engaged Peter R. Johnson & Company, an independent consulting firm, to benchmark base compensation and cash bonuses for the chief executive officer of Beneficial Mutual Savings Bank, as well as other named executive officers. The 2006 survey sources included the Economic Research Institute Executive Compensation Assessor, proxy statement data for publicly traded commercial banks and thrifts located in Pennsylvania, Maryland, Delaware and New Jersey ranging in asset size between \$2 billion and \$12 billion, and the Watson Wyatt Data Services Financial Institutions Compensation Survey for national institutions ranging between \$2 billion and \$9.9 billion. Beneficial Mutual Savings Bank used this data to set base salaries at the lowest third of the salary range for new hires and incumbents in a learning stage or newly promoted officers. Competent incumbent performers were set at the midpoint or middle third of the salary range and top performers who consistently exceed expectations were set at the highest third of the salary range. In 2007, Beneficial Mutual Savings Bank engaged Pearl Meyer & Partners to establish a peer group in connection with the implementation of a cash-based incentive plan. The peer group was designed to include publicly-traded institutions of the same asset size, geographic location, operating characteristics and financial performance. The Compensation Committee utilized the peer group data on net income and efficiency ratios to establish competitive cash incentives under the management incentive plan. See *Executive Compensation Benefit Plans Management Incentive Plan* for a discussion of the terms and conditions of the new cash-based incentive plan. Cash awards will be made under the new plan based on how Beneficial Mutual Savings Bank performs relative to its peers. The following institutions constitute the peer group for purposes of the management incentive program:

NewAlliance Bancshares, Inc.
Northwest Bancorp, Inc (MHC)
First Commonwealth Financial Corp.
Provident Financial Services, Inc.
Investors Bancorp, Inc. (MHC)
National Penn Bancshares, Inc.
NBT Bancorp Inc.
Community Bank System, Inc.
Partners Trust Financial Group, Inc.
Community Banks, Inc.
Harleysville National Corporation
S&T Bancorp, Inc.
Sun Bancorp, Inc.
Sterling Financial Corporation
Dime Community Bancshares, Inc.
U.S.B. Holding Co., Inc.
Yardville National Bancorp
TrustCo Bank Corp NY
WSFS Financial Corporation
KNBT Bancorp, Inc.
Provident New York Bancorp
Flushing Financial Corporation

We intend to continue to utilize this peer group for our overall cash-based compensation program.

Allocation Among Compensation Components

Under our present structure, base salary has represented the largest component of compensation for our executive officers. As a public company, we expect that the mix of base salary, bonus and equity compensation will vary depending upon the role of the individual officer in the organization. In allocating compensation among these elements, we believe that the compensation of our senior-most levels of management should be predominately performance-based, while lower levels of management should receive a greater portion of their compensation in base salary.

Severance and Change in Control Benefits

Prior to our initial public offering, we generally did not maintain formal employment or severance agreements with our executive officers, other than in connection with the hiring of our new chief executive officer in 2006. As a public company, we expect to enter into a new employment agreement with our chief executive officer similar to his current agreement. The severance payments under the employment agreement with our chief executive officer, which will be contingent on the occurrence of certain termination events, are intended to provide our chief executive officer with a sense of security in making the commitment to dedicate his professional career to the success of our company and Beneficial Mutual Savings Bank.

Tax and Accounting Considerations

In consultation with our advisors, we evaluate the tax and accounting treatment of each of our compensation programs at the time of adoption and on an annual basis to ensure that understand the financial impact of the program. Our analysis includes a detailed review of recently adopted and pending changes in tax and accounting requirement. As part of our review, we consider modifications and/or alternatives to existing programs to take advantage of favorable changes in the tax or accounting environment or to avoid adverse consequences. To preserve maximum flexibility in the design and implementation of our compensation program, we have not adopted a formal policy that requires all compensation to be tax deductible. However, to the greatest extent possible, it is our intent to structure our compensation programs in a tax efficient manner.

Retirement Benefits; Employee Welfare Benefits

We offer our employees tax-qualified retirement and savings plans. Our primary pension vehicle is our defined benefit pension plan, which is funded on an annual basis at levels recommended by our actuaries. The pension plan is complemented by a 401(k) plan that enables our employees to supplement their retirement savings with elective deferral contributions that we match at specified levels. Consistent with industry practice, we supplement our tax-qualified plans with nonqualified arrangements that provide benefits to certain officers who are affected by Internal Revenue Code limits applicable to tax-qualified plans.

In addition to retirement programs, we provide our employees with coverage under medical, life insurance and disability plans on terms consistent with industry practice.

Perquisites

We annually review the perquisites that we make available to our senior management. The primary perquisites for senior managers include an automobile allowance, computer and communications equipment and certain club dues.

Director Compensation

Our outside directors are compensated through a combination of retainers and meeting fees. Directors who are also employees of Beneficial Mutual Bancorp do not receive additional compensation for service on the board. The level and mix of director compensation is revised by the Compensation Committee on a periodic basis to ensure

consistency with the objectives of our overall compensation philosophy. We expect that, in the future, our review of director compensation will also consider the increased responsibility and liability of directors at publicly traded companies due to changes in the regulatory environment and the heightened scrutiny of corporate governance practices.

Stock Compensation Grant and Award Practices

As a mutual holding company without public shareholders, we have not been able to make equity-based awards to our officers and employees. As a public company, we expect that, following our implementation of an equity compensation program, our Compensation Committee's grant-making process will be independent of any consideration of the timing of the release of material nonpublic information, including with respect to the determination of grant dates or stock option exercise prices. Similarly, we expect that the release of material nonpublic information will never be timed with the purpose or intent to affect the value of executive compensation.

Stock Ownership Requirements

We have not adopted formal stock ownership requirements for our senior officers and board members. We expect that, following our initial public offering, the Compensation Committee will review prevailing practices among peer companies with respect to stock ownership guidelines and determine whether such guidelines are appropriate.

Compensation for the Named Executive Officers in 2006

Chief Executive Officer Compensation. In 2006, Mr. Nise announced that he would be retiring as chief executive officer of Beneficial Mutual Savings Bank effective January 31, 2007. Following Mr. Nise's retirement announcement, the Compensation Committee initiated an executive search for a new chief executive officer. After interviewing several candidates, Beneficial Mutual Savings Bank offered Mr. Cuddy the position of president and chief executive officer in November 2006. Mr. Cuddy was offered a compensation package similar to the compensation package provided to Mr. Nise prior to his retirement. The terms and conditions of Mr. Cuddy's employment with Beneficial Mutual Savings Bank were outlined in a letter agreement. See *Executive Compensation Current Employment Arrangement* for a description of the compensation and benefits provided to Mr. Cuddy in connection with his employment as president and chief executive officer of Beneficial Mutual Savings Bank. On November 30, 2006, the Compensation Committee met to discuss salary adjustments for 2007 and 2006 bonuses. In recognition of his leadership and assistance in facilitating the FMS Financial merger, Mr. Nise was awarded a \$50,000 bonus. The Compensation Committee believes that the market is highly competitive for executive talent and that our CEO compensation package ensures stability in the chief executive officer position. The difference between the compensation paid to our CEO versus the other named executive officers is reflective of historical differences between the compensation of our CEO and our other named executive officers. The differences also reflect the strategic role of the CEO in developing and implementing our business plan as compared to the roles played by the other named executive officers. Our CEO is our chief spokesperson for Beneficial Mutual Savings Bank and works directly with our board of directors on the strategic plans and growth opportunities for Beneficial Mutual Savings Bank and its affiliates.

Compensation for our Other Named Executive Officers. In determining compensation for Messrs. Connors, Driscoll, Keddie, Jr. and Miller the Compensation Committee reviewed the performance appraisals presented by Mr. Nise and the salary and bonus survey data provided by Peter R. Johnson & Company. On November 30, 2006, the Compensation Committee adjusted base salaries for Messrs. Connors, Driscoll and Miller by 10.2%, 4.36%, and 10.2%, respectively. Based on these adjustments, Messrs. Connors, Driscoll and Miller currently receive a base salary of \$270,000, \$239,556 and \$270,000, respectively. The salary increases became effective January 1, 2007. Mr. Keddie, Jr. retired effective January 31, 2007, therefore the Compensation Committee took no action with regards to his compensation. In addition to a salary increase, the Board of Directors awarded Messrs. Connors, Driscoll and Miller a cash bonus in 2006. See *Executive Compensation Summary Compensation Table* for the bonuses paid in 2006. The cash bonuses awarded in 2006 were in recognition of the executives' work in connection with the FMS Financial merger. The Compensation Committee believes that the compensation for our named executive officers is consistent with our compensation objectives and rewards the individuals for their contribution to the overall performance of Beneficial Mutual Savings Bank.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Executive Compensation

Summary Compensation Table

The following information is furnished for all individuals serving as the principal executive officer and principal financial officer of Beneficial Mutual Bancorp or its subsidiaries for the 2006 fiscal year and the three most highly compensated executive officers of Beneficial Mutual Bancorp or its subsidiaries whose total compensation for the 2006 fiscal year exceeded \$100,000.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(4)	All Other Compensation (\$)(5)	Total (\$)
Gerard P. Cuddy Chief Executive Officer	2006	49,038 (1)	50,000(6)			99,038
George W. Nise (2) Chief Executive Officer	2006	485,000	50,000	510,088	5,232	1,050,320
Joseph F. Conners Chief Financial Officer	2006	245,000	50,000	128,648	1,728	425,376
Paul R. Driscoll Executive Vice President of the Bank	2006	229,362	15,000	149,422	2,383	396,167
Robert W. Keddie, Jr. (3) Senior Executive Vice President of the Bank	2006	275,000		211,481	4,167	490,648
Andrew J. Miller Executive Vice President and Chief Lending Officer of the Bank	2006	245,000	15,000	122,387	1,883	384,270

- (1) While Mr. Cuddy's annual base salary in 2006 was \$425,000, the amount shown represents his partial year compensation from his start date on November 13, 2006.
- (2) Mr. Nise retired as Chief Executive Officer effective January 2007.
- (3) Mr. Keddie, Jr. retired effective January 2007.
- (4) Represents the actuarial change in pension value in the executives' accounts from December 31, 2005 to December 31, 2006 under the Beneficial Mutual Savings Bank Employees' Pension and Retirement Plan, the Beneficial Mutual Savings Bank Supplemental Pension and Retirement Plan and the life insurance portion of each executive's salary continuation agreement. See *Pension Benefits* for a further discussion of these arrangements.
- (5) Consists of a \$1,000 employer contribution to the 401(k) Plan for each of the officers participating in the plan. Also includes income recognized under the Bank's split dollar life insurance arrangements for Messrs. Nise, Conners, Driscoll, Keddie, Jr. and Miller equal to \$4,232, \$728, \$1,383, \$3,167, and \$883, respectively. Excludes perquisites, which were less than \$10,000 for each executive officer.
- (6) Mr. Cuddy received a \$50,000 hiring bonus pursuant to his written offer of employment from Beneficial Mutual Savings Bank

Current Employment Arrangement. In connection with the hiring of Gerard P. Cuddy as our new President and Chief Executive Officer, we outlined in writing the key terms of Mr. Cuddy's at-will employment arrangement. In his capacity as President and Chief Executive Officer of Beneficial Mutual Savings Bank, Mr. Cuddy is paid an annual salary of \$425,000, and in connection with his hiring, received a \$50,000 cash bonus. Mr. Cuddy is also eligible for additional cash compensation upon satisfaction of certain performance-based goals established by us in coordination with Mr. Cuddy. Upon satisfaction of the performance goals, Mr. Cuddy's incentive compensation potential would be \$75,000, \$100,000 and \$125,000 for the 2007, 2008 and 2009 calendar years, respectively. In addition to cash compensation, Mr. Cuddy is eligible to participate in all standard benefit

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

programs sponsored by us, including family health insurance coverage. Mr. Cuddy is also entitled to certain fringe benefits including use of a bank-owned automobile, payment of membership fees for certain social clubs, a laptop computer and cellular phone. In the event Mr. Cuddy's employment is terminated by us for reasons other than cause or in connection with a change in control of Beneficial Mutual Savings Bank that is initiated by us prior to the third anniversary of the commencement of his employment, or if Mr. Cuddy voluntarily terminates his employment as a result of a job demotion at any time through the third anniversary of his employment, we shall provide Mr. Cuddy with the following severance benefits: (i) one year's base salary payable in installments as of Mr. Cuddy's termination of employment, (ii) continued health insurance coverage (including family coverage) for one year following his termination of employment and (iii) continued payment of membership dues in Mr. Cuddy's social clubs for one year following his termination of employment. In the event a change in control occurs during the period commencing on November 13, 2006 and ending on November 12, 2009 and Mr. Cuddy's employment is terminated, he will be entitled to change in control benefits equal to the greater of: (i) Mr. Cuddy's base salary or projected base salary for three years, less any gross salary actually paid during his employment, and/or (ii) Mr. Cuddy's base salary for 18 months. All change in control benefits are payable in installments in accordance with our regular payroll practices. In addition to Mr. Cuddy's employment arrangement, we have entered into a non-competition and non-solicitation agreement with Mr. Cuddy which restricts him from competing with us and soliciting business and employees from us during the period he is employed by us and for one year thereafter.

Proposed Employment Agreement. Upon completion of the offering, Beneficial Mutual Savings Bank and Beneficial Mutual Bancorp intend to enter into a new employment agreement with Mr. Cuddy which will replace his current employment agreement in its entirety. The new employment agreement will provide for a three-year term, subject to annual renewal by the board of directors for an additional year beyond the then-current expiration date. The initial base salary under the new employment agreement will be \$425,000. All other terms of the new agreement will be substantially similar to Mr. Cuddy's current employment arrangement. Mr. Cuddy's new employment agreement provides for the reduction of any change in control payments to the executive to the extent necessary to ensure that the executive will not receive excess parachute payments under Section 280G of the Internal Revenue Code, and therefore will not be subject to the 20% excise tax imposed on such payments under Section 4999 of the Internal Revenue Code. If Mr. Cuddy had been terminated in connection with a change of control on December 31, 2006, under the terms of the new employment agreement, he would have been entitled to receive his base salary of \$425,000 for one year in monthly installments, continued health insurance coverage for one year valued at \$16,752 and continued payment of club dues for a year valued at \$6,600. The payment of these benefits in December 2006 would not have resulted in any excess parachute payments under Section 280G of the Internal Revenue Code.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Pension Benefits

The following table sets forth the actuarial present value of each executive's accumulated benefit under our tax-qualified and non tax-qualified defined benefit plans, along with the number of years of credited service under the Pension Plan. No payments were made under the plans in 2006. Mr. Cuddy was ineligible to participate in the plans in 2006.

Name	Plan Name	Number of Years Credited Service (#)(1)	Present Value of Accumulated Benefit (\$)(2)
George W. Nise	Employees Pension and Retirement Plan of Beneficial Mutual Savings Bank	36	\$ 1,020,403
	Supplemental Pension and Retirement Plan of Beneficial Mutual Savings Bank		1,045,051
	Salary Continuation Agreement		186,110
Joseph F. Conners	Employees Pension and Retirement Plan of Beneficial Mutual Savings Bank	24	340,772
	Supplemental Pension and Retirement Plan of Beneficial Mutual Savings Bank		35,252
	Salary Continuation Agreement		7,255
Paul R. Driscoll	Employees Pension and Retirement Plan of Beneficial Mutual Savings Bank	34	598,743
	Supplemental Pension and Retirement Plan of Beneficial Mutual Savings Bank		20,248
	Salary Continuation Agreement		31,743
Robert W. Keddie, Jr.	Employees Pension and Retirement Plan of Beneficial Mutual Savings Bank	30	1,020,403
	Supplemental Pension and Retirement Plan of Beneficial Mutual Savings Bank		303,163
	Salary Continuation Agreement		131,038
Andrew J. Miller	Employees Pension and Retirement Plan of Beneficial Mutual Savings Bank	33	421,068
	Supplemental Pension and Retirement Plan of Beneficial Mutual Savings Bank		28,897
	Salary Continuation Agreement		12,367

(1) Number of years of credited service used only to determine the benefit under the Pension Plan.

(2) The present value of each executive's accumulated benefit assumes normal retirement (age 65), the election of a single life form of pension and is based on a 6% discount rate.

Benefit Plans

Beneficial Mutual Savings Bank 401(k) Plan. We maintain the Beneficial Mutual Savings Bank 401(k) Plan, a tax-qualified defined contribution plan, for all salaried employees of Beneficial Mutual Savings Bank who have satisfied the 401(k) Plan's eligibility requirements. Salaried eligible employees can begin participation in the 401(k) Plan on the January 1st or July 1st that coincides with or next follows their attainment of age 21 and completion of one year of service. Participants may contribute up to 20% of their compensation to the 401(k) Plan on a pre-tax basis, subject to limitations imposed by the Internal Revenue Code of 1986, as amended. For 2007, the salary deferral contribution limit is \$15,500; provided, however, that participants over age 50 may contribute an additional \$5,000 to the 401(k) Plan. Participants are always 100% vested in their salary deferral contributions. In addition to salary deferral contributions, the 401(k) Plan provides that we can make matching contributions and

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

nonelective employer contributions to the accounts of plan participants. During the 2006 plan year, we matched 60% of the first \$1,000 a participant deferred into the 401(k) Plan and 40% of an additional \$1,000. We did not make any nonelective contributions during 2006. Participants are 100% vested in their employer matching contributions and other employer contributions upon the earlier of: three years of service with Beneficial Mutual Savings Bank, or upon their death, termination of employment due to a disability or attainment of age 65.

Participants have individual accounts under the 401(k) Plan and may direct the investment of their accounts among a variety of investment funds. In connection with the offering, the 401(k) Plan has added another investment alternative, the Beneficial Mutual Bancorp Stock Fund. The Stock Fund permits participants to invest their 401(k) Plan funds in Beneficial Mutual Bancorp common stock. A participant who elects to purchase Beneficial Mutual Bancorp common stock in the offering through the 401(k) Plan will receive the same subscription priority, and be subject to the same individual purchase limitations, as if the participant had elected to purchase the common stock using funds outside the 401(k) Plan. See *The Stock Offering Subscription Offering and Subscription Rights* and *Limitations on Purchases of Shares*. An independent trustee will purchase the common stock in the offering on behalf of plan participants, to the extent that shares are available. Participants have the right to direct the trustee regarding the voting of shares purchased for their plan accounts.

Beneficial Insurance Services LLC 401(k) Plan. Beneficial Insurance Services LLC, a subsidiary of Beneficial Mutual Savings Bank, maintains a tax-qualified defined contribution plan for the benefit of its employees. An employee can begin participation in the 401(k) Plan on the January 1st or July 1st following the employee's attainment of age 21 and completion of two months of service with Beneficial Insurance Services LLC. Participants may contribute up to 20% of their compensation to the 401(k) plan on a pre-tax basis, subject to the limitations imposed by the Internal Revenue Code of 1986, as amended. See *Beneficial Mutual Savings Bank 401(k) Plan* for a discussion of the elective deferral limitations. Participants are always 100% vested in their elective deferrals. Beneficial Insurance Services LLC will match up to 10% of the first 6% of a participant's elective deferrals for a maximum matching contribution of 0.6% of a participant's compensation. In addition, the 401(k) Plan provides for discretionary profit-sharing contributions. In 2006, Beneficial Insurance Services, LLC made a profit-sharing contribution equal to approximately 2% of each participant's plan compensation. Employer matching contributions and profit-sharing contributions vest over a 6 year period at the rate of 20% after the first two years and 20% each year thereafter.

Like the Beneficial Mutual Savings Bank 401(k) Plan, participants in the Beneficial Insurance Services LLC 401(k) plan have individual accounts under their plan and may direct the investment of their accounts in a variety of investment funds. The Beneficial Mutual Bancorp Stock Fund investment will also be added to the Beneficial Insurance Services LLC 401(k) Plan in connection with the offering. See *Beneficial Mutual Savings Bank 401(k) Plan* for a discussion of the Beneficial Mutual Bancorp Stock Fund and the terms and conditions of investing in the offering.

Employees Pension and Retirement Plan. We maintain the Employees Pension and Retirement Plan of Beneficial Mutual Savings Bank to provide retirement benefits for eligible employees. Employees are eligible to participate in the retirement plan on the January 1st or July 1st that coincides with or next follows their attainment of age 21 and completion of 1,000 hours of service during a twelve consecutive month period. For plan years beginning prior to July 1, 1994, an active participant may retire on or after the date the participant attains age 65 and upon retirement, after twenty accrual years of service as a participant, receive a monthly pension in the form of a straight life annuity equal to 50% (60% if any portion of the participant's service commenced before December 8, 1960) of the participant's average monthly compensation. If the participant's service is less than 20 years, his or her pension will be adjusted by the ratio of service to 20 years. For plan years beginning after July 1, 1994, an active participant may retire on or after the date the participant attains age 65 and upon retirement, after twenty-five accrual years of service as a participant, receive a monthly pension in the form of a straight life annuity equal to 50% of his or her average monthly compensation. If the participant's service is less than 25 years, his or her pension will be adjusted by the ratio of service to 25 years. After attainment of age 55 and the completion of five years of service, an active participant may elect early retirement. Upon early retirement a participant will be entitled to receive his or her accrued pension commencing on his or her normal retirement date or, if the participant desires, he or she may elect to receive a reduced pension which can commence on the first day of the month concurrent with or next following the participant's early retirement date. If the employment of an active participant is terminated because of total and permanent disability, the participant will be entitled to receive a disability pension equal to the

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

participant's accrued pension, without actuarial reduction, commencing on the date the participant terminates employment due to disability and continuing until his death or until recovery from his total and permanent disability, if prior to age 65.

Participants generally have no vested interest in retirement plan benefits prior to the completion of five years of service. Following the completion of five years of vesting service, or in the event of a participant's attainment of age 65, death or termination of employment due to disability, a participant will become 100% vested in the accrued benefit under the retirement plan. The retirement plan provides that a participant may receive his or her pension benefit in any of the following forms: (i) life annuity, (ii) reduced life annuity for the participant's life with 120 monthly payments guaranteed if the participant dies prior to receiving the 120 payments, (iii) a 100%, 75% or 50% joint and survivor annuity, or (iv) a lump sum distribution if the value of the accrued pension benefit is less than \$5,000.

Employee Stock Ownership Plan. In connection with the offering, Beneficial Mutual Savings Bank has adopted an employee stock ownership plan for eligible salaried employees. Eligible salaried employees who have attained age 21 and are employed by us as of the closing date of the offering will begin participation in the 401(k) Plan on the later of: the effective date of the 401(k) Plan or upon the eligible employee's completion of an hour of service with Beneficial Mutual Savings Bank. Thereafter, new employees who have attained age 21 and completed 1,000 hours of service during a continuous 12-month period will enter the 401(k) Plan on the January 1st or July 1st following satisfaction of the 401(k) Plan's eligibility requirements.

We expect to engage a third party trustee to purchase, on behalf of the employee stock ownership plan, 3.92% of the total number of shares of Beneficial Mutual Bancorp common stock issued in the offering and in connection with the merger, including shares issued to Beneficial Savings Bank MHC and The Beneficial Foundation (15,172,500, 17,850,000, and 20,527,500 shares at the minimum, midpoint and maximum of the offering range, respectively). We anticipate that the employee stock ownership plan will fund its stock purchase through a loan from Beneficial Mutual Bancorp equal to 100% of the aggregate purchase price of the common stock. The loan will be repaid principally through Beneficial Mutual Savings Bank's contribution to the employee stock ownership plan and dividends payable on common stock held by the 401(k) Plan over the anticipated 20-year term of the loan. The fixed interest rate for the employee stock ownership plan loan is expected to be the prime rate, as published in *The Wall Street Journal*, on the closing date of the offering. See *Pro Forma Data*.

The trustee will hold the shares purchased by the employee stock ownership plan in a loan suspense account, and shares will be released from the suspense account on a pro rata basis as Beneficial Mutual Savings Bank repays the loan. The trustee will allocate the shares released among participants on the basis of each participant's proportional share of compensation. Participants will vest in their employee stock ownership plan allocations over a 6-year period at the rate of 20% after the first two years and 20% each year thereafter. Participants also will become fully vested automatically upon normal retirement, death or disability, a change in control, or termination of the 401(k) Plan. Generally, participants will receive distributions from the employee stock ownership plan upon separation from service. The 401(k) Plan reallocates any unvested shares forfeited upon termination of employment among the remaining participants in the 401(k) Plan.

The employee stock ownership plan permits participants to direct the 401(k) Plan trustee how to vote the shares of common stock allocated to their accounts. The trustee votes unallocated shares and allocated shares for which participants do not provide instructions on any matter in the same ratio as those shares for which participants provide instructions, subject to fulfillment of the trustee's fiduciary responsibilities.

Under applicable accounting requirements, Beneficial Mutual Savings Bank will record a compensation expense for a leveraged employee stock ownership plan at the fair market value of the shares when they are committed to be released from the suspense account to participants' accounts under the 401(k) Plan.

Supplemental Pension and Retirement Plan. We established the Supplemental Pension and Retirement Plan of Beneficial Mutual Savings Bank for the purpose of providing benefits which would have been payable to certain officers under the Employees' Pension and Retirement Plan of Beneficial Mutual Savings Bank but for certain IRS limitations. Currently, Messrs. Nise, Conners, Driscoll, Keddie and Miller are participants in the 401(k) Plan. The supplemental pension and retirement plan is intended to constitute an unfunded plan primarily for

the purpose of providing deferred compensation for a select group of management or highly compensated employees. Upon termination of employment with Beneficial Mutual Savings Bank, a plan participant who is eligible to receive benefits under the Employees Pension and Retirement Plan of Beneficial Mutual Savings Bank immediately upon his or termination of employment will receive benefits under our supplemental pension and retirement plan equal to the excess, if any, of (i) the benefits which would have been payable to the participant under the Employees Pension and Retirement Plan of Beneficial Mutual Savings Bank if (A) the IRS limitations were not applicable and (B) the participant's deferred compensation under the Elective Deferred Compensation Plan were counted as compensation under the Employees Pension and Retirement Plan of Beneficial Mutual Savings Bank, over (ii) benefits actually paid under the Employees Pension and Retirement Plan of Beneficial Mutual Savings Bank. We established a grantor trust to hold the assets of the supplemental pension and retirement plan. The assets of the 401(k) Plan trust are subject to the claims of our creditors in the event of insolvency until paid to the 401(k) Plan participants and their beneficiaries as set forth in the 401(k) Plan.

Salary Continuation Arrangements. We have entered into salary continuation agreements with Messrs. Nise, Conners, Driscoll, Keddie and Miller to provide the executives with additional compensation at retirement or upon termination of employment by reason of death. In the event death occurs while an executive is in active service with Beneficial Mutual Savings Bank and prior to attaining age 55, the beneficiary for Messrs. Nise, Conners, Driscoll, Keddie and Miller shall receive a monthly death benefit equal to \$40,417, \$20,417, \$19,130, \$22,917 and \$20,417, respectively for the twelve months commencing with the first month following the date of his death and \$26,958, \$13,618, \$12,759, \$15,285 and \$13,618 per month, respectively commencing with the thirteenth month following his death through the month the executive would have attained age 65 had the executive lived to such date. In the event death occurs after attaining age 55, but prior to attaining age 65, the beneficiaries for Messrs. Nise, Conners, Driscoll, Keddie and Miller shall receive a monthly death benefit equal to \$40,417, \$20,417, \$19,130, \$22,917 and \$20,417 per month, respectively, for the twelve months commencing with the first month following the date of the executive's death and \$26,958, \$13,618, \$12,759, \$15,285 and \$13,618 per month, respectively commencing on the thirteenth month following his death through the one hundred and twentieth month following his death. In addition to the death benefit, the salary continuation agreements provide the executives with a life insurance benefit upon retirement at or after attainment of age 65. Messrs. Nise, Conners, Driscoll, Keddie and Miller shall receive a life insurance benefit in the form of a life insurance policy in the amount of \$970,000, \$490,000, \$459,112, \$550,000 and \$490,000 respectively. In the event an executive terminates employment for reasons other than death or retirement at or after attainment of 65, the agreements will terminate and the executive will receive his accrued benefits as of his termination date. Beneficial Mutual Savings Bank has purchased several insurance policies to fund the benefits provided under the salary continuation arrangements.

Management Incentive Plan. Beneficial Mutual Savings Bank maintains the Management Incentive Plan to recognize and reward executives for their individual and collective contributions to the success of Beneficial Mutual Savings Bank. The management incentive plan focuses on performance measures that are critical to the profitability and growth of Beneficial Mutual Savings Bank. Only senior management who are in a position to successfully execute the Beneficial Mutual Savings Bank strategic plan may participate in the management incentive plan. The performance measurement period for incentive awards will be January 1st through December 31st each year. Awards will be determined based on a combination of the financial performance of Beneficial Mutual Savings Bank and a participant's individual performance. Each plan participant will have a target incentive opportunity based on competitive market practice for his or her position. The target incentive will reflect a percentage of base salary and be determined consistent with competitive market practices. Actual awards will vary based on performance and range from 0% of target (no achieving minimal performance) to 15-% of target for exception performance. If awards are earned, payouts will be made in cash at the completion of the annual performance period. No payouts will be made until Beneficial Mutual Savings Bank can determine its annual financial performance.

Nonqualified Deferred Compensation

The following table discloses contributions made under the Beneficial Mutual Savings Bank Elective Deferred Compensation Plan, a non-qualified defined contribution plan, for each named executive officer who participated in the plan in 2006, along with the earnings and balances on each executive's account as of December 31, 2006. We made no contributions to the plan on behalf of the executives during 2006 and no distributions or withdrawals were made from the plan in 2006.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Name	Executive Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Balance at Last Fiscal Year End (\$)
Gerard P. Cuddy (1)			
George W. Nise	133,510	39,898	464,954
Joseph F. Conners	14,735	1,015	15,751
Robert W. Keddie	43,985	27,664	339,059

(1) Mr. Cuddy was ineligible to participate in the Elective Deferred Compensation Plan in 2006.

Elective Deferred Compensation Plan. We established the Beneficial Mutual Savings Bank Elective Deferred Compensation Plan, amended and restated effective January 1, 2004, to assist certain employees designated by a committee of the board of trustees as participants in maximizing their ability to save on a tax-deferred basis. The plan is intended to constitute an unfunded plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. The committee has designated Messrs. Nise, Keddie and Conners as participants in the elective deferred compensation plan. Each participant has submitted a deferral election agreement and distribution form to the Human Resources department outlining the amount of their deferrals and form of distribution. Each participant is 100% vested in his deferred compensation account. Participants receive distributions under the plan upon separation of service on account of disability, early, normal or late retirement. Messrs. Nise and Keddie retired in January 2007 and are currently receiving monthly distributions from the plan. We established a grantor trust to hold the assets of the elective deferred compensation plan. The assets of the plan trust are subject to the claims of our creditors in the event of insolvency until paid to the plan participants and their beneficiaries as set forth in the plan.

Stock-Based Deferral Plan. In connection with the offering, we established a stock-based deferral plan for certain eligible officers and members of the Board of Trustees. Under the terms of new stock-based deferral plan, participants are permitted to make a one time election to transfer all or a portion of their account balances from the Elective Deferred Compensation Plan and the Board of Trustees Non-vested Deferred Compensation Plan into the stock-based deferral plan to purchase common stock in the offering. For purposes of the stock purchase priorities in the offering, the stock purchases by participants through the new stock-based deferral plan will be treated in the same manner as an individual stock purchase outside the plan and will be subject to each participant's individual eligibility to purchase stock in the offering. The new stock-based deferral plan also permits eligible officers and members of the Board of Trustees to make an election within 30 days of the effective date of the plan to defer future compensation into the plan and invest the deferrals in Beneficial Mutual Bancorp common stock.

Future Equity Incentive Plan. Following the stock offering, Beneficial Mutual Bancorp plans to adopt an equity incentive plan that will provide for grants of stock options and restricted stock. In accordance with applicable regulations, Beneficial Mutual Bancorp anticipates that the plan will authorize a number of stock options equal to 4.9% of the total shares issued in the stock offering and in connection with the merger, including shares issued to Beneficial Savings Bank MHC and The Beneficial Foundation, and a number of shares of restricted stock equal to 1.96% of the total shares issued in the stock offering and in connection with the merger. Therefore, the number of shares reserved under the plan will range from 1,099,309 shares, assuming 15,172,500 shares are issued in the offering, to 1,428,367 shares, assuming 20,527,500 shares are issued in the offering.

The Office of Thrift Supervision has proposed amendments to its existing regulations regarding stock-based benefit plans that are intended to clarify and simplify such regulations. Specifically, the amendments would clarify that we may grant options and award shares of common stock under one or more equity incentive plans in excess of 4.90% and 1.96%, respectively, of our total outstanding shares if the equity incentive plans are adopted more than one year following the stock offering, provided shares used to fund the plans in excess of these amounts are obtained through stock repurchases. The proposed amendments would also require that if the equity incentive plans are adopted less than one year following the stock offering, the equity incentive plans must be approved by a majority of the votes of Beneficial Mutual Bancorp stockholders cast at an annual or special meeting of stockholders, excluding votes eligible to be cast by Beneficial Saving Bank MHC. Under the proposed amendments, there would be no separate vote required of minority shareholders if the equity incentive plans are

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

adopted more than one year following the stock offering. The proposed amendments would further clarify that the current regulatory restrictions set forth above regarding the amount of individual and group awards, and restrictions on accelerated vesting of awards, would not apply if the equity incentive plans are adopted more than one year following the stock offering.

In the event the Office of Thrift Supervision adopts these regulations as proposed, or otherwise changes its existing regulations or policies, we may implement equity incentive plans that exceed the current limits applicable to the overall size of such plans and individual awards thereunder, and otherwise grant awards with terms that are different than those required by current Office of Thrift Supervision regulations and policy. Moreover, to the extent that any new regulations or policies contain a more flexible voting standard for stockholder approval than that currently required, we intend to use the more flexible voting standard, which could result in the vote of Beneficial Savings Bank MHC controlling the outcome of a stockholder vote on our equity incentive plans.

Director Compensation

The following table provides the compensation received by individuals who served as non-employee directors of Beneficial Mutual Savings Bank during the 2006 fiscal year.

Name	Fees Earned or Paid in Cash (\$)	All Other Compensation (\$ (1))	Total (\$)
R. Joseph Barnes, Jr.	\$ 37,100	\$ 1,399	\$ 38,499
Edward G. Boehne	72,300	2,727	75,027
Frank A. Farnesi	67,200	2,535	69,735
Elizabeth H. Gemmill	57,200	2,157	59,357
Thomas F. Hayes	42,500	1,603	44,103
Paul M. Henkels	50,500	1,905	52,405
William J. Henrich, Jr. Esq.	59,300	2,237	61,537
Charles Kahn, Jr.	65,700	2,478	68,178
Thomas J. Lewis	42,600	1,607	44,207
James J. Maguire (2)	67,000	2,527	69,527
Joseph J. McLaughlin	41,400	1,561	42,961
Michael J. Morris	66,800	2,519	69,319
Donald F. O'Neill	50,000	1,886	51,886

- (1) These amounts represent the Philadelphia city wage tax that the directors incurred in connection with their board and committee fees. Beneficial Mutual Savings Bank reimbursed the directors for the wage tax.
- (2) Mr. Maguire retired from the board of directors in April 2007.

Cash Retainer and Meeting Fees For Non-Employee Directors. The following table sets forth the applicable retainers and fees that will be paid in 2007 to the non-employee directors of Beneficial Mutual Savings Bank for their service on the board of directors during 2007. Directors do not receive any additional fees for their service on the boards of directors of Beneficial Savings Bank MHC or Beneficial Mutual Bancorp.

Board of Trustees of Beneficial Mutual Savings Bank:

Annual Retainer	\$ 16,000
Fee per Board Meeting	1,000
Fee per Committee Meeting:	
Executive Committee	1,000
Audit Committee	1,000
All Other Committees	900

Board of Trustees Non-vested Deferred Compensation Plan. We maintain a non-qualified plan that provides all members of the Board of trustees with the opportunity to defer all or a portion of the board and committee fees the members earn in connection with their service on the Board of trustees. Participating members

can elect to have interest paid on their deferrals at a rate and method of computation consistent with the Beneficial Mutual Savings Bank Employees Savings Plan or, with board permission, direct their deferrals to be invested in an investment vehicle of their choice. Participating members are not vested in their deferral accounts until the earlier of: (i) the first day of the calendar year following the participant's attainment of age 70; (ii) separation of service from the board due to illness rendering the participant unable to perform his or her duties as a board member; (iii) the participant's death; or (iv) termination of board service due to a change in control, a change in the composition of the board, or any other event beyond the participant's control. Participants may elect to receive their plan benefits in a lump sum, or in annual installments not to exceed ten years, or any other reasonable, board approval schedule. In connection with the offering, we established a parallel stock-based deferral plan for members of the Board of trustees that would like to direct the investment of their accumulated plan deferrals to purchase shares of Beneficial Mutual Bancorp common stock. See *Executive Compensation Nonqualified Deferred Compensation Stock Based Deferral Plan* for a discussion of the new stock-based deferral arrangement for officers and directors. Currently, only one member of the Board of trustees participates in the Non-vested Deferred Compensation Plan. The trustee has elected to invest his account balance at Beneficial Mutual Savings Bank and currently earns 4% on his plan funds.

Corporate Governance/Compensation Committee Interlocks and Insider Participation

The members of the Corporate Governance/Compensation Committee of Beneficial Mutual Savings Bank for the fiscal year ended December 31, 2006 included Messrs. Lewis, O'Neill, Boehne, Henkels, Henrich and Kahn. No committee member serves or has served as an officer and/or employee of Beneficial Mutual Savings Bank. No executive officer of Beneficial Mutual Bancorp or Beneficial Mutual Savings Bank serves or has served as a member of the compensation committee of another entity, one of whose executive officers serves on the compensation committee or as a director of Beneficial Mutual Bancorp. No executive officer of Beneficial Mutual Bancorp or Beneficial Mutual Savings Bank serves or has served as a director of another entity one of whose executive officers serves on the Corporate Governance Committee or Compensation Committee of Beneficial Mutual Bancorp.

Transactions with Management

Loans and Extensions of Credit. The aggregate amount of loans by Beneficial Mutual Savings Bank to its executive officers and directors, and members of their immediate families, was \$592,000 at December 31, 2006. As of that date, these loans were performing according to their original terms. The outstanding loans made to our directors and executive officers, and members of their immediate families, were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to Beneficial Mutual Savings Bank, and did not involve more than the normal risk of collectibility or present other unfavorable features. For information about restrictions on our ability to make loans to insiders, see *Regulation and Supervision Bank Regulation Transactions with Related Parties*.

Other Transactions. Executive officer Robert Bush, as a former selling shareholder of Paul Hertel & Co., Inc., received final payments of \$125,000 in the aggregate in 2006 related to the purchase of Paul Hertel & Co., Inc. pursuant to the asset purchase agreement dated January 14, 2005 by and among Beneficial Insurance Services, LLC, as buyer, and Paul Hertel & Co., Inc., as seller, and the shareholders of Paul Hertel & Co., Inc., as the selling shareholders. Mr. Bush owned 21,045 shares of common stock, or 43.2%, of the former company and had served as its President and Chief Executive Officer prior to its acquisition by Beneficial Insurance Services, LLC.

Indemnification for Directors and Officers

Beneficial Mutual Bancorp's bylaws provide that Beneficial Mutual Bancorp shall indemnify all officers, directors and employees of Beneficial Mutual Bancorp to the fullest extent permitted under federal law against all expenses and liabilities reasonably incurred by them in connection with or arising out of any action, suit or proceeding in which they may be involved by reason of their having been a director or officer of Beneficial Mutual Bancorp. Such indemnification may include the advancement of funds to pay for or reimburse reasonable expenses incurred by an indemnified party to the fullest extent permitted under federal law. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of Beneficial Mutual Bancorp pursuant to its bylaws or otherwise, Beneficial Mutual Bancorp has been advised that, in

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

Subscriptions by Executive Officers and Directors

The following table presents certain information as to the approximate purchases of common stock by our directors and executive officers, including their associates, if any, as defined by applicable regulations. No individual has entered into a binding agreement to purchase these shares and, therefore, actual purchases could be more or less than indicated. Directors and executive officers and their associates may not purchase more than 25% in the aggregate of the shares sold in the offering. Like all of our depositors, our directors and officers have subscription rights based on their deposits. For purposes of the following table, sufficient shares are assumed to be available to satisfy subscriptions in all categories.

Name	Proposed Purchases of Stock in the Offering		Percentage of Shares at the Minimum of the Offering Range	Percentage of Shares at the Maximum of the Offering Range	Percentage of Total Outstanding Shares at the Minimum of the Offering Range	Percentage of Total Outstanding Shares at the Maximum of the Offering Range
	Number of Shares	Dollar Amount				
Directors:						
R. Joseph Barnes, Jr.	2,500	\$ 25,000	0.01%	0.01%	.004%	.003%
Edward G. Boehne	10,000	100,000	0.07	0.05	.018	.014
Gerard P. Cuddy	20,000	200,000	0.13	0.10	.036	.027
Frank A. Farnesi	20,000	200,000	0.13	0.10	.036	.027
Elizabeth H. Gemmill	14,000	140,000	0.09	0.07	.025	.019
Thomas F. Hayes	5,000	50,000	0.03	0.02	.009	.007
Paul M. Henkels	10,000	100,000	0.07	0.05	.018	.014
William J. Henrich, Jr., Esq.	2,500	25,000	0.01	0.01	.004	.003
Charles Kahn, Jr.	30,000	300,000	0.20	0.15	.053	.041
Thomas J. Lewis	7,500	75,000	0.05	0.04	.013	.010
Joseph J. McLaughlin	10,000	100,000	0.07	0.05	.018	.014
Michael J. Morris	50,000	500,000	0.33	0.24	.089	.069
George W. Nise	40,000	400,000	0.26	0.19	.071	.055
Donald F. O'Neill	20,000	200,000	0.13	0.10	.036	.027
Executive Officers Who Are Not Directors:						
Robert J. Bush	40,000	400,000	0.26	0.19	.071	.055
Joseph F. Connors	10,000	100,000	0.07	0.04	.018	.014
Paul R. Driscoll	10,000	100,000	0.07	0.04	.018	.014
Andrew J. Miller	10,000	100,000	0.07	0.04	.018	.014
All directors and executive officers as a group (18 persons)	311,500	\$ 3,115,000	2.05%	1.52%	0.555%	0.427%
Directors of FMS Financial Who Will Become Directors of Beneficial Mutual Bancorp:	Maximum Number of Shares That Could Be Received In Exchange for FMS Financial Shares				Percentage of Total Outstanding Shares at the Minimum of the Offering Range	Percentage of Total Outstanding Shares at the Maximum of the Offering Range
Craig W. Yates (1)	3,883,289				6.924%	5.329%
Roy D. Yates (1)	1,308,036				2.332	1.795

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (1) Craig W. Yates and Roy D. Yates, both directors of FMS Financial who will become directors of Beneficial Mutual Bancorp following the consummation of the merger, may elect to receive shares of Beneficial Mutual Bancorp in exchange for their FMS Financial common stock in the merger. Based upon their ownership of FMS Financial shares, Craig W. Yates and Roy D. Yates could receive up to a maximum of 3,883,289 and 1,308,036 shares, respectively, in the merger; however, there can be no guarantee that their elections will be fully satisfied due to the election and proration procedures set forth in the Merger Agreement. Neither Craig W. Yates nor Roy D. Yates will purchase stock in the offering.

Regulation and Supervision

The following discussion describes elements of an extensive regulatory framework applicable to savings and loan holding companies and banks and specific information about Beneficial Mutual Savings Bank, Beneficial Mutual Bancorp and Beneficial Savings Bank MHC. Federal and state regulation of banks and bank holding companies is intended primarily for the protection of depositors and the Deposit Insurance Fund, rather than for the protection of potential shareholders and creditors.

General

Beneficial Mutual Savings Bank is a Pennsylvania-chartered savings bank that is subject to extensive regulation, examination and supervision by the Pennsylvania Department of Banking (the Department), as its primary regulator, and the Federal Deposit Insurance Corporation, as its deposits insurer. Beneficial Mutual Savings Bank is a member of the Federal Home Loan Bank system and, with respect to deposit insurance, of the Deposit Insurance Fund managed by the Federal Deposit Insurance Corporation. Beneficial Mutual Savings Bank must file reports with the Department and the Federal Deposit Insurance Corporation concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other savings institutions. The Department and/or the Federal Deposit Insurance Corporation conduct periodic examinations to test Beneficial Mutual Savings Bank's safety and soundness and compliance with various regulatory requirements. This regulatory structure gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in the regulatory requirements and policies, whether by the Department, the Federal Deposit Insurance Corporation or Congress, could have a material adverse impact on Beneficial Mutual Savings Bank, Beneficial Mutual Bancorp, Beneficial Savings Bank MHC and their operations.

Certain regulatory requirements applicable to Beneficial Mutual Savings Bank, Beneficial Mutual Bancorp and Beneficial Savings Bank MHC are referred to below or elsewhere herein. This description of statutes and regulations is not intended to be a complete explanation of such statutes and regulations and their effects on Beneficial Mutual Savings Bank, Beneficial Mutual Bancorp and Beneficial Savings Bank MHC and is qualified in its entirety by reference to the actual statutes and regulations.

Bank Regulation

Pennsylvania Savings Bank Law. The Pennsylvania Banking Code of 1965, as amended (the 1965 Code), and the Pennsylvania Department of Banking Code, as amended (the Department Code, and collectively, the Codes), contain detailed provisions governing the organization, location of offices, rights and responsibilities of directors, officers and employees, as well as corporate powers, savings and investment operations and other aspects of the Bank and its affairs. The Codes delegate extensive rule-making power and administrative discretion to the Department so that the supervision and regulation of state-chartered savings banks may be flexible and readily responsive to changes in economic conditions and in savings and lending practices. Specifically, under the Department Code, the Department is given the authority to exercise such supervision over state-chartered savings banks as to afford the greatest safety to creditors, shareholders and depositors, ensure business safety and soundness, conserve assets, protect the public interest and maintain public confidence in such institutions.

The 1965 Code provides, among other powers, that state-chartered savings banks may engage in any activity permissible for a national banking association or federal savings association, subject to regulation by the Department (which shall not be more restrictive than the regulation imposed upon a national banking association or federal savings association, respectively). Before it engages in such an activity allowable for a national banking association or federal savings association, a state-chartered savings bank must either obtain prior approval from the Department or provide at least 30 days prior written notice to the Department. The authority of Beneficial Mutual Savings Bank under Pennsylvania law, however, may be constrained by federal law and regulation. See *Investments and Activities*.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Regulatory Capital Requirements. Under Federal Deposit Insurance Corporation regulations, federally insured state-chartered banks that are not members of the Federal Reserve System (state non-member banks), such as Beneficial Mutual Savings Bank, are required to comply with minimum leverage capital requirements. For an institution determined by the Federal Deposit Insurance Corporation to not be anticipating or experiencing significant growth and to be in general a strong banking institution, rated composite 1 under the Uniform Financial Institutions Rating System established by the Federal Financial Institutions Examinations Council, the minimum capital leverage requirement is a ratio of Tier 1 capital to total assets of 3%. For all other institutions, the minimum leverage capital ratio is not less than 4%. Tier 1 capital is the sum of common stockholders' equity, noncumulative perpetual preferred stock (including any related surplus) and minority investments in certain subsidiaries, less intangible assets (except for certain servicing rights and credit card relationships) and a percentage of certain nonfinancial equity investments.

Beneficial Mutual Savings Bank must also comply with the Federal Deposit Insurance Corporation risk-based capital guidelines. The Federal Deposit Insurance Corporation guidelines require state non-member banks to maintain certain levels of regulatory capital in relation to regulatory risk-weighted assets. Risk-based capital ratios are determined by allocating assets and specified off-balance sheet items to four risk-weighted categories ranging from 0% to 100%, with higher levels of capital being required for the categories perceived as representing greater risk.

State non-member banks must maintain a minimum ratio of total capital to risk-weighted assets of at least 8%, of which at least one-half must be Tier 1 capital. Total capital consists of Tier 1 capital plus Tier 2 or supplementary capital items, which include allowances for loan losses in an amount of up to 1.25% of risk-weighted assets, cumulative preferred stock, long-term preferred stock, hybrid capital instruments, including mandatory convertible debt securities, term subordinated debt and certain other capital instruments and a portion of the net unrealized gain on equity securities. The includable amount of Tier 2 capital cannot exceed the amount of the institution's Tier 1 capital. At December 31, 2006, Beneficial Mutual Savings Bank met each of these capital requirements. As savings and loan holding companies regulated by the Office of Thrift Supervision, Beneficial Mutual Bancorp and Beneficial Savings Bank MHC are not subject to any separate regulatory capital requirements.

Restrictions on Dividends. Beneficial Mutual Bancorp's ability to declare and pay dividends may depend in part on dividends received from Beneficial Mutual Savings Bank. The 1965 Code regulates the distribution of dividends by savings banks and provides that dividends may be declared and paid only out of accumulated net earnings and may be paid in cash or property other than its own shares. Dividends may not be declared or paid unless stockholders' equity is at least equal to contributed capital.

Interstate Banking and Branching. Federal law permits a bank, such as Beneficial Mutual Savings Bank, to acquire an institution by merger in a state other than Pennsylvania unless the other state has opted out. Federal law also authorizes de novo branching into another state if the host state enacts a law expressly permitting out of state banks to establish such branches within its borders. Beneficial Mutual Savings Bank currently has two full-service locations in Burlington and Camden Counties, New Jersey. Additionally, the Bank expects to acquire additional New Jersey branch locations in connection with its merger with Farmers & Mechanics Bank. See *The Acquisition of FMS Financial* for further discussion of the merger. At its interstate branches, Beneficial Mutual Savings Bank may conduct any activity that is authorized under Pennsylvania law that is permissible either for a New Jersey savings bank (subject to applicable federal restrictions) or a New Jersey branch of an out-of-state national bank. The New Jersey Department of Banking and Insurance may exercise certain regulatory authority over the Bank's New Jersey branches.

Prompt Corrective Regulatory Action. Federal law requires, among other things, that federal bank regulatory authorities take prompt corrective action with respect to banks that do not meet minimum capital requirements. For these purposes, the law establishes three categories of capital deficient institutions: undercapitalized, significantly undercapitalized and critically undercapitalized.

The Federal Deposit Insurance Corporation has adopted regulations to implement the prompt corrective action legislation. An institution is deemed to be well capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a leverage ratio of 5% or greater. An institution is adequately capitalized if it has a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

4% or greater and generally a leverage ratio of 4% or greater. An institution is undercapitalized if it has a total risk-based capital ratio of less than 8%, a Tier 1 risk-based capital ratio of less than 4%, or generally a leverage ratio of less than 4% (3% or less for institutions with the highest examination rating). An institution is deemed to be significantly undercapitalized if it has a total risk-based capital ratio of less than 6%, a Tier 1 risk-based capital ratio of less than 3%, or a leverage ratio of less than 3%. An institution is considered to be critically undercapitalized if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%. As of December 31, 2006, Beneficial Mutual Savings Bank met the conditions to be classified as a well capitalized institution.

Undercapitalized banks must adhere to growth, capital distribution (including dividend) and other limitations and are required to submit a capital restoration plan. No institution may make a capital distribution, including payment as a dividend, if it would be undercapitalized after the payment. A bank's compliance with such plans is required to be guaranteed by its parent holding company in an amount equal to the lesser of 5% of the institution's total assets when deemed undercapitalized or the amount needed to comply with regulatory capital requirements. If an undercapitalized bank fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. Significantly undercapitalized banks must comply with one or more of a number of additional restrictions, including but not limited to an order by the Federal Deposit Insurance Corporation to sell sufficient voting stock to become adequately capitalized, requirements to reduce assets and cease receipt of deposits from correspondent banks or dismiss directors or officers, and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. Critically undercapitalized institutions must comply with additional sanctions including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status.

Investments and Activities. Under federal law, all state-chartered Federal Deposit Insurance Corporation-insured banks have generally been limited to activities as principal and equity investments of the type and in the amount authorized for national banks, notwithstanding state law. The Federal Deposit Insurance Corporation Improvement Act and the Federal Deposit Insurance Corporation permit exceptions to these limitations. For example, state chartered banks, such as Beneficial Mutual Savings Bank, may, with Federal Deposit Insurance Corporation approval, continue to exercise grandfathered state authority to invest in common or preferred stocks listed on a national securities exchange or the Nasdaq Global Select Market and in the shares of an investment company registered under federal law. All non-subsidary equity investments, unless otherwise authorized or approved by the Federal Deposit Insurance Corporation, must have been divested by December 19, 1996, under a Federal Deposit Insurance Corporation-approved divestiture plan, unless such investments were grandfathered by the Federal Deposit Insurance Corporation. Beneficial Mutual Savings Bank received grandfathering authority from the Federal Deposit Insurance Corporation to invest in listed stocks and/or registered shares. The maximum permissible investment is 100% of Tier I capital, as specified by the Federal Deposit Insurance Corporation's regulations, or the maximum amount permitted by Pennsylvania Banking Law, whichever is less. Such grandfathering authority may be terminated upon the Federal Deposit Insurance Corporation's determination that such investments pose a safety and soundness risk to Beneficial Mutual Savings Bank or if Beneficial Mutual Savings Bank converts its charter or undergoes a change in control. In addition, the Federal Deposit Insurance Corporation is authorized to permit such institutions to engage in other state authorized activities or investments (other than non-subsidary equity investments) that meet all applicable capital requirements if it is determined that such activities or investments do not pose a significant risk to the Deposit Insurance Fund. As of December 31, 2006, Beneficial Mutual Savings Bank held no marketable equity securities under such grandfathering authority.

Transactions with Related Parties. Federal law limits Beneficial Mutual Savings Bank's authority to lend to, and engage in certain other transactions with (collectively, covered transactions), affiliates (e.g., any company that controls or is under common control with an institution, including Beneficial Mutual Bancorp, Beneficial Savings Bank MHC and their non-savings institution subsidiaries). The aggregate amount of covered transactions with any individual affiliate is limited to 10% of the capital and surplus of the savings institution. Certain transactions with affiliates are required to be secured by collateral in an amount and of a type specified by federal law. The purchase of low quality assets from affiliates is generally prohibited. Transactions with affiliates must generally be on terms and under circumstances, that are at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated companies. In addition, savings institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies and no savings institution may purchase the securities of any affiliate other than a subsidiary.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The Sarbanes-Oxley Act of 2002 generally prohibits loans by Beneficial Mutual Savings Bank to its executive officers and directors. However, the law contains a specific exception for loans by Beneficial Mutual Savings Bank to its executive officers and directors in compliance with federal banking laws. Under such laws, Beneficial Mutual Savings Bank's authority to extend credit to executive officers, directors and 10% shareholders (insiders), as well as entities such persons control, is limited. The law limits both the individual and aggregate amount of loans Beneficial Mutual Bancorp may make to insiders based, in part, on Beneficial Mutual Bancorp's capital position and requires certain board approval procedures to be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees.

Enforcement. The Federal Deposit Insurance Corporation has extensive enforcement authority over insured savings banks, including Beneficial Mutual Savings Bank. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease and desist orders and to remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations and unsafe or unsound practices. The Federal Deposit Insurance Corporation has authority under federal law to appoint a conservator or receiver for an insured bank under limited circumstances.

Standards for Safety and Soundness. As required by statute, the federal banking agencies have adopted Interagency Guidelines prescribing Standards for Safety and Soundness. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the Federal Deposit Insurance Corporation determines that a savings institution fails to meet any standard prescribed by the guidelines, the Federal Deposit Insurance Corporation may require the institution to submit an acceptable plan to achieve compliance with the standard.

Insurance of Deposit Accounts. Beneficial Mutual Savings Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation. The Deposit Insurance Fund is the successor to the Bank Insurance Fund and the Savings Association Insurance Fund, which were merged in 2006. The Federal Deposit Insurance Corporation recently amended its risk-based assessment system for 2007 to implement authority granted by the Federal Deposit Insurance Reform Act of 2005 (the Reform Act). Under the revised system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors by which institutions are assigned to one of three categories based on their capitalization and one of three subcategories based on examination ratings and other supervisory information. An institution's assessment rate depends upon the category to which it is assigned. Risk Category I, which contains the least risky depository institutions, is expected to include more than 90% of all institutions. Unlike the other categories, Risk Category I contains further risk differentiation based on the Federal Deposit Insurance Corporation's analysis of financial ratios, examination component ratings and other information. Assessment rates are determined semi-annually by the Federal Deposit Insurance Corporation and currently range from five to seven basis points for the healthiest institutions (Risk Category I) to 43 basis points of assessable deposits for the riskiest (Risk Category IV). The Federal Deposit Insurance Corporation may adjust rates uniformly from one quarter to the next, except that no single adjustment can exceed three basis points.

The Reform Act also provides for a one-time credit for eligible institutions based on their assessment base as of December 31, 1996. Subject to certain limitations with respect to institutions that are exhibiting weaknesses, credits can be used to offset assessments until exhausted. Beneficial Mutual Savings Bank's one-time credit is expected to approximate \$1.7 million. The Reform Act also provides for the possibility that the Federal Deposit Insurance Corporation may pay dividends to insured institutions once the Deposit Insurance Fund reserve ratio equals or exceeds 1.35% of estimated insured deposits.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation to recapitalize a predecessor deposit insurance fund. This payment is established quarterly and during the calendar year ending December 31, 2006 averaged 1.28 basis points of assessable deposits.

The Reform Act provides the Federal Deposit Insurance Corporation with authority to adjust the Deposit Insurance Fund ratio to insured deposits within a range of 1.15% and 1.50%, in contrast to the prior statutorily fixed

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

ratio of 1.25%. The ratio, which is viewed by the Federal Deposit Insurance Corporation as the level that the fund should achieve, was established by the agency at 1.25% for 2007.

The Federal Deposit Insurance Corporation has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of Beneficial Mutual Savings Bank. Management cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the Federal Deposit Insurance Corporation upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the Federal Deposit Insurance Corporation or the Office of Thrift Supervision. The management of Beneficial Mutual Savings Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Federal Home Loan Bank System. Beneficial Mutual Savings Bank is a member of the Federal Home Loan Bank system, which consists of 12 regional Federal Home Loan Banks. The Federal Home Loan Bank provides a central credit facility primarily for member institutions. Beneficial Mutual Savings Bank, as a member of the Federal Home Loan Bank of Pittsburgh, is required to acquire and hold shares of capital stock in that Federal Home Loan Bank. Beneficial Mutual Savings Bank was in compliance with this requirement with an investment in Federal Home Loan Bank stock at December 31, 2006 of \$15.5 million.

Community Reinvestment Act. Under the Community Reinvestment Act, as implemented by the Federal Deposit Insurance Corporation regulations, a state non-member bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The Community Reinvestment Act neither establishes specific lending requirements or programs for financial institutions nor limits an institution's discretion to develop the types of products and services that it believes are best suited to its particular community. The Community Reinvestment Act requires the Federal Deposit Insurance Corporation, in connection with its examination of an institution, to assess the institution's record of meeting the credit needs of its community and to consider such record when it evaluates applications made by such institution. The Community Reinvestment Act requires public disclosure of an institution's Community Reinvestment Act rating. Beneficial Mutual Savings Bank's latest Community Reinvestment Act rating received from the Federal Deposit Insurance Corporation was satisfactory.

Other Regulations

Interest and other charges collected or contracted for by Beneficial Mutual Savings Bank are subject to state usury laws and federal laws concerning interest rates. Beneficial Mutual Savings Bank's operations are also subject to federal laws applicable to credit transactions, such as the:

Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;

Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;

Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies;

Fair Debt Collection Practices Act, governing the manner in which consumer debts may be collected by collection agencies; and

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of Beneficial Mutual Savings Bank also are subject to the:

Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;

Check Clearing for the 21st Century Act (also known as Check 21), which gives substitute checks, such as digital check images and copies made from that image, the same legal standing as the original paper check;

Title III of The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (referred to as the USA PATRIOT Act), and the related regulations of the Office of Thrift Supervision, which require savings associations operating in the United States to develop new anti-money laundering compliance programs, due diligence policies and controls to ensure the detection and reporting of money laundering; and

The Gramm-Leach-Bliley Act, which placed limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties.

Holding Company Regulation

General. Beneficial Mutual Bancorp and Beneficial Savings Bank MHC are savings and loan holding companies within the meaning of federal law. As such, they are registered with the Office of Thrift Supervision and are subject to Office of Thrift Supervision regulations, examinations, supervision, reporting requirements and regulations concerning corporate governance and activities. In addition, the Office of Thrift Supervision has enforcement authority over Beneficial Mutual Bancorp and Beneficial Savings Bank MHC and their non-savings institution subsidiaries. Among other things, this authority permits the Office of Thrift Supervision to restrict or prohibit activities that are determined to be a serious risk to Beneficial Mutual Savings Bank.

The OTS also takes the position that its capital distribution regulations apply to state savings banks in savings and loan holding company structures. Those regulations impose limitations upon all capital distributions by an institution, including cash dividends, payments to repurchase its shares and payments to shareholders of another institution in a cash-out merger. Under the regulations, an application to and prior approval of the Office of Thrift Supervision is required prior to any capital distribution if the institution does not meet the criteria for expedited treatment of applications under Office of Thrift Supervision regulations (*i.e.*, generally, examination and Community Reinvestment Act ratings in the two top categories), the total capital distributions for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years, the institution would be undercapitalized following the distribution or the distribution would otherwise be contrary to a statute, regulation or agreement with the Office of Thrift Supervision. If an application is not required, the institution must still provide prior notice to the Office of Thrift Supervision of the capital distribution if, like Beneficial Mutual Savings Bank, it is a subsidiary of a holding company. In the event Beneficial Mutual Savings Bank's capital fell below its regulatory requirements or the Office of Thrift Supervision notified it that it was in need of increased supervision, Beneficial Mutual Savings Bank's ability to make capital distributions could be restricted. In addition, the Office of Thrift Supervision could prohibit a proposed capital distribution by any institution, which would otherwise be permitted by the regulation, if the Office of Thrift Supervision determines that such distribution would constitute an unsafe or unsound practice.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

To be regulated as a savings and loan holding company by the Office of Thrift Supervision (rather than as a bank holding company by the Federal Reserve Board), Beneficial Mutual Savings Bank must qualify as a Qualified Thrift Lender. To qualify as a Qualified Thrift Lender, Beneficial Mutual Savings Bank must maintain compliance with the test for a domestic building and loan association, as defined in the Internal Revenue Code, or with a Qualified Thrift Test. Under the Qualified Thrift Lender Test, a savings institution is required to maintain at least 65% of its portfolio assets (total assets less: (1) specified liquid assets up to 20% of total assets; (2) intangibles, including goodwill; and (3) the value of property used to conduct business) in certain qualified thrift investments (primarily residential mortgages and related investments, including mortgage-backed and related securities) in at least nine months out of each 12-month period. At year end 2006, Beneficial Mutual Savings Bank maintained 67.78% of its portfolio assets in qualified thrift investments. Beneficial Mutual Savings Bank also met the QTL test in each of the prior four quarters.

Restrictions Applicable to Mutual Holding Companies. According to federal law and Office of Thrift Supervision regulations, a mutual holding company, such as Beneficial Savings Bank MHC, may generally engage in the following activities: (1) investing in the stock of a stock savings association; (2) acquiring a mutual association through the merger of such association into a stock savings association subsidiary of such holding company or an interim savings association subsidiary of such holding company; (3) merging with or acquiring another mutual or stock savings and loan holding company; (4) investing in a corporation the capital stock of which could be purchased by a federal savings association or a state savings association under Pennsylvania law; and (5) any activity approved by the Federal Reserve Board for a bank holding company or financial holding company or approved by Office of Thrift Supervision for multiple savings and loan holding companies.

Federal law prohibits a savings and loan holding company, including a federal mutual holding company, from directly or indirectly, or through one or more subsidiaries, acquiring more than 5% of the voting stock of another savings institution, or its holding company, without prior written approval of the Office of Thrift Supervision. Federal law also prohibits a savings and loan holding company from acquiring more than 5% of a company engaged in activities other than those authorized for savings and loan holding companies by federal law; or acquiring or retaining control of a depository institution that is not insured by the Federal Deposit Insurance Corporation. In evaluating applications by holding companies to acquire savings institutions, the Office of Thrift Supervision must consider the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the insurance funds, the convenience and needs of the community and competitive factors.

The Office of Thrift Supervision is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, except: (1) the approval of interstate supervisory acquisitions by savings and loan holding companies, and (2) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

If the savings institution subsidiary of a savings and loan holding company fails to meet the qualified thrift lender test, the holding company must register with the Federal Reserve Board as a bank holding company within one year of the savings institution's failure to so qualify.

Stock Holding Company Subsidiary Regulation. The Office of Thrift Supervision has adopted regulations governing the two-tier mutual holding company form of organization and subsidiary stock holding companies that are controlled by mutual holding companies. We have adopted this form of organization and it will continue in place after the proposed offering. Beneficial Mutual Bancorp is the stock holding company subsidiary of Beneficial Savings Bank MHC. Beneficial Mutual Bancorp is permitted to engage in activities that are permitted for Beneficial Savings Bank MHC subject to the same restrictions and conditions.

Waivers of Dividends by Beneficial Savings Bank MHC. Office of Thrift Supervision regulations require Beneficial Savings Bank MHC to notify the Office of Thrift Supervision if it proposes to waive receipt of dividends from Beneficial Mutual Bancorp. The Office of Thrift Supervision reviews dividend waiver notices on a case-by-case basis, and, in general, does not object to a waiver if: (1) the waiver would not be detrimental to the safe and sound operation of the savings association; and (2) the mutual holding company's board of directors

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

determines that such waiver is consistent with such directors' fiduciary duties to the mutual holding company's members. We anticipate that Beneficial Savings Bank MHC will waive dividends that Beneficial Mutual Bancorp may pay, if any.

Conversion of Beneficial Savings Bank MHC to Stock Form. Office of Thrift Supervision regulations permit Beneficial Savings Bank MHC to convert from the mutual form of organization to the capital stock form of organization. There can be no assurance when, if ever, a conversion transaction will occur, and the board of directors has no current intention or plan to undertake a conversion transaction. In a conversion transaction, a new holding company would be formed as the successor to Beneficial Mutual Bancorp, Beneficial Savings Bank MHC's corporate existence would end, and certain depositors of Beneficial Mutual Savings Bank would receive the right to subscribe for additional shares of the new holding company. In a conversion transaction, each share of common stock held by stockholders other than Beneficial Savings Bank MHC would be automatically converted into a number of shares of common stock of the new holding company based on an exchange ratio determined at the time of conversion that ensures that stockholders other than Beneficial Savings Bank MHC own the same percentage of common stock in the new holding company as they owned in Beneficial Mutual Bancorp immediately before conversion. The total number of shares held by stockholders other than Beneficial Savings Bank MHC after a conversion transaction would be increased by any purchases by such stockholders in the stock offering conducted as part of the conversion transaction.

Acquisition of Control. Under the federal Change in Bank Control Act, a notice must be submitted to the Office of Thrift Supervision if any person (including a company), or group acting in concert, seeks to acquire control of a savings and loan holding company. An acquisition of control can occur upon the acquisition of 10% or more of the voting stock of a savings and loan holding company or as otherwise defined by the Office of Thrift Supervision. Under the Change in Bank Control Act, the Office of Thrift Supervision has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the anti-trust effects of the acquisition. Any company that so acquires control would then be subject to regulation as a savings and loan holding company.

Federal Securities Laws. Beneficial Mutual Bancorp has filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933 for the registration of the common stock to be issued pursuant to the offering. Upon completion of the offering, Beneficial Mutual Bancorp common stock will continue to be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934. Beneficial Mutual Bancorp will be subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

The registration, under the Securities Act of 1933, of the shares of common stock to be issued in the offering does not cover the resale of those shares. Shares of common stock purchased by persons who are not affiliates of Beneficial Mutual Bancorp may be resold without registration. Shares purchased by an affiliate of Beneficial Mutual Bancorp will be subject to the resale restrictions of Rule 144 under the Securities Act of 1933. If Beneficial Mutual Bancorp meets the current public information requirements of Rule 144, each affiliate of Beneficial Mutual Bancorp that complies with the other conditions of Rule 144, including those that require the affiliate's sale to be aggregated with those of other persons, would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of 1% of the outstanding shares of Beneficial Mutual Bancorp or the average weekly volume of trading in the shares during the preceding four calendar weeks. In the future, Beneficial Mutual Bancorp may permit affiliates to have their shares registered for sale under the Securities Act of 1933.

Federal and State Taxation

Federal Income Taxation

General. We report our income on a fiscal year basis using the accrual method of accounting. The federal income tax laws apply to us in the same manner as to other corporations with some exceptions, including particularly our reserve for bad debts discussed below. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to us. Our federal

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

income tax returns have been either audited or closed under the statute of limitations through tax year 2002. For its 2006 fiscal year, Beneficial Mutual Savings Bank's maximum federal income tax rate was 35%.

Beneficial Mutual Bancorp and Beneficial Mutual Savings Bank have entered into a tax allocation agreement. Because Beneficial Mutual Bancorp owns 100% of the issued and outstanding capital stock of Beneficial Mutual Savings Bank, Beneficial Mutual Bancorp and Beneficial Mutual Savings Bank are members of an affiliated group within the meaning of Section 1504(a) of the Internal Revenue Code, of which group Beneficial Mutual Bancorp is the common parent corporation. As a result of this affiliation, Beneficial Mutual Savings Bank may be included in the filing of a consolidated federal income tax return with Beneficial Mutual Bancorp and, if a decision to file a consolidated tax return is made, the parties agree to compensate each other for their individual share of the consolidated tax liability and/or any tax benefits provided by them in the filing of the consolidated federal income tax return.

Bad Debt Reserves. For fiscal years beginning before June 30, 1996, thrift institutions that qualified under certain definitional tests and other conditions of the Internal Revenue Code were permitted to use certain favorable provisions to calculate their deductions from taxable income for annual additions to their bad debt reserve. A reserve could be established for bad debts on qualifying real property loans, generally secured by interests in real property improved or to be improved, under the percentage of taxable income method or the experience method. The reserve for nonqualifying loans was computed using the experience method. Federal legislation enacted in 1996 repealed the reserve method of accounting for bad debts and the percentage of taxable income method for tax years beginning after 1995 and required savings institutions to recapture or take into income certain portions of their accumulated bad debt reserves as of December 31, 1987. Approximately \$2.3 million of our accumulated bad debt reserves would not be recaptured into taxable income unless Beneficial Mutual Savings Bank makes a non-dividend distribution to Beneficial Mutual Bancorp as described below.

Distributions. If Beneficial Mutual Savings Bank makes non-dividend distributions to Beneficial Mutual Bancorp, the distributions will be considered to have been made from Beneficial Mutual Savings Bank's unrecaptured tax bad debt reserves, including the balance of its reserves as of December 31, 1987, to the extent of the non-dividend distributions, and then from Beneficial Mutual Savings Bank's supplemental reserve for losses on loans, to the extent of those reserves, and an amount based on the amount distributed, but not more than the amount of those reserves, will be included in Beneficial Mutual Savings Bank's taxable income. Non-dividend distributions include distributions in excess of Beneficial Mutual Savings Bank's current and accumulated earnings and profits, as calculated for federal income tax purposes, distributions in redemption of stock, and distributions in partial or complete liquidation. Dividends paid out of Beneficial Mutual Savings Bank's current or accumulated earnings and profits will not be so included in Beneficial Mutual Savings Bank's taxable income.

The amount of additional taxable income triggered by a non-dividend is an amount that, when reduced by the tax attributable to the income, is equal to the amount of the distribution. Therefore, if Beneficial Mutual Savings Bank makes a non-dividend distribution to Beneficial Mutual Bancorp, approximately one and one-half times the amount of the distribution not in excess of the amount of the reserves would be includable in income for federal income tax purposes, assuming a 35% federal corporate income tax rate. Beneficial Mutual Savings Bank does not intend to pay dividends that would result in a recapture of any portion of its bad debt reserves.

State Taxation

Pennsylvania Taxation. Beneficial Mutual Savings Bank, as a savings bank conducting business in Pennsylvania, is subject to tax under the Pennsylvania Mutual Thrift Institutions Tax Act, as amended to include thrift institutions having capital stock. Pursuant to the Mutual Thrift Institutions Tax, the tax rate is 11.5%. The Mutual Thrift Institutions Tax exempts Beneficial Mutual Savings Bank from other taxes imposed by the Commonwealth of Pennsylvania for state income tax purposes and from all local taxation imposed by political subdivisions, except taxes on real estate and real estate transfers. The Mutual Thrift Institutions Tax is a tax upon net income, determined in accordance with generally accepted accounting principles with certain adjustments. The Mutual Thrift Institutions Tax, in computing income according to generally accepted accounting principles, allows for the deduction of interest earned on state, federal and local obligations, while disallowing a portion of a thrift's interest expense associated with tax-exempt income. Net operating losses, if any, can be carried forward a maximum of three years for Mutual Thrift Institutions Tax purposes.

Philadelphia Taxation. In addition, as a savings bank conducting business in Philadelphia, Beneficial Mutual Savings Bank is also subject to the City of Philadelphia Business Privilege Tax. The City of Philadelphia Business Privilege Tax is a tax upon net income or taxable receipts imposed on persons carrying on or exercising for gain or profit certain business activities within Philadelphia. Pursuant to the City of Philadelphia Business Privilege Tax, the 2006 tax rate is 6.5% on net income and 0.1665% on gross receipts. For regulated industry taxpayers, the tax is the lesser of the tax on net income or the tax on gross receipts. The City of Philadelphia Business Privilege Tax allows for the deduction by financial businesses from receipts of (a) the cost of securities and other intangible property and monetary metals sold, exchanged, paid at maturity or redeemed, but only to the extent of the total gross receipts from securities and other intangible property and monetary metals sold, exchanged, paid out at maturity or redeemed; (b) moneys or credits received in repayment of the principal amount of deposits, advances, credits, loans and other obligations; (c) interest received on account of deposits, advances, credits, loans and other obligations made to persons resident or having their principal place of business outside Philadelphia; (d) interest received on account of other deposits, advances, credits, loans and other obligations but only to the extent of interest expenses attributable to such deposits, advances, credits, loans and other obligations; and (e) payments received on account of shares purchased by shareholders. An apportioned net operating loss may be carried forward for three tax years following the tax year for which it was first reported.

The Acquisition of FMS Financial

General

On October 12, 2006, Beneficial Mutual Bancorp entered into an Agreement and Plan of Merger pursuant to which FMS Financial will merge with and into Beneficial Mutual Bancorp, with Beneficial Mutual Bancorp as the surviving entity. Immediately following the merger of FMS Financial with Beneficial Mutual Bancorp, Farmers & Mechanics Bank will merge with and into Beneficial Mutual Savings Bank, with Beneficial Mutual Savings Bank as the surviving entity.

Legal Steps of the Proposed Transaction

In connection with the merger, FMS Financial's shareholders will be given the opportunity to exchange their shares of FMS Financial common stock for \$28.00 in cash, 2.80 shares of Beneficial Mutual Bancorp common stock for each share of FMS Financial stock, or a combination thereof, subject to the election and proration procedures set forth in the merger agreement. Pursuant to the terms of the merger agreement, at the effective time of the merger, FMS Financial will merge with and into Beneficial Mutual Bancorp with Beneficial Mutual Bancorp as the surviving entity. The charter and bylaws of Beneficial Mutual Bancorp will continue to be the charter and bylaws of the surviving corporation. Immediately following the merger of FMS Financial Beneficial Mutual Bancorp, Farmers & Mechanics Bank with merge with and into Beneficial Mutual Savings Bank with Beneficial Mutual Savings Bank as the surviving entity.

To be able to offer FMS Financial shareholders shares of Beneficial Mutual Bancorp common stock as part of the merger consideration, Beneficial Mutual Bancorp is conducting an initial public offering. The offering and the merger will occur simultaneously. Failure to complete either the offering or the merger will result in the termination of both transactions. Among the conditions that must be satisfied before the merger can be consummated is the receipt of all required regulatory approvals and the approval of FMS Financial shareholders. Beneficial Mutual Bancorp has filed applications with the Office of Thrift Supervision, Federal Deposit Insurance Corporation and Pennsylvania Department of Banking in connection with the merger.

Beneficial Mutual Bancorp intends to conduct its offering at the same time FMS Financial is soliciting the approval of the merger from its shareholders. Beneficial Mutual Bancorp is mailing this prospectus to potential investors on or around May 18, 2007. FMS Financial mailed its proxy statement to its shareholders soliciting their votes in favor of the merger on or around May 24, 2007. The offering will terminate on June 11, 2007 unless extended to a later date. FMS Financial's stockholder meeting is scheduled for June 28, 2007. Assuming FMS Financial shareholders approve the merger and Beneficial Mutual Bancorp receives sufficient subscriptions to complete this offering, it is expected the offering and merger will be consummated in early July 2007.

Reasons for the Merger

Our board of directors believes that the merger will enhance the competitive position of Beneficial Mutual Bancorp by enabling us to expand into Burlington and Camden Counties, New Jersey where we currently only have one branch office in each such County, as well as into Mercer County, New Jersey.

The merger with FMS Financial will facilitate a key step in the execution of Beneficial Mutual Savings Bank's management strategy; that is to increase market share in Beneficial Mutual Bank's primary market area through the acquisition or purchase of deposits. The combination of both Beneficial Mutual Savings Bank and Farmers & Mechanics Bank will provide customers of both with convenient access to their accounts by increasing the number of branches available in Beneficial Mutual Savings Bank's primary market area. Farmers & Mechanics Bank intends to close eleven of its existing branch offices prior to consummation of the merger. Notwithstanding the closing of these offices, many of which are located near other Farmers & Mechanics Bank offices that will remain open, a substantial branch network will exist for the convenience of our customers, including access to our convenient internet banking and substantial branch network throughout the Delaware Valley.

The merger with FMS Financial will increase Beneficial Mutual Savings Bank's deposit base and its loan portfolio. In addition, the merger, combined with the stock offering, will permit Beneficial Mutual Savings Bank to use a significant portion of its capital, while continuing to well exceed each of its regulatory capital requirements. In addition to enabling Beneficial Mutual Savings Bank to expand its franchise, which will enhance its ability to compete in its market area, the merger is also expected to reduce the pressure to leverage its balance sheet that typically exists when institutions with high capital levels engage in stock offerings. Accordingly, the stock offering is contingent upon the satisfaction or waiver of each of the conditions to the completion of the merger. In the event that such conditions are not satisfied or waived and the merger cannot be completed, Beneficial Mutual Bancorp will terminate the public stock offering and promptly return your funds with interest at our passbook savings rate.

The terms of the merger agreement were the result of arm's length negotiations between the representatives of Beneficial Mutual Bancorp and FMS Financial. In its deliberations and in making its determination, Beneficial Mutual Bancorp's board of directors considered many factors including, without limitation, the factors described above, as well as the following:

information concerning the financial condition, results of operations, capital levels, asset quality and prospects of Beneficial Mutual Bancorp and FMS Financial, including consideration of both companies' historical and projected results of operation and financial condition and a review of FMS Financial's financial performance by comparison to peer group;

Beneficial Mutual Bancorp's access to capital and managerial resources relative to that of FMS Financial;

the anticipated short-term and long-term impact the offering and merger will have on Beneficial Mutual Bancorp's consolidated results of operations;

the general structure of the transaction and the perceived compatibility of the respective management teams and business philosophies of Beneficial Mutual Savings Bank and Farmers & Mechanics Bank, which Beneficial Mutual Savings Bank's board believed would make it easier to integrate the operations of the two companies;

the belief that the merger will enhance Beneficial Mutual Savings Bank's franchise value by the expansion of its branch network (on a consolidated basis) in the New Jersey market and by enhancing its ability to compete in its primary market area; and

Beneficial Mutual Savings Bank's long-term growth strategy.

The discussion of the information and factors considered by our board of directors is not intended to be exhaustive, but includes all material factors considered by our board of directors. In reaching its determination to

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

approve the merger, our board of directors did not assign any specific or relative weights to any of the foregoing factors, and individual directors may have weighed factors differently.

Consideration to be Received in the Merger

When the merger becomes effective, each share of FMS Financial common stock issued and outstanding immediately prior to the completion of the merger will automatically be converted into the right to receive, subject to the election and proration procedures outlined in the merger agreement, (a) \$28.00 in cash without interest, (b) 2.80 shares of Beneficial Mutual Bancorp common stock for each share of FMS Financial stock, or (c) a combination of cash and shares of Beneficial Mutual Bancorp common stock.

Although shareholders of FMS Financial are being given the option to elect whether to receive cash, Beneficial Mutual Bancorp common stock, or a combination of the two, in exchange for their shares of FMS Financial common stock, all cash and stock elections will be subject to the allocation and proration procedures, as well as other provisions in the merger agreement. In particular, subject to adjustment, the maximum number of FMS Financial shares converted into the right to receive cash consideration will be 42.5% of the total outstanding FMS Financial stock and the total number of FMS Financial shares converted into the right to receive stock consideration shall be 57.5% of the total outstanding FMS Financial shares. To the extent necessary to maintain the aggregate pro forma tangible book value of the shares of Beneficial Mutual Bancorp common stock issued in the merger at not less than \$65.6 million, the amount of FMS Financial common stock that will be converted into the right to receive cash will decrease to 35% and the maximum amount of FMS Financial common stock that may be converted into the right to receive Beneficial Mutual Bancorp common stock will increase to up to 65% of the outstanding FMS Financial shares. Based upon the current offering range, a maximum of 10,512,194, 10,953,103, 11,550,890 and 11,883,350 shares of Beneficial Mutual Bancorp stock will be issued in exchange for FMS Financial stock at the minimum, midpoint, maximum and maximum, as adjusted, of the offering range.

Neither Beneficial Mutual Bancorp nor FMS Financial is making any recommendation as to whether FMS Financial shareholders should elect to receive cash or Beneficial Mutual Bancorp common stock in the merger. Each holder of FMS Financial common stock must make his or her own decision with respect to such election.

FMS Financial's shareholders will not receive fractional shares of Beneficial Mutual Bancorp common stock. Instead, they will receive a cash payment for any fractional shares in an amount equal to the product of such fractional amount multiplied by \$28.00.

Treatment of FMS Financial Stock Options

Immediately prior to the effective time of the merger (after all of the conditions to the consummation of the merger, as described in the merger agreement, have been satisfied) each outstanding option to purchase shares of FMS Financial common stock will be cancelled in exchange for a cash payment from Beneficial Mutual Bancorp. The cash payment for each option will be equal to the excess of the \$28.00 merger consideration over the exercise price per share of each option, net of any cash that must be withheld under the federal and state income and employment tax requirements.

Accounting Treatment

Beneficial Mutual Bancorp will account for the merger under the purchase method of accounting in accordance with United States generally accepted accounting principles. Using the purchase method of accounting, the assets and liabilities of FMS Financial will be recorded by Beneficial Mutual Bancorp at their respective fair values at the time of the completion of the merger. The excess of FMS Financial's purchase price over the net fair value of the assets acquired and liabilities assumed will then be allocated to identified intangible assets, with any remaining unallocated cost recorded as goodwill.

Tax Aspects

Muldoon Murphy & Aguggia LLP, our counsel, has delivered to us its opinion, dated as of the date of this prospectus, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that, consequently, the merger will be tax-free to Beneficial Savings Bank MHC, Beneficial Mutual Bancorp, FMS Financial, Farmers & Mechanics Bank, Beneficial Mutual Savings Bank and Beneficial Mutual Savings Bank's account holders.

Regulatory Approvals Needed to Complete the Merger and Offering

General. The merger cannot proceed in the absence of the requisite regulatory approvals. See *The Acquisition of FMS Financial Conditions to Completion of the Merger* and *Termination*. There can be no assurance that the requisite regulatory approvals will be obtained, and if obtained, there can be no assurance as to the date of any approval. There can also be no assurance that any regulatory approvals will not contain a condition or requirement that causes the approvals to fail to satisfy the condition set forth in the merger agreement and described under *The Acquisition of FMS Financial Conditions to Completing the Merger*.

The approval of an application merely implies the satisfaction of regulatory criteria for approval, which does not include review of the merger from the standpoint of the adequacy of the cash consideration or the exchange ratio for converting FMS Financial common stock to Beneficial Mutual Bancorp common stock. Furthermore, regulatory approvals do not constitute an endorsement or recommendation of the merger.

Merger Approvals. Completion of the merger is subject to prior approval of the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the Pennsylvania Department of Banking. In reviewing applications for transactions of this type, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision must consider, among other factors, the financial and managerial resources and future prospects of the existing and resulting institutions, the convenience and needs of the communities to be served, and competitive factors. Similarly, the Pennsylvania Department of Banking must consider, among other factors, whether the merger will be consistent with adequate and sound banking practices and in the public interest on the basis of the following: (i) the financial history and condition of the parties; (ii) their prospects; (iii) the character of their management; (iv) the potential effect of the merger on competition; and (v) the convenience and needs of the area primarily to be served by the resulting institution. In addition, the Federal Deposit Insurance Corporation may not approve a transaction if it will result in a monopoly or otherwise be anticompetitive. Beneficial Mutual Bancorp filed applications with the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the Pennsylvania Department of Banking on March 14, 2007.

Under the Community Reinvestment Act of 1977, the Federal Deposit Insurance Corporation must take into account the record of performance of Farmers & Mechanics Bank and Beneficial Mutual Savings Bank in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, served by each institution. As part of the review process, bank regulatory agencies frequently receive comments and protests from community groups and others. Farmers & Mechanics Bank received an Outstanding rating during its last Community Reinvestment Act examination by the Office of Thrift Supervision and Beneficial Mutual Savings Bank received a Satisfactory rating during its last Community Reinvestment Act examination conducted by the Federal Deposit Insurance Corporation.

In addition, a period of 15 to 30 days must expire following approval by the Federal Deposit Insurance Corporation before completion of the merger of Beneficial Mutual Savings Bank and Farmers & Mechanics Bank is allowed, within which period the United States Department of Justice may file objections to the merger under the federal antitrust laws. While FMS Financial and Beneficial Mutual Bancorp believe that the likelihood of objection by the Department of Justice is remote in this case, there can be no assurance that the Department of Justice will not initiate proceedings to block the merger of the two banks, or that the Attorney General of the State of Pennsylvania will not challenge the merger of the two banks, or if any proceeding is instituted or challenge is made, as to the result of the challenge.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Offering Approvals. We have adopted a plan of stock issuance pursuant to which we are offering a minority of shares to the public and shareholders of FMS Financial. Consummation of the merger is subject to certain conditions, including the receipt of Beneficial Mutual Bancorp of all approvals necessary to complete its stock offering. Specifically, the offering must be approved by the Office of Thrift Supervision. Beneficial Mutual Bancorp's offering applications were filed with the Office of Thrift Supervision on March 14, 2007. Beneficial Mutual Bancorp also filed a Registration Statement on Form S-1 with the Securities and Exchange Commission on March 14, 2007.

Interests of Certain Persons in the Merger

As described below, certain of FMS Financial's officers and directors have interests in the merger that are in addition to, or different from, the interests of FMS Financial's shareholders generally. FMS Financial's board of directors was aware of these conflicts of interest and took them into account in approving the merger.

Appointment of Directors to the Beneficial Mutual Bancorp Board of Directors. Beneficial Mutual Bancorp will appoint two members of FMS Financial's directors to the board of trustees of Beneficial Mutual Savings Bank and the boards of directors of Beneficial Mutual Bancorp and Beneficial Savings Bank MHC. Those individuals will be Craig W. Yates and Roy D. Yates.

Creation of an Advisory Board. Beneficial Mutual Savings Bank has agreed to establish an advisory board for the purposes of both (i) assisting and advising in the integration of the operations of Farmers & Mechanics Bank with and into those of Beneficial Mutual Bancorp, and (ii) advising with respect to the operations of Beneficial Mutual Savings Bank. Each director of FMS Financial, other than Craig W. Yates and Roy D. Yates, will be invited to serve on the advisory board. Each advisory director will be paid an amount equal to the aggregate regular board fees paid to a member of both the FMS Financial and Farmers & Mechanics Bank boards of directors for the 12-month period immediately prior to the effectiveness of the merger. Beneficial Mutual Savings Bank has agreed to maintain the advisory board for a term of one year.

Retention/Change in Control Bonuses. In connection with the merger, Beneficial Mutual Bancorp has agreed to pay change in control bonuses or retention bonuses to certain officers and key employees of FMS Financial or Farmers & Mechanics Bank (including Chief Executive Officer Craig Yates and other senior officers) totaling \$2.05 million in aggregate. In addition, by June 1, 2007 or an otherwise mutually agreed upon time, FMS Financial will identify to Beneficial Mutual Bancorp certain additional employees of FMS Financial or Farmers & Mechanics Bank to receive change in control or retention bonuses in an aggregate amount not to exceed an additional \$750,000.

With respect to officers and employees scheduled to receive a change in control bonus, Beneficial Mutual Bancorp expects to enter into a separate agreement prior to the closing of the merger related to the payment of the agreed upon bonus within 30 days of the effective time of the merger. Such agreements will be guaranteed as long as the employee continues employment through the effective time of the merger. However, no change in control bonus would be payable to any officer or employee who terminates employment with FMS Financial or Farmers & Mechanics Bank prior to the effective time of the merger.

With respect to officers and employees scheduled to receive a retention bonus, Beneficial Mutual Bancorp expects to enter into a separate retention agreement prior to the closing of the merger relating to the payment of the agreed upon bonus upon the completion of a period of employment specified by Beneficial Mutual Bancorp, in its sole discretion, but not to exceed six months after the merger. Such agreement will provide for payment of the bonus upon completion of the specified period of employment except in the event of the employee's termination for cause on terms to be specified in the agreement. The agreement will further provide for payment of the bonus in the event of the employee's termination without cause or by reason of death or disability prior to the expiration of the specified employment period. Except to the extent of any specific rights created by an individual retention agreement, an officer or employee covered by a retention bonus agreement would be an at-will employee of Beneficial Mutual Bancorp or one of its subsidiaries following the effective time of the merger. However, no retention bonus would be payable to any officer or employee covered by an agreement who terminates employment with FMS Financial or Farmers & Mechanics Bank prior to the effective time of the merger.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Employee Severance. Except in the circumstances described below, an employee of FMS Financial or Farmers & Mechanics Bank who continues as an employee of Beneficial Mutual Bancorp or any of its subsidiaries but is involuntarily terminated, other than for cause (as defined in the preceding section), within twelve months of the effective time of the merger, will receive a lump sum payment within five business days of their termination date equal to the product of two weeks base pay (as defined below) and the employee's years of service with FMS Financial, Farmers & Mechanics Bank and Beneficial Mutual Bancorp or any of its subsidiaries (including partial years of service), but not exceeding a total severance amount equal to 26 weeks of base pay. However, unless otherwise specified in an individual retention agreement or change in control bonus agreement, a senior officer or officer of FMS Financial or Farmers & Mechanics Bank who is eligible to receive a retention bonus or a change in control bonus will not be eligible to receive a separate severance benefit regardless of when such officer terminates employment with FMS Financial, Farmers & Mechanics Bank, Beneficial Mutual Bancorp or any of its subsidiaries and without regard to the reasons for such termination.

With respect to the severance benefits described above, base pay means (i) the employee's weekly salary at the rate in effect immediately prior to the termination date or (ii) in the case of an hourly employee, an amount equal to the product of the employee's hourly wage rate at the rate in effect immediately prior to the termination date and the average number of hours such employee worked in each of the six weeks of 2007.

Continued Director and Officer Liability Coverage. For a period of six years following the effective time of the merger, Beneficial Mutual Bancorp has agreed to indemnify, and advance expenses in matters that may be subject to indemnification to, persons who served as directors or officers of FMS Financial, Farmers & Mechanics Bank or any of their subsidiaries with respect to liabilities and claims (and related expenses, including fees and disbursements of counsel) made against them resulting from their service as such prior to the effective time of the merger to the same extent as FMS Financial currently provides for indemnification of its officers and directors. Beneficial Mutual Bancorp has also agreed to purchase and keep in force for a period of six years following the effective time of the merger directors' and officers' liability insurance to provide coverage for acts or omissions of the type and in the amount currently covered by FMS Financial's and Farmers & Mechanics Bank's existing directors' and officers' liability insurance for acts or omissions occurring on or prior to the effective time of the merger.

Employee Matters

Cost efficiencies are being identified by management of Beneficial Mutual Bancorp and as decisions are made regarding the consolidation of certain Farmers & Mechanics Bank branch offices, decisions will also be made regarding certain FMS Financial and Farmers & Mechanics Bank management and employee positions that may be eliminated. Each person who is an employee of Farmers & Mechanics Bank as of the closing of the merger (whose employment is not specifically terminated upon the closing) will become an employee of Beneficial Mutual Savings Bank. Beneficial Mutual Bancorp or its subsidiaries will make available employer provided health and other employee welfare benefit plans to each continuing employee on the same basis that such employees received coverage from Farmers & Mechanics Bank until Beneficial Mutual Savings Bank alters such benefits to make them consistent with the benefits being offered by Beneficial Mutual Savings Bank. Former employees of Farmers & Mechanics Bank who become employees of Beneficial Mutual Savings Bank in connection with the merger will be eligible to participate in the Beneficial Mutual Savings Bank's Employees' Savings Plan and the Beneficial Mutual Savings Bank Employee Stock Ownership Plan in accordance with the eligibility provisions of the respective plans. The FMS Financial defined benefit plan shall continue, except to the extent inconsistent with law, after the merger, for former Farmers & Mechanics Bank employees, until Beneficial Mutual Bancorp elects to take alternative action. Beneficial Mutual Bancorp has also agreed to honor all vested benefits or other vested amounts earned or accrued under Farmers & Mechanics Bank employee benefit plans, contracts and arrangements.

Time of Completion

The closing of the merger will take place on a date the parties agree upon that occurs as promptly as practicable following the date on which the conditions to closing as described in the merger agreement have been satisfied. See *Conditions to Completing the Merger*. On the closing date, FMS Financial will merge with and into Beneficial Mutual Bancorp. Beneficial Mutual Bancorp will file articles of combination with the Office of Thrift Supervision merging FMS Financial into Beneficial Mutual Bancorp and a certificate of merger with the New

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Jersey Secretary of State. The merger will become effective at the time stated in such articles of combination and certificate of merger.

Beneficial Mutual Bancorp and FMS Financial are working hard to complete the merger quickly. It is currently expected that the merger will be completed at the beginning of the third calendar quarter of 2007. However, because completion of the merger is subject to regulatory approvals and other conditions, the parties cannot be certain of the actual timing. Furthermore, either company may terminate the merger agreement if, among other reasons, the merger has not been completed on or before December 31, 2007, unless failure to complete the merger by that time is due to a failure to fulfill any material obligation under the merger agreement by the party seeking to terminate the agreement. See *Terminating the Merger Agreement*.

Conditions to Completing the Merger

Beneficial Mutual Bancorp's and FMS Financial's obligations to consummate the merger are conditioned on the following:

approval of the merger agreement by FMS Financial shareholders;

receipt of all required regulatory approvals, the satisfaction of all conditions required by the terms of such approvals and the expiration of all statutory waiting periods (and further, that no such approval shall contain any condition applicable to Beneficial Mutual Bancorp that is, in the reasonable judgment of Beneficial Mutual Bancorp, materially burdensome upon its conduct of business or would so adversely impact the economic and business benefits of the merger to Beneficial Mutual Bancorp so as to render it inadvisable to proceed with the merger);

no party to the merger being subject to any pending or overtly threatened suit, action or other proceeding before any court in which the consummation of the transactions contemplated by the merger agreement are restrained or enjoined or in which the relief requested is to restrain, enjoin or prohibit the consummation of such transaction and, in either case, where in the reasonable judgment of either Beneficial Mutual Bancorp or FMS Financial, such suit, action or other proceeding is likely to have a material adverse effect with respect to such party's interest;

the occurrence of the minority stock offering;

the registration statement of which this prospectus is a part of being declared effective by the Securities and Exchange Commission and the absence of any instituted or threatened proceeding by the Securities and Exchange Commission to suspend the effectiveness of the registration statement;

each party having performed and complied in all material respect with all of its covenants, agreements and other obligations under the merger agreement;

each party having ensured that all proceedings, corporate or otherwise, to be taken in connection with the transactions contemplated by the merger agreement, and all related documents, shall be reasonably satisfactory in form and substance to the other party, and shall have been made available to the other party for examination the originals or true and correct copies of all documents the other party may reasonably request in connection with the transactions contemplated by the merger agreement;

each party's representations and warranties being true and correct (except to the extent any breaches of a representation or warranty, either individually or in the aggregate, do not or would not be reasonably likely to have a material adverse effect on the other party);

neither party having sustained a material adverse effect or change to its financial condition or results of operations since the execution of the merger agreement;

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

each party's receipt of such certificates and documents of officers of the other party and public officials as shall be reasonably requested to establish the existence of the other party and the due authorization of the merger agreement and the transactions contemplated thereby;

the receipt by Beneficial Mutual Bancorp of a customary comfort letter from FMS Financial's independent auditors regarding the financial condition of FMS Financial;

FMS Financial's continued listing on the Nasdaq Global Market;

Beneficial Mutual Bancorp's approval for listing on the Nasdaq Global Market or Nasdaq Global Select Market;

FMS Financial having used its best efforts to cause all of its outstanding stock options to have been terminated or cancelled;

Beneficial Mutual Bancorp's cash payment for the outstanding FMS Financial options;

each party having received all required third party consents, the absence of which would materially and adversely affect such party;

receipt by Beneficial Mutual Bancorp and FMS Financial of an opinion from Beneficial Mutual Bancorp's legal counsel to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368 of the Internal Revenue Code;

receipt by FMS Financial of an opinion from Ryan Beck dated as of the date of the proxy statement to be used in connection with the FMS Financial stockholders' meeting that the merger consideration to be paid to FMS Financial's shareholders in the merger is fair from a financial point of view; and

the exchange agent shall have certified receipt of the aggregate merger consideration for all shares of FMS Financial common stock to be acquired in connection with the merger.

Beneficial Mutual Bancorp and FMS Financial cannot guarantee whether all of the conditions to the merger will be satisfied or waived by the party permitted to do so.

Conduct of Business Before the Merger

FMS Financial has agreed that, until completion of the merger and unless permitted by Beneficial Mutual Bancorp, it and its subsidiaries will:

General Business

conduct its business in the usual, regular and ordinary course consistent with past practice (including ongoing review, testing, maintenance and assessment of disclosure controls and procedures and internal control over financial reporting);

maintain its books in accordance with GAAP;

conduct its business and operations only in accordance with safe and sound banking and business practices;

preserve intact its business organization, generally keep available the services of its officers and employees and preserve its relationships with customers, suppliers, agents, brokers and others having business dealings with them to the end that its goodwill and going businesses will be unimpaired at the effective time of the merger;

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

promptly advise Beneficial Mutual Bancorp orally and in writing of any event or series of events which has a material adverse effect on the financial condition or results of operations of FMS Financial;

Compliance with Law

use its best efforts to comply promptly with all requirements imposed by state or federal law with respect to the merger;

promptly cooperate with and furnish information to Beneficial Mutual Bancorp in connection with any such requirements imposed upon any of them in connection with the merger;

use its best efforts to obtain (and cooperate with Beneficial Mutual Bancorp in obtaining) any consent, authorization or approval of, or any exemption by, any governmental authority or agency, or other third party, required to be obtained or made by any of them in connection with the merger or the taking of any action contemplated thereby;

not knowingly or willfully take any action that would adversely affect the ability of such party to perform its obligations under this merger agreement;

In addition to maintaining its business in the usual and ordinary course and complying with applicable laws, FMS Financial and Farmers & Mechanics Bank have agreed to restrict certain activities including, but not limited to the following:

Cash Dividends

not declare or pay any cash dividends on or make other distributions with respect to capital stock, except that FMS Financial will be permitted to declare and pay a regular quarterly cash dividend not exceeding \$0.03 per share;

Assets

not sell, lease or otherwise dispose of any assets, except in the ordinary course of business, which are material, individually or in the aggregate, to the business or financial condition of FMS Financial on a consolidated business, nor acquire the assets of another entity;

Capital Stock

not increase the shares of capital stock FMS Financial has outstanding;

Liabilities

not create or incur any liabilities, in a single transaction or series of related transaction, in excess of \$50,000 other than liabilities incurred in the ordinary course of business or consistent with past practices;

Compensation

generally not increase the compensation paid to its directors, officers and employees, except in accordance with past practices for those employees who are not executive or senior management;

Properties

not take steps to relocate operations from existing locations, nor enter into, renew, extend, amend or modify any lease or license with respect to any property, whether real or personal, with a term of more than one year or payments greater than \$50,000;

must use its best efforts to maintain its properties and assets in their present states of repair, order and condition;

Governing Documents

not amend its articles of incorporation or bylaws;

Loans

Farmers & Mechanics Bank's lending activities are restricted and Farmers & Mechanics Bank may not enter into, renew, modify or increase (i) any loan secured by lease receivables; (ii) any loan secured by commercial real estate involving an amount in excess of \$1.25 million or any amount that, when aggregated with any and all loans to the same or related borrowers, would be in excess of \$2.5 million (and in any event only if such loan has an existing debt service coverage ratio of not less than 1.20 and a loan value ratio in accordance with regulatory guidelines); (iii) any business loan involving an amount in excess of \$250,000, or any amount that, aggregated with any and all loans to the same or related borrowers, would be in excess of \$500,000 (and in any event only if such loan has an existing debt service coverage ratio of not less than 1.20); (iv) any loan or credit commitment (including letters of credit) which is secured by property located outside of New Jersey and Pennsylvania; and (v) any loan or credit commitment (including letters of credit) to, or make any investment in, any person or entity or modify any of the material provisions or renew or otherwise extend the maturity date of an existing loan, credit commitment or investment that (1) involves an amount in excess of \$1.25 million or in any amount that, when aggregated with any and all loans or credit commitments to such person, would be in excess of \$2.5 million (and in any event only if such loan has a loan-to-value ratio of not greater than 80% unless private mortgage insurance is purchased); (2) is to any person other than in accordance with its lending policies as in effect at the date of the merger agreement; or (3) involves any of the loans or other extensions of credit to which, or investments in which, are delinquent, non-performing or on a watch-list or similar internal report of FMS Financial;

there are also restrictions on making fixed rate loans, purchasing loans and loan participations and increasing or renewing any loan commitment to an executive officer, director or only 5% or greater shareholder of FMS Financial;

Taxation

not take any action which would, or fail to take any action contemplated by the merger agreement if such failure would disqualify the merger as a tax-free reorganization under Section 368(a) of the Internal Revenue Code;

Portfolio

not materially restructure or change its investment securities portfolio through purchases, sales or otherwise, or change the manner in which the portfolio is classified or reported (in accordance with FAS 115 or otherwise);

Policies

not implement or adopt any material change in its interest rate and other risk management policies, procedures or practices;

must follow its existing policies and practices with respect to managing its exposure to interest rate and other risk and may not change in any material respect any basic policies and practices with respect to liquidity management and cash flow planning, marketing, deposit origination, lending, budgeting, profit and tax planning, personnel practices, accounting or any other material aspects of its business or operations, except for such changes as may be required by the rules of the AICPA or the FASB or by governmental authorities or by law;

Contracts

not knowingly default under the terms of any material contract, enter into any new, or modify, amend or extend the terms of any existing, contracts relating to the purchase or sale of financial or other futures, derivative or synthetic mortgage product or any put or call option relating to cash, securities or commodities or any interest rate swap agreements or other agreement relating to the hedging of interest rate risks, or enter into any contract or agreement to buy, sell, exchange or otherwise deal in any tangible assets in a single transaction or a series of transactions in excess of \$75,000 in aggregate value;

Indebtedness

not create or incur any mortgage, lien, pledge or security interest, against or in respect of any property or right of FMS Financial securing any obligation in excess of \$75,000, except for any pledge or security interests given in connection with the acceptance of repurchase agreements or government deposits or if in the ordinary course of business consistent with past practice;

not discharge or satisfy any mortgage, lien, charge or encumbrance other than as a result of the payment of liabilities in accordance with the terms thereof, or except in the ordinary course of business, if the cost to FMS Financial to do so is in excess of \$75,000, unless such discharge or satisfaction is covered by general or specific reserves;

Settling Claims

not settle or agree to settle any claim, action or proceeding, whether or not initiated in a court of law, against it for more than \$75,000; and

Capital Expenditures

not make any one capital expenditure or any series of related capital expenditures (other than emergency repairs and replacements), the amount or aggregate amount of which is in excess of \$75,000, and provided further that any computer or network equipment acquired by FMS Financial or its subsidiaries shall satisfy certain standards and specifications acceptable to Beneficial Mutual Bancorp.

Covenants of Beneficial Mutual Bancorp and FMS Financial in the Merger Agreement

Agreement Not to Solicit Other Proposals. FMS Financial has agreed not to solicit, initiate or encourage any acquisition proposal by a third party, to participate in discussions or negotiations regarding an acquisition proposal or to enter into any agreement requiring it to abandon or terminate the merger agreement with Beneficial Mutual Bancorp. An acquisition proposal includes the making of a proposal by a third party with respect to the following:

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

any merger, consolidation, share exchange, business combination, or other similar transaction involving FMS Financial or Farmers & Mechanics Bank;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 24.9% or more of the assets of FMS Financial or Farmers & Mechanics Bank in a single transaction or a series of related transactions, excluding from this calculation such transactions undertaken in the ordinary course of business and consistent with past practice;

any sale of 24.9% or more of the outstanding shares of capital stock of FMS Financial or Farmers & Mechanics Bank (or securities convertible or exchangeable into or otherwise evidencing, or an agreement or instrument evidencing, the right to acquire capital stock);

the filing of an acquisition application (or the giving of an acquisition notice), whether in draft or final form, under the Home Owners Loan Act or under any other applicable law with respect to FMS Financial or Farmers & Mechanics Bank;

any person who has acquired beneficial ownership or the right to acquire beneficial ownership of, or any group (as such term is defined under Section 13(d) of the Securities Exchange Act of 1934 and the rules and regulations of the Securities Exchange Commission promulgated thereunder) which has been formed which beneficially owns or has the right to acquire beneficial ownership of, 24.9% or more of the then outstanding shares of capital stock of FMS Financial; or

any public announcement of a proposal, plan or intention to do any of the foregoing.

Notwithstanding these provisions, if FMS Financial receives an unsolicited acquisition proposal that its board of directors believes is superior to the terms of the merger with Beneficial Mutual Bancorp, then FMS Financial may furnish non-public information concerning FMS Financial to the person making the proposal and may engage in discussions with that person, but only if FMS Financial's board of directors determines in good faith, based on advice of legal counsel, that failure to take such action would constitute a breach of its fiduciary duties to FMS Financial stockholders. If FMS Financial determines that it desires to accept a superior proposal, it shall notify Beneficial Mutual Bancorp in writing of its intent to terminate the merger agreement with Beneficial Mutual Bancorp in order to enter into an agreement in connection with the superior proposal. Beneficial Mutual Bancorp shall have three calendar days to evaluate and respond to FMS Financial's notice. If Beneficial Mutual Bancorp notifies FMS Financial in writing within the three calendar days that it will at least match the terms of the superior proposal, then FMS Financial may not accept the superior proposal.

Certain Other Covenants. The merger agreement also contains other agreements relating to the conduct of Beneficial Mutual Bancorp and FMS Financial before consummation of the merger, including the following:

each party shall afford to the other's officers, employees, accountants, legal counsel and other representatives access, during normal business hours, to all of its and its subsidiaries, properties, books, contracts, commitments and records; provided that FMS Financial may redact any information from such materials which relates to assessments, analyses or discussions of a possible acquisition prior to the date of the merger agreement with Beneficial Mutual Bancorp, or which relates to matters or issues concerning its evaluation of the merger with Beneficial Mutual Bancorp or that would impair the ability of its board of directors to discharge its fiduciary duties;

each party shall (a) to the extent within its control, use best efforts to cause all of its representations and warranties contained in the merger agreement to be true and correct in all material respects at the effective time of the merger as if such representations and warranties had been made on and as of the effective time of the merger and (b) use best efforts to cause all of the conditions precedent set forth in the merger agreement to be satisfied;

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

neither party shall take any action, nor agree or commit to take any action, which would reasonably be expected to (a) adversely affect the ability of either party to obtain necessary regulatory approvals; (b) adversely affect a party's ability to perform its covenants or agreements under the merger agreement; or (c) result in any of the conditions to the merger set forth in the merger agreement not being satisfied;

each party shall furnish to the other (a) a copy of each significant report, schedule and other document filed by or received by it or its subsidiaries pursuant to the requirements of federal or state securities laws or banking laws promptly after such documents are available; (b) its consolidated monthly consolidated financial statements (as prepared in accordance with its normal accounting procedures) promptly after such consolidated financial statements are available; (c) a summary of any action taken by its, or its subsidiaries, boards of directors, or any committees thereof; and (d) all significant information concerning it and its subsidiaries business, properties and personnel as the other may reasonably request;

each party shall (a) confer with one another on a regular and frequent basis to report on operational matters and the general status of their respective ongoing business operations; (b) discuss with one another any matters directly affecting them in which any state or federal regulator of FMS Financial or Beneficial Mutual Bancorp is involved; and (c) provide prompt notice to the other of any litigation, arbitration, proceeding, governmental investigation, citation or action of any kind which may be commenced, threatened or proposed by any person concerning the legality, validity or propriety of the transactions contemplated by the merger agreement and, if any such litigation is commenced against any party to the merger agreement, the parties shall cooperate in all respects in connection with such litigation;

each party shall (a) take all reasonable actions necessary to comply promptly with all legal requirements which may be imposed on it with respect to the merger (including making all filings and requests in connection with necessary regulatory approvals and furnishing all information in connection therewith); (b) promptly cooperate with and furnish information to the other party in connection with any such requirements imposed upon any of them in connection with the merger; and (c) take all reasonable actions necessary to obtain (and will cooperate with the other party in obtaining) any consent, authorization, order or approval of, or any exemption by, any governmental entity or other public or private person, required to be obtained by the parties in connection with the merger or the taking of any action contemplated by the merger agreement;

each party will use its reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary or advisable to consummate the transactions contemplated by the merger agreement including, but not limited to, the merger;

each party, subject to disclosure obligations imposed under applicable law, will cooperate with the other in the development and distribution of all news releases and other public information disclosures with respect to the merger and shall not issue any public announcement or statement with respect to the merger without prior consultation with the other party;

FMS Financial shall use its reasonable best efforts to maintain the listing of FMS Financial common stock on the Nasdaq Global Market through the effective time of the merger;

Beneficial Mutual Bancorp shall use its best efforts to cause the shares of Beneficial Mutual Bancorp to be issued pursuant to the merger agreement to be approved for listing on the Nasdaq Global Market or Nasdaq Global Select Market prior to the effective time of the merger;

Beneficial Mutual Bancorp will file a registration statement, of which this proxy statement/prospectus forms a part, with the Securities and Exchange Commission registering the shares of Beneficial Mutual Bancorp common stock to be issued pursuant to the merger agreement;

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

FMS Financial will use its best efforts to cause to be delivered to Beneficial Mutual Bancorp a letter from Grant Thornton LLP, FMS Financial's independent auditors, and/or a letter from PricewaterhouseCoopers LLP, FMS Financial's former independent auditors, each dated within three business days before the registration statement is declared effective by the Securities and Exchange Commission, and each addressed to Beneficial Mutual Bancorp, in form and substance reasonably satisfactory to Beneficial Mutual Bancorp, and each customary in scope and substance for letters delivered by independent public accountants in connection with similar registration statements;

FMS Financial, between the date of the merger agreement and the effective date of the merger, shall maintain disclosure controls and procedures that are effective to ensure that material information relating to FMS Financial and its shareholders are made known to the President and Chief Executive Officer and Chief Financial Officer of FMS Financial to record, process, summarize and report financial data in a timely and accurate manner and FMS Financial shall take appropriate corrective actions to address any significant deficiencies or material weaknesses identified in the internal controls;

FMS Financial will take all actions necessary to convene a meeting of its shareholders to vote on the merger agreement and the FMS Financial board of directors will recommend at the shareholder meeting that the shareholders vote to approve the merger and will use its reasonable best efforts to solicit shareholder approval, unless it determines that such actions would not comply with its fiduciary obligations to FMS Financial shareholders; and

FMS Financial will use its reasonable best efforts to cause each person who is an affiliate of it under Rule 145 of the Securities Act to deliver to Beneficial Mutual Bancorp a letter to the effect that such person will comply with Rule 145.

For information on additional covenants made by Beneficial Mutual Bancorp and FMS Financial in connection with the merger, see *Conditions to Completing the Merger* and *Conduct of Business Before the Merger*.

Representations and Warranties Made by Beneficial Mutual Bancorp and FMS Financial in the Merger Agreement

Beneficial Mutual Bancorp and FMS Financial have made certain customary representations and warranties to each other in the merger agreement relating to their businesses. The representations and warranties must be true in all material respects (except to the extent any breaches of a representation or warranty, either individually or in the aggregate, do not or would not reasonably be likely to have a material adverse effect on the other party) through the completion of the merger. For more information, see *Conditions to Completing the Merger*.

The representations and warranties contained in the merger agreement were made only for purposes of such agreement and are made as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed to by the contracting parties, including being qualified by disclosures between the parties. These representations and warranties may have been made for the purpose of allocating risk between the parties to the agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors as statements of factual information.

Terminating the Merger Agreement

The merger agreement may be terminated at any time prior to the completion of the merger, either before or after approval of the merger agreement by FMS Financial shareholders, as follows:

by the mutual written consent of the parties;

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

by either party if the shareholders of FMS Financial fail to approve the merger agreement;

by either party if regulatory approval of the merger or the minority offering has been denied;

by either party if the merger is not consummated by December 31, 2007; provided, however, that this right is not available to any party who failed to comply with a provision of the merger agreement that causes the delay;

by either party if the other breaches a representation or warranty or breaches a covenant or agreement so that the conditions of closing the merger cannot be satisfied and the breach is not cured within 30 days following written notice to the party committing the breach;

by either party if any of the conditions precedent to the obligations of such party cannot be satisfied by December 31, 2007;

by Beneficial Mutual Bancorp if FMS Financial fails to call a shareholder meeting and/or fails to recommend the merger or, after recommending approval, the board of directors of FMS Financial withdraws, qualifies or revises such recommendation;

by Beneficial Mutual Bancorp if a tender offer or exchange offer for 25% or more of FMS Financial common stock is commenced and the FMS Financial board of directors recommends that FMS Financial shareholders tender their shares or otherwise fails to recommend rejection of the tender offer;

by FMS Financial in the event that FMS Financial receives a superior proposal; or

by FMS if any required approval or non-objection from the Office of Thrift Supervision relating to change in control filings relating to FMS Financial have not been obtained.

Termination Fee

FMS Financial Termination Fee. The merger agreement requires FMS Financial to pay Beneficial Mutual Bancorp a fee of up to \$7.3 million if:

- (i) the merger agreement is terminated by Beneficial Mutual Bancorp because FMS Financial's board of directors fails to recommend the merger to shareholders, withdraws such recommendation or fails to call a meeting of shareholders to vote on the merger, or supports a tender offer for FMS Financial's common stock (except by Beneficial Mutual Bancorp) or fails to recommend that FMS Financial shareholders reject such a tender offer;
- (ii) the merger agreement is terminated by Beneficial Mutual Bancorp because FMS Financial breaches a representation or warranty or covenant that cannot be cured and within 18 months following the termination FMS Financial enters into an agreement with respect to or consummates an acquisition;
- (iii) the merger agreement is terminated by Beneficial Mutual Bancorp because of a willful breach by FMS Financial of any of its representations or warranties or covenants;
- (iv) the merger agreement is terminated by either Beneficial Mutual Bancorp or FMS Financial because FMS Financial's shareholders fail to approve the merger and a third party acquisition proposal shall have been publicly announced;
- (v) FMS Financial terminates the merger agreement upon receipt of a superior proposal; or

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

- (vi) FMS Financial terminates the merger agreement because it is unable to receive the approval or non-objection of the Office of Thrift Supervision of change in bank control filings described in the merger agreement and FMS Financial enters into an agreement with respect to or consummates an acquisition within 18 months of termination.

In the event that the termination fee becomes payable pursuant to (i), (iii) or (iv) above, FMS Financial shall pay a fee of \$3.7 million immediately following termination and, if within 18 months FMS Financial enters into an agreement with respect to or consummates an acquisition, FMS Financial must pay the balance of the termination fee (*i.e.*, \$3.6 million).

In the event that the termination fee becomes payable pursuant to (ii) above, the entire \$7.3 million will be payable to Beneficial Mutual Bancorp upon the earliest of the date of execution of the agreement related to an acquisition or consummation of the acquisition; provided that, if the breach results from FMS Financial's intentional or willful conduct or gross negligence, a fee of \$3.7 million will be immediately payable upon termination and an additional fee of \$3.6 million will become payable if within 18 months FMS Financial enters into an agreement with respect to or consummates an acquisition.

In the event that the termination fee becomes payable pursuant to (v) above, the termination fee is due upon termination.

In the event that the termination fee becomes payable pursuant to (vi) above, an amount equal to \$1,800,000 shall be due upon the earliest of entering into an agreement related to or upon consummation of an acquisition.

Beneficial Mutual Bancorp Special Payment. The merger agreement provides that Beneficial Mutual Bancorp will pay FMS Financial a termination fee of \$5.5 million in the event FMS Financial terminates the merger agreement because Beneficial Mutual Bancorp fails to receive regulatory approval of the merger or the minority stock offering or fails to consummate the merger by December 31, 2007.

Further, Beneficial Mutual Bancorp will pay FMS Financial a termination fee of \$3.7 million in the event FMS Financial terminates the merger agreement because of a willful or intentional breach of a representation, warranty or covenant by Beneficial Mutual Bancorp.

Expenses

Each of Beneficial Mutual Bancorp and FMS Financial will pay its own costs and expenses incurred in connection with the merger.

Changing the Terms of the Merger Agreement

The merger agreement may be amended by the parties at any time before or after approval of the merger agreement by the FMS Financial shareholders, except that after such approval no amendment shall be made without the further approval of the FMS Financial shareholders if such amendment: (a) alters or changes the amount or kind of shares, securities, cash, property and/or rights to be received in exchange for or on conversion of all or any of the shares of FMS Financial common stock; (b) alters or changes any term of Beneficial Mutual Bancorp, Inc's charter other than as provided in the merger agreement; or (c) alters or changes any of the terms and conditions of the merger agreement if such alteration or change would adversely affect the FMS Financial shareholders. No amendment, supplement, modification, waiver or termination of the merger agreement shall be binding unless executed in writing by the party to be bound thereby.

The Stock Offering

This stock offering is being conducted pursuant to a plan of stock issuance approved by the board of directors of Beneficial Mutual Bancorp. The Office of Thrift Supervision also conditionally approved the plan of stock issuance; however, such approval does not constitute a recommendation or endorsement of the plan of stock issuance by such agency.

General

On November 30, 2006, the board of directors of Beneficial Mutual Bancorp unanimously adopted a plan of stock issuance pursuant to which Beneficial Mutual Bancorp will offer a minority percentage of its common stock to qualifying depositors of Beneficial Mutual Savings Bank in a subscription offering and to shareholders of FMS Financial in accordance with the merger agreement, and, if necessary, to members of the general public through a direct community offering and/or a syndicate of registered broker-dealers. The plan of stock issuance was subsequently amended and restated on March 8, 2007 and May 10, 2007. The amount of capital being raised in the offering is based on an appraisal of Beneficial Mutual Bancorp. Most of the terms of this offering are required by the regulations of the Office of Thrift Supervision. The Office of Thrift Supervision approved our plan of stock issuance, subject to the fulfillment of certain conditions.

The following is a brief summary of the pertinent aspects of the offering. A copy of the plan of stock issuance is available from Beneficial Mutual Savings Bank upon request and is available for inspection at the offices of Beneficial Mutual Savings Bank and at the Office of Thrift Supervision. The plan of stock issuance is also filed as an exhibit to the registration statement that we have filed with the Securities and Exchange Commission. See *Where You Can Find More Information*.

Reasons for the Offering

Our primary reasons for this offering are to:

issue stock and raise capital to provide the stock and funds necessary to acquire FMS Financial and support future expansion through branching and possibly through acquisition;

enhance profitability and earnings through investing and leveraging the proceeds, primarily through the acquisition of FMS Financial, and also through traditional funding and lending activities; and

implement equity compensation plans to retain and attract qualified directors, officers and staff and to enhance our current incentive-based compensation programs.

As part of our business planning process, our board of directors concluded that additional capital was needed in order to increase our profitability and support asset growth and that the best way to accomplish this would be through a stock offering. The board of directors determined that a minority offering by Beneficial Mutual Bancorp was appropriate, because engaging in a full mutual-to-stock conversion would raise more capital than we had current plans to deploy. Further, the minority stock issuance permits us to control the amount of capital being raised by selecting the percentage of shares to be sold in the offering. Additionally, the board of directors preferred to remain in the mutual holding company structure because it provides for the continued control of Beneficial Mutual Bancorp by Beneficial Savings Bank MHC through its majority ownership position.

The offering will afford our directors, officers and employees the opportunity to become stockholders, which we believe to be an effective performance incentive and an effective means of attracting and retaining qualified personnel. The offering also will provide our customers and local community members with an opportunity to acquire our stock.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The disadvantages of the offering considered by the board of directors are the additional expense and effort of operating as a public company, the inability of stockholders other than Beneficial Savings Bank MHC to obtain majority ownership of Beneficial Mutual Bancorp and Beneficial Mutual Savings Bank, which may result in the perpetuation of our management and board of directors, and that new forms of corporate ownership and regulatory policies relating to the mutual holding company structure may be adopted from time to time which may have an adverse impact on stockholders other than Beneficial Savings Bank MHC.

Following the offering, a majority of our voting stock will still be owned by Beneficial Savings Bank MHC, which will be controlled by its board of directors. While this structure will permit management to focus on our long-term business strategy for growth and capital redeployment without undue pressure from stockholders, it will also serve to perpetuate our existing management and directors. Beneficial Savings Bank MHC will be able to elect all of the members of Beneficial Mutual Bancorp's board of directors, and will be able to control the outcome of most matters presented to our stockholders for resolution by vote. The matters as to which stockholders other than Beneficial Savings Bank MHC will be able to exercise voting control are limited and include any proposal to implement a stock-based incentive plan. No assurance can be given that Beneficial Savings Bank MHC will not take action adverse to the interests of other stockholders. For example, Beneficial Savings Bank MHC could prevent the sale of control of Beneficial Mutual Bancorp or defeat a candidate for the board of directors of Beneficial Mutual Bancorp or other proposals put forth by stockholders.

This offering does not preclude the conversion of Beneficial Savings Bank MHC from the mutual to stock form of organization in the future. No assurance can be given when, if ever, Beneficial Savings Bank MHC will convert to stock form or what conditions the Office of Thrift Supervision or other regulatory agencies may impose on such a transaction. See *Risk Factors* and *Summary Possible Conversion of Beneficial Savings Bank MHC to Stock Form*.

Subscription Offering and Subscription Rights

Under the plan of stock issuance, we have granted rights to subscribe for our common stock to the following persons in the following order of priority:

1. Persons with deposits in Beneficial Mutual Savings Bank with balances aggregating \$50 or more (*qualifying deposits*) as of November 30, 2005 (*eligible account holders*). For this purpose, deposit accounts include all savings, time and demand accounts;
2. Our employee stock ownership plan;
3. Persons with qualifying deposits in Beneficial Mutual Savings Bank as of March 31, 2007 (*supplemental eligible account holders*), other than our officers, directors and their associates; and
4. Depositors of Beneficial Mutual Savings Bank as of April 30, 2007, who are not eligible or supplemental eligible account holders (*other depositors*).

The amount of common stock that any person may purchase will depend on the availability of the common stock after satisfaction of: the exchange of shares of FMS Financial required by the merger agreement; and all subscriptions having prior rights in the subscription offering up to the maximum and minimum purchase limitations set forth in the plan of stock issuance. See *The Stock Offering Limitations on Purchases of Shares*. Under the merger agreement, FMS Financial shareholders may elect to exchange each share of FMS Financial common stock for \$28.00 in cash, 2.80 shares of Beneficial Mutual Bancorp common stock in exchange for FMS Financial common stock, or a combination thereof.

All persons on a joint account will be counted as a single depositor for purposes of determining the maximum amount that may be subscribed for by owners of a joint account. Joint account holders will be required to register stock subscribed for in the offering in the names of all of the joint account holders. We will strive to identify your ownership in all accounts, but cannot guarantee we will identify all accounts in which you have an ownership interest.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Priority 1: Eligible Account Holders. Subject to the purchase limitations as described below under *The Stock Offering Limitations on Purchases of Shares*, each eligible account holder has the right to subscribe for up to the greater of:

\$250,000 of common stock (which equals 25,000 shares);

one-tenth of 1% of the total offering of common stock in the subscription offering to persons other than Beneficial Savings Bank MHC; or

15 times the product, rounded down to the next whole number, obtained by multiplying the total number of shares of common stock to be sold by a fraction of which the numerator is the amount of qualifying deposits of the eligible account holders and the denominator is the total amount of qualifying deposits of all eligible account holders. The balance of qualifying deposits of all eligible account holders was \$1.66 billion.

If there are insufficient shares to satisfy all subscriptions by eligible account holders, shares first will be allocated so as to permit each subscribing eligible account holder, if possible, to purchase a number of shares sufficient to make the person's total allocation equal 100 shares or the number of shares actually subscribed for, whichever is less. After that, unallocated shares will be allocated among the remaining subscribing eligible account holders whose subscriptions remain unfilled in the proportion that the amounts of their respective qualifying deposits bear to the total qualifying deposits of all remaining eligible account holders whose subscriptions remain unfilled. Subscription rights of eligible account holders who are also executive officers or directors of Beneficial Mutual Bancorp or Beneficial Mutual Savings Bank or their associates will be subordinated to the subscription rights of other eligible account holders to the extent attributable to increased deposits in Beneficial Mutual Savings Bank in the one year period preceding November 30, 2005.

To ensure a proper allocation of stock, each eligible account holder must list on his or her stock order form all deposit accounts in which such eligible account holder had an ownership interest at November 30, 2005. Failure to list an account, or providing incorrect information, could result in the loss of all or part of a subscriber's stock allocation.

Priority 2: Tax-Qualified Employee Benefit Plans. Subject to the purchase limitations as described below under *The Stock Offering Limitations on Purchases of Shares*, our tax-qualified employee benefit plans have the right to purchase up to 10% of the shares of common stock issued in the offering, including shares issued to Beneficial Savings Bank MHC, issued in the merger and contributed to The Beneficial Foundation. As a tax-qualified employee benefit plan, our employee stock ownership plan intends to purchase 3.92% of the shares issued in the offering, including shares issued to Beneficial Savings Bank MHC, issued in the merger and contributed to The Beneficial Foundation. Subscriptions by the employee stock ownership plan will not be aggregated with shares of common stock purchased by any other participants in the offering, including subscriptions by our officers and directors, for the purpose of applying the purchase limitations in the plan of stock issuance. If eligible account holders subscribe for all of the shares being sold, no shares will be available for our tax-qualified employee benefit plans. However, if we increase the number of shares offered above the maximum of the offering range, the employee stock ownership plan will have a first priority right to purchase any shares exceeding that amount up to the amount of its subscription. If the plan's subscription is not filled in its entirety, the employee stock ownership plan may purchase shares in the open market or may purchase shares directly from us with the approval of the Office of Thrift Supervision.

Priority 3: Supplemental Eligible Account Holders. Subject to the purchase limitations as described below under *The Stock Offering Limitations on Purchases of Shares*, each supplemental eligible account holder has the right to subscribe for up to the greater of:

\$250,000 of common stock (which equals 25,000 shares);

one-tenth of 1% of the total offering of common stock to persons in the subscription offering other than Beneficial Savings Bank MHC; or

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

15 times the product, rounded down to the next whole number, obtained by multiplying the total number of shares of common stock to be sold by a fraction of which the numerator is the amount of qualifying deposits of the supplemental eligible account holder and the denominator is the total amount of qualifying deposits of all supplemental eligible account holders. The balance of qualifying deposits of all supplemental eligible account holders was \$1.64 billion.

If eligible account holders and the employee stock ownership plan subscribe for all of the shares being sold, no shares will be available for supplemental eligible account holders. If shares are available for supplemental eligible account holders but there are insufficient shares to satisfy all subscriptions by supplemental eligible account holders, shares first will be allocated so as to permit each subscribing supplemental eligible account holder, if possible, to purchase a number of shares sufficient to make the person's total allocation equal 100 shares or the number of shares actually subscribed for, whichever is less. After that, unallocated shares will be allocated among the remaining subscribing supplemental eligible account holders whose subscriptions remain unfilled in the proportion that the amounts of their respective qualifying deposits bear to the total qualifying deposits of all remaining supplemental eligible account holders whose subscriptions remain unfilled.

To ensure a proper allocation of stock, each supplemental eligible account holder must list on his or her stock order form all deposit accounts in which such supplemental eligible account holder had an ownership interest at March 31, 2007. Failure to list an account, or providing incorrect information, could result in the loss of all or part of a subscriber's stock allocation.

Priority 4: Other Depositors. Subject to the purchase limitations as described below under *The Stock Offering Limitations on Purchases of Shares*, each other depositor has the right to purchase up to the greater of \$250,000 of common stock (which equals 25,000 shares) or one-tenth of 1% of the total offering of common stock to persons in the subscription offering other than Beneficial Savings Bank MHC. If eligible account holders, the employee stock ownership plan and supplemental eligible account holders subscribe for all of the shares being sold, no shares will be available for other depositors. If shares are available for other depositors but there are not sufficient shares to satisfy all subscriptions by other depositors, shares first will be allocated so as to permit each subscribing other depositor, if possible, to purchase a number of shares sufficient to make the person's total allocation equal 100 shares or the number of shares actually subscribed for, whichever is less. After that, unallocated shares will be allocated among the remaining subscribing other depositors in the proportion that each other depositor's subscription bears to the total subscriptions of all such subscribing other depositors whose subscriptions remain unfilled.

To ensure a proper allocation of stock, each other depositor must list on his or her stock order form all deposit accounts in which such other depositor had an ownership interest at April 30, 2007. Failure to list an account or providing incorrect information could result in the loss of all or part of a subscriber's stock allocation.

Expiration Date for the Subscription Offering. The subscription offering, and all subscription rights under the plan of stock issuance, will terminate at 4:00 p.m., Eastern time, on **June 11, 2007**. **We will not accept orders for common stock in the subscription offering received after that time.** We will make reasonable attempts to provide a prospectus and related offering materials to holders of subscription rights; however, all subscription rights will expire on the expiration date whether or not we have been able to locate each person entitled to subscription rights.

Office of Thrift Supervision regulations require that we complete the sale of common stock within 45 days after the close of the subscription offering. If the sale of the common stock is not completed within that period, all funds received will be returned promptly with interest at our passbook rate and all withdrawal authorizations will be canceled unless we receive approval of the Office of Thrift Supervision to extend the time for completing the offering. If regulatory approval of an extension of the time period has been granted, we will notify all subscribers of the extension and of the duration of any extension that has been granted, and subscribers will have the right to modify or rescind their purchase orders. If we do not receive an affirmative response from a subscriber to any resolicitation, the subscriber's order will be rescinded and all funds received will be returned promptly with interest, or withdrawal authorizations will be canceled. No single extension can exceed 90 days.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Persons in Non-Qualified States. We will make reasonable efforts to comply with the securities laws of all states in the United States in which persons entitled to subscribe for stock under the plan of stock issuance reside. However, we are not required to offer stock in the subscription offering to any person who resides in a foreign country or who resides in a state of the United States in which (1) only a small number of persons otherwise eligible to subscribe for shares of common stock reside; (2) the granting of subscription rights or the offer or sale of shares to such person would require that we or our officers or directors register as a broker, dealer, salesman or selling agent under the securities laws of the state, or register or otherwise qualify the subscription rights or common stock for sale or qualify as a foreign corporation or file a consent to service of process; or (3) we determine that compliance with that state's securities laws would be impracticable or unduly burdensome for reasons of cost or otherwise.

Restrictions on Transfer of Subscription Rights and Shares. Subscription rights are nontransferable. You may not transfer, or enter into any agreement or understanding to transfer, the legal or beneficial ownership of your subscription rights issued under the plan of stock issuance or the shares of common stock to be issued upon exercise of your subscription rights. Your subscription rights may be exercised only by you and only for your own account. With the exception of IRA and Keogh account stock purchases, shares purchased in the subscription offering must be registered in the names of all depositors on the qualifying account(s). Deleting names of depositors or adding non-depositors or otherwise altering the form of beneficial ownership of a qualifying account will result in the loss of your subscription rights. When registering your stock purchase on the order form, you should not add the name(s) of persons who have no subscription rights or who qualify in a lower purchase priority than you do. Doing so may jeopardize your subscription rights. If you exercise your subscription rights, you will be required to certify that you are purchasing shares solely for your own account and that you have no agreement or understanding regarding the sale or transfer of such shares. Federal regulations also prohibit any person from offering, or making an announcement of an offer or intent to make an offer, to purchase such subscription rights or shares of common stock before the completion of the offering.

If you sell or otherwise transfer your rights to subscribe for common stock in the subscription offering or subscribe for common stock on behalf of another person, you may forfeit those rights and face possible further sanctions and penalties imposed by the Office of Thrift Supervision or another agency of the United States government. Illegal transfers of subscription rights, including agreements made prior to completion of the offering to transfer shares after the offering, have been subject to enforcement actions by the Securities and Exchange Commission as violations of Rule 10b-5 of the Securities Exchange Act of 1934.

We intend to report to the Office of Thrift Supervision and the Securities and Exchange Commission anyone who we believe sells or gives away their subscription rights. We will pursue any and all legal and equitable remedies in the event we become aware of the transfer of subscription rights, and we will not honor orders that we believe involve the transfer of subscription rights.

Direct Community Offering

To the extent that shares remain available for purchase after satisfaction of all subscriptions received in the subscription offering, we may, in our discretion, offer shares to the general public in a direct community offering. In the direct community offering, preference will be given to natural persons and trusts of natural persons who are residents of Chester, Delaware, Montgomery, Philadelphia and Bucks Counties, Pennsylvania and Burlington, Gloucester and Camden Counties, New Jersey.

We will consider a person to be resident of Chester, Delaware, Montgomery, Philadelphia and Bucks Counties, Pennsylvania and Burlington, Gloucester and Camden Counties, New Jersey if he or she occupies a dwelling in the county, has the intent to remain for a period of time, and manifests the genuineness of that intent by establishing an ongoing physical presence together with an indication that such presence is something other than merely transitory in nature. We may utilize depositor or loan records or other evidence provided to us to make a determination as to a person's resident status. In all cases, the determination of residence status will be made by us in our sole discretion.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Purchasers in the community offering are eligible to purchase up to \$250,000 of common stock (which equals 25,000 shares). If shares are available for preferred subscribers in the community offering but there are insufficient shares to satisfy all orders, the available shares will be allocated first to each preferred subscriber whose order we accept in an amount equal to the lesser of 100 shares or the number of shares ordered by each such subscriber, if possible. After that, unallocated shares will be allocated among the remaining preferred subscribers whose orders remain unsatisfied on an equal number of shares per order basis until all available shares have been allocated. If, after filling the orders of preferred subscribers in the community offering, shares are available for other subscribers in the community offering but there are insufficient shares to satisfy all orders, shares will be allocated in the same manner as for preferred subscribers.

The community offering, if held, may commence concurrently with or subsequent to the subscription offering and will terminate no later than 45 days after the close of the subscription offering unless extended by us, with approval of the Office of Thrift Supervision. If we receive regulatory approval for an extension, all subscribers will be notified of the extension and of the duration of any extension that has been granted, and will have the right to modify or rescind their orders. If we do not receive an affirmative response from a subscriber to any resolicitation, the subscriber's order will be rescinded and all funds received will be promptly returned with interest.

The opportunity to subscribe for shares of common stock in the community offering is subject to our right to reject orders, in whole or part, either at the time of receipt of an order or as soon as practicable following the expiration date of the offering. If your order is rejected in part, you will not have the right to cancel the remainder of your order.

Syndicated Community Offering or Underwritten Public Offering

The plan of stock issuance provides that, if necessary, all shares of common stock not purchased in the subscription offering and community offering may be offered for sale to the general public in a syndicated community offering to be managed by Sandler O'Neill, acting as our agent. In such capacity, Sandler O'Neill may form a syndicate of other brokers-dealers who are NASD member firms. Alternatively, we may sell any remaining shares in an underwritten public offering. Neither Sandler O'Neill nor any registered broker-dealer will have any obligation to take or purchase any shares of the common stock in the syndicated community offering; however, Sandler O'Neill has agreed to use its best efforts in the sale of shares in any syndicated community offering. We have not selected any particular broker-dealers to participate in a syndicated community offering and will not do so until prior to the commencement of the syndicated community offering. The syndicated community offering would terminate no later than 45 days after the expiration of the subscription offering, unless extended by us, with approval of the Office of Thrift Supervision. See *The Stock Offering Direct Community Offering* above for a discussion of rights of subscribers in the event an extension is granted.

The opportunity to subscribe for shares of common stock in the syndicated community offering or underwritten public offering is subject to our right in our sole discretion to accept or reject orders, in whole or part, either at the time of receipt of an order or as soon as practicable following the expiration date of the offering. If your order is rejected in part, you will not have the right to cancel the remainder of your order.

Common stock sold in the syndicated community offering also will be sold at the \$10.00 per share purchase price. Purchasers in the syndicated community offering are eligible to purchase up to \$250,000 of common stock (which equals 25,000 shares). We may begin the syndicated community offering or underwritten public offering at any time following the commencement of the subscription offering.

If we are unable to find purchasers from the general public for all unsubscribed shares, we will make other purchase arrangements, if feasible. Other purchase arrangements must be approved by the Office of Thrift Supervision and may provide for purchases for investment purposes by directors, officers, their associates and other persons in excess of the limitations provided in the plan of stock issuance and in excess of the proposed director and executive officer purchases discussed earlier, although no such purchases are currently intended. If other purchase arrangements cannot be made, we may either: terminate the stock offering and promptly return all funds; promptly return all funds, set a new offering range and give all subscribers the opportunity to place a new order for shares of Beneficial Mutual Bancorp common stock; or take such other actions as may be permitted by the Office of Thrift Supervision and the Securities and Exchange Commission.

Limitations on Purchases of Shares

In addition to the purchase limitations described above under *The Stock Offering Subscription Offering and Subscription Rights, Community Offering* and *Syndicated Community Offering or Underwritten Public Offering*, the plan of stock issuance provides for the following purchase limitations:

The aggregate amount of our outstanding common stock owned or controlled by persons other than Beneficial Savings Bank MHC at the close of the offering must be less than 50% of our total outstanding common stock.

The maximum purchase of common stock by an individual, through one or more individual and/or joint deposit accounts, is \$250,000. The maximum purchase of common stock by a group of persons through a single deposit account is \$250,000, subject to increase as described below.

Except for our tax-qualified employee benefit plans, no person together with associates of or persons acting in concert with such person may purchase in the aggregate more than \$500,000 of common stock (which equals 50,000 shares), subject to increase as described below.

Each subscriber must subscribe for a minimum of 25 shares.

The aggregate amount of common stock acquired in the offering by any non-tax-qualified employee plan or any management person and his or her associates may not exceed 4.9% of the (i) outstanding shares of common stock at the conclusion of the offering or (ii) the stockholders' equity of Beneficial Mutual Bancorp at the conclusion of the offering. In calculating the number of shares held by management persons and their associates, shares held by any tax-qualified or non-tax-qualified employee stock benefit plan that are attributable to such person will not be counted.

The aggregate amount of common stock acquired in the offering by any one or more tax-qualified employee plans, exclusive of any shares of common stock acquired by such plans in the secondary market, may not exceed 4.9% of (i) the outstanding shares of common stock at the conclusion of the offering or (ii) the stockholders' equity of the Beneficial Mutual Bancorp at the conclusion of the offering.

The aggregate amount of common stock acquired in the offering by all of our stock benefit plans, other than employee stock ownership plans, may not exceed 25% of the outstanding common stock held by persons other than Beneficial Savings Bank MHC.

The aggregate amount of common stock acquired in the offering by all non-tax-qualified employee plans or management persons and their associates, exclusive of any common stock acquired by such plans or persons in the secondary market, may not exceed 25% of (i) the outstanding shares of common stock held by persons other than Beneficial Savings Bank MHC at the conclusion of the offering or (ii) the stockholders' equity of Beneficial Mutual Bancorp held by persons other than Beneficial Savings Bank MHC at the conclusion of the offering. In calculating the number of shares held by management persons and their associates, shares held by any tax-qualified or non-tax-qualified employee stock benefit plan that are attributable to such persons will not be counted.

We may, in our sole discretion, increase the individual or aggregate purchase limitation to up to 5% of the shares of common stock sold in the offering to persons other than Beneficial Savings Bank MHC. We do not intend to increase the maximum purchase limitation unless market conditions warrant. If we decide to increase the purchase limitations, persons who subscribed for the maximum number of shares of common stock will be given the opportunity to increase their subscriptions accordingly, subject to the rights and preferences of any person who has priority subscription rights. We, in our discretion, also may give other large subscribers the right to increase their subscriptions.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

In the event that we increase the maximum purchase limitation to more than 2% of the shares sold in the offering, orders for common stock in the syndicated community offering will be filled first to a maximum of 2% of the total number of shares sold in the offering and thereafter any remaining shares will be allocated on an equal number of shares basis per order until all available shares have been allocated.

In the event that we increase the maximum purchase limitation to 5% of the shares of common stock sold in the offering, we may further increase the maximum purchase limitation to 9.99%, provided that orders for common stock exceeding 5% of the shares of common stock sold in the offering may not exceed in the aggregate 10% of the total shares of common stock sold in the offering.

The plan of stock issuance defines acting in concert to mean knowing participation in a joint activity or interdependent conscious parallel action towards a common goal whether or not by an express agreement or understanding; or a combination or pooling of voting or other interests in the securities of an issuer for a common purpose under any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise. In general, a person who acts in concert with another party will also be deemed to be acting in concert with any person who is also acting in concert with that other party. We may presume that certain persons are acting in concert based upon, among other things, joint account relationships and the fact that persons may have filed joint Schedules 13D or 13G with the Securities and Exchange Commission with respect to other companies. For purposes of the plan of stock issuance, our directors are not deemed to be acting in concert solely by reason of their board membership.

The plan of stock issuance defines associate, with respect to a particular person, to mean:

a corporation or organization other than Beneficial Savings Bank MHC, Beneficial Mutual Bancorp or Beneficial Mutual Savings Bank or a majority-owned subsidiary of Beneficial Savings Bank MHC, Beneficial Mutual Bancorp or Beneficial Mutual Savings Bank of which a person is a senior officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities of such corporation or organization;

a trust or other estate in which a person has a substantial beneficial interest or as to which a person serves as a trustee or a fiduciary; and

any person who is related by blood or marriage to such person and who lives in the same home as such person or who is a director or senior officer of Beneficial Savings Bank MHC, Beneficial Mutual Bancorp or Beneficial Mutual Savings Bank or any of their subsidiaries.

For example, a corporation of which a person serves as an officer would be an associate of that person and, therefore, all shares purchased by the corporation would be included with the number of shares that the person could purchase individually under the purchase limitations described above. We have the right in our sole discretion to reject any order submitted by a person whose representations we believe to be false or who we otherwise believe, either alone or acting in concert with others, is violating or circumventing, or intends to violate or circumvent, the terms and conditions of the plan of stock issuance. Directors and officers are not treated as associates of each other solely by virtue of holding such positions. We have the sole discretion to determine whether prospective purchasers are associates or acting in concert.

Marketing Arrangements

Offering materials have been initially distributed through mailings to those eligible to subscribe in the subscription offering. To assist in the marketing of our common stock, we have retained Sandler O'Neill, which is a broker-dealer registered with the National Association of Securities Dealers, Inc. Sandler O'Neill will assist us in the offering by:

Consulting as to the financial and securities market implications of the plan of stock offering and any related corporate documents, including the percentage of common stock, to be offered in the offering;

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Reviewing with the board the financial impact of the offering on Beneficial Mutual Bancorp, based upon the independent appraiser's appraisal of the common stock;

Reviewing all offering documents, including this prospectus, stock order forms and related offering materials (although the preparation and filing of such documents is the responsibility of Beneficial Mutual Bancorp and its counsel);

Assisting in the design and implementation of a marketing strategy for the offering;

Assisting management in scheduling and preparing for meetings with potential investors and/or other broker-dealers in connection with the offering; and

Providing such other general advice and assistance as may be requested to promote the successful completion of the offering.

For these services, Sandler O'Neill will receive a fee of sixty-five basis points (0.65%) of the aggregate dollar amount of the common stock sold in the subscription and community offerings, excluding shares sold to the employee stock ownership plan, to The Beneficial Foundation, and to our officers, employees and directors and their immediate families. In the event that Sandler O'Neill sells common stock through a group of broker-dealers in a syndicated community offering, it will be paid a fee equal to sixty-five basis points of the dollar amount of total shares sold in the syndicated community offering, which fee, along with the fee payable to selected dealers (which may include Sandler O'Neill for the shares it sells) for the shares they sell, shall not exceed 5.0% of the aggregate dollar amount of shares sold in the syndicated offering. The maximum fee payable to Sandler O'Neill at the maximum, as adjusted of the offering range is \$1,271,000 assuming all shares are sold in the subscription and community offerings. In the subscription and direct community offerings, Sandler O'Neill will also be reimbursed for its allocable expenses, including legal fees and expenses, advertising, syndication and travel expenses, in an amount not to exceed \$75,000.

We will indemnify Sandler O'Neill against liabilities and expenses, including legal fees, incurred in connection with certain claims or litigation arising out of or based upon untrue statements or omissions contained in the offering materials for the common stock, including liabilities under the Securities Act of 1933, as amended.

Description of Sales Activities

Beneficial Mutual Bancorp will offer the common stock in the subscription offering and community offering principally by the distribution of this prospectus and through activities conducted at our stock information center. The stock information center is expected to operate during normal business hours throughout the subscription offering and community offering. It is expected that at any particular time one or more Sandler O'Neill employees will be working at the stock information center. Employees of Sandler O'Neill will be responsible for mailing materials relating to the offering, responding to questions regarding the offering and processing stock orders.

Sales of common stock will be made by registered representatives affiliated with Sandler O'Neill or by the selected dealers managed by Sandler O'Neill Beneficial Mutual Savings Bank's officers and employees may participate in the offering in clerical capacities, providing administrative support in effecting sales transactions or, when permitted by state securities laws, answering questions of a mechanical nature relating to the proper execution of the order form. Beneficial Mutual Savings Bank's officers may answer questions regarding our business when permitted by state securities laws. Other questions of prospective purchasers, including questions as to the advisability or nature of the investment, will be directed to registered representatives. Beneficial Mutual Savings Bank's officers and employees have been instructed not to solicit offers to purchase common stock or provide advice regarding the purchase of common stock.

None of Beneficial Mutual Savings Bank's officers, directors or employees will be compensated, directly or indirectly, for any activities in connection with the offer or sale of securities issued in the reorganization.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

None of Beneficial Mutual Savings Bank's personnel participating in the offering is registered or licensed as a broker or dealer or an agent of a broker or dealer. Beneficial Mutual Savings Bank's personnel will assist in the above-described sales activities under an exemption from registration as a broker or dealer provided by Rule 3a4-1 promulgated under the Securities Exchange Act of 1934. Rule 3a4-1 generally provides that an associated person of an issuer of securities will not be deemed a broker solely by reason of participation in the sale of securities of the issuer if the associated person meets certain conditions. These conditions include, but are not limited to, that the associated person participating in the sale of an issuer's securities not be compensated in connection with the offering at the time of participation, that the person not be associated with a broker or dealer and that the person observe certain limitations on his or her participation in the sale of securities. For purposes of this exemption, associated person of an issuer is defined to include any person who is a director, officer or employee of the issuer or a company that controls, is controlled by or is under common control with the issuer.

Procedure for Purchasing Shares in the Subscription and Community Offerings

Prospectus Delivery. To ensure that each purchaser in the subscription and community offering receives a prospectus at least 48 hours before the expiration date of the offering in accordance with Rule 15c2-8 of the Securities Exchange Act of 1934, no prospectus will be mailed any later than five days prior to the expiration date or hand delivered any later than two days prior to that date. We are not obligated to deliver a prospectus or order form by means other than United States Mail. Execution of an order form will confirm receipt of delivery of a prospectus in accordance with Rule 15c2-8. Order forms will be distributed only if preceded or accompanied by a prospectus.

Termination of Offering; Rejection of Orders. We reserve the right in our sole discretion to terminate the offering at any time and for any reason. We will terminate the offering in the event the merger with FMS Financial is terminated. In the event we terminate the offering for any reason, we will cancel any deposit account withdrawal holds and promptly return all funds submitted, with interest calculated at Beneficial Mutual Savings Bank's applicable passbook savings rate from the date of receipt.

We have the right to reject any order submitted in the offering by a person who we believe is making false representations or who we otherwise believe, either alone or acting in concert with others, is violating, evading, circumventing, or intends to violate, evade or circumvent the terms and conditions of the plan of stock issuance.

Use of Order Forms. In order to purchase shares of common stock in the subscription offering and direct community offering, you must submit a properly completed and signed original stock order form. We will not be required to accept orders submitted on photocopied or facsimiled stock order forms. **All order forms must be received by Beneficial Mutual Bancorp, Inc. (not postmarked) prior to 4:00 p.m. Eastern time on June 11, 2007.** Your order form must be accompanied by full payment for all of the shares subscribed for or include appropriate authorization in the space provided on the order form for withdrawal of full payment from a deposit account with Beneficial Mutual Savings Bank. You may submit your order form and payment in one of three ways: by mail using the reply envelope provided; by overnight delivery to the indicated address noted on the form; or by hand delivery to the main office of Beneficial Mutual Savings Bank, located at 530 Walnut Street, Philadelphia, Pennsylvania 19106. Order forms may *not* be delivered to Beneficial Mutual Savings Bank's branch offices other than the main office. Our interpretation of the terms and conditions of the plan of stock issuance and of the acceptability of the order forms will be final.

We need not accept order forms that are received after the expiration of the subscription offering or community offering, as the case may be, or that are executed defectively or that are received without full payment or without appropriate withdrawal instructions. We have the right to waive or permit the correction of incomplete or improperly executed order forms, but do not represent that we will do so. Once received, an executed order form may not be modified, amended or rescinded without our consent unless the offering has not been completed within 45 days after the end of the subscription offering, unless extended.

To ensure that your stock purchase eligibility and priority are properly identified, you must list all accounts on the order form, giving all names in each account and the account number. We will strive to identify your ownership in all accounts, but cannot guarantee we will identify all accounts in which you have an ownership interest. When entering the stock registration on your stock order form, you should not add the name(s) of persons

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

without subscription rights, or who qualify only in a lower purchase priority than you. Joint registration of shares purchased in the subscription offering will be allowed only if the qualifying deposit account is so registered.

The reverse side of the order form contains a regulatorily mandated certification form. We will not accept order forms where the certification form is not executed. By executing and returning the certification form, you will be certifying that you received this prospectus and acknowledging that the common stock is not a deposit account and is not insured or guaranteed by the federal government. You also will be acknowledging that you received disclosure concerning the risks involved in this offering. The certification form could be used as support to show that you understand the nature of this investment.

Payment for Shares. Payment for all shares of common stock will be required to accompany all completed order forms for the purchase to be valid. Payment for shares may be made only by:

Personal check, bank draft or money order made payable directly to Beneficial Mutual Bancorp (you may not remit Beneficial Mutual Savings Bank line of credit checks, and we will not accept third party checks, including those payable to you and endorsed over to Beneficial Mutual Bancorp); or

Authorization of withdrawal from the types of Beneficial Mutual Savings Bank deposit account(s) provided for on the stock order form.

In the case of payments made by check or money order, these funds must be available in the account(s) when the order is received. Please do not overdraw your Beneficial Mutual Savings Bank account(s). No wire transfers will be accepted.

Checks and money orders will be cashed immediately and the subscription funds will be held by Beneficial Mutual Savings Bank or, at our discretion, in an escrow account at an independent insured depository institution.

Funds received before completion of the offering will be maintained at Beneficial Mutual Savings Bank or, at our discretion, in an escrow account at an independent insured depository institution. All subscriptions received will earn interest at our passbook savings rate, which is currently 0.75% per annum. If payment is made by authorization of withdrawal from deposit accounts, the funds authorized to be withdrawn from a deposit account will continue to accrue interest at the contractual rates until completion or termination of the offering, unless the certificate matures after the date of receipt of the order form but before closing or termination of the offering, in which case funds will earn interest at the passbook rate from the date of maturity until the offering is completed or terminated, but a hold will be placed on the funds, making them unavailable to the depositor until completion or termination of the offering. When the offering is completed, the funds received in the offering will be used to purchase the shares of common stock ordered. **The shares of common stock issued in the offering cannot and will not be insured by the Federal Deposit Insurance Corporation or any other government agency.** If the offering is not consummated for any reason, all funds submitted will be promptly refunded with interest as described above.

If a subscriber authorizes us to withdraw the amount of the purchase price from his or her deposit account, we will do so as of the completion of the offering, though the account must contain the full amount necessary for payment at the time the subscription order is received. On your stock order form, please do not designate a withdrawal from accounts with check-writing privileges. Please submit a check instead. We will waive any applicable penalties for early withdrawal from certificate accounts. If the remaining balance in a certificate account is reduced below the applicable minimum balance requirement at the time funds are actually transferred under the authorization, the certificate will be canceled at the time of the withdrawal, without penalty, and the remaining balance will earn interest at our passbook rate. You may not authorize direct withdrawal from a Beneficial Mutual Savings Bank IRA. If you wish to use funds in your Beneficial Mutual Savings Bank IRA to purchase shares of our common stock, please refer to the following section.

The employee stock ownership plan will not be required to pay for the shares subscribed for at the time it subscribes, but rather may pay for shares of common stock subscribed for upon the completion of the offering; provided that there is in force from the time of its subscription until the completion of the offering a loan

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

commitment from an unrelated financial institution or from us to lend to the employee stock ownership plan, at that time, the aggregate purchase price of the shares for which it subscribed.

We may, in our sole discretion, permit institutional investors to submit irrevocable orders together with the legally binding commitment for payment and to thereafter pay for such shares of common stock for which they subscribe in the community offering at any time prior to the 48 hours before the completion of the offering. This payment may be made by wire transfer.

Using IRA Funds to Purchase Shares. Our individual retirement accounts (IRAs) do not permit investment in common stock. A depositor interested in using his or her IRA funds to purchase common stock must do so through a self-directed IRA. Since we do not offer those accounts, we will allow a depositor to make a trustee-to-trustee transfer of the IRA funds to a trustee offering a self-directed IRA program with the agreement that the funds will be used to purchase our common stock in the offering. There will be no early withdrawal or Internal Revenue Service interest penalties for such transfers. The new trustee would hold the common stock in a self-directed account in the same manner as we now hold the depositor's IRA funds. An annual administrative fee may be payable to the new trustee. **Depositors interested in using funds in an IRA with us to purchase common stock should contact the stock information center at least two weeks before June 11, 2007 because processing such transactions takes additional time.**

How We Determined the Offering Range and the \$10.00 Purchase Price

Federal regulations require that the aggregate purchase price of the securities sold in connection with the offering be based upon our estimated pro forma value on a fully converted basis, as determined by an independent appraisal. The term "fully converted" means that the appraiser assumed that 100% of our stock had been sold to the public. We have retained RP Financial, which is experienced in the evaluation and appraisal of business entities, to prepare the independent appraisal. RP Financial will receive fees totaling \$140,000 for the preparation and delivery of the original appraisal report, plus reimbursement of reasonable out-of-pocket expenses and \$15,000 for the preparation and delivery of each required updated appraisal report. We have agreed to indemnify RP Financial under certain circumstances against liabilities and expenses, including legal fees, arising out of, related to, or based upon the offering.

RP Financial prepared the appraisal taking into account the pro forma impact of the offering, as well as the merger. For its analysis, RP Financial undertook substantial investigations to learn about our business and operations. We supplied financial information, including annual consolidated financial statements, information on the composition of assets and liabilities, and other financial schedules. In addition to this information, RP Financial reviewed our stock issuance application as filed with the Office of Thrift Supervision and our registration statement as filed with the Securities and Exchange Commission. Furthermore, RP Financial visited our facilities and had discussions with our management. RP Financial did not perform a detailed individual analysis of the separate components of our assets and liabilities. We did not impose any limitations on RP Financial in connection with its appraisal.

In connection with its appraisal, RP Financial reviewed the following factors, among others:

the impact of the acquisition of FMS Financial by Beneficial Mutual Bancorp;

our historical, present and projected operating results and financial condition and the economic and demographic characteristics of our market area;

a comparative evaluation of the operating and financial statistics of Beneficial Mutual Savings Bank with those of other similarly-situated, publicly-traded savings associations and savings association holding companies;

the effect of the capital raised in this offering on our net worth and earnings potential;

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

the trading market for securities of comparable institutions and general conditions in the market for such securities;

the aggregate size of the offering of common stock; and

our proposed dividend policy.

Consistent with the Office of Thrift Supervision appraisal guidelines, the independent appraisal applied three primary methodologies to estimate the pro forma market value of our common stock: the pro forma price-to-book value approach applied to both reported book value and tangible book value after deducting intangible assets; the pro forma price-to-earnings approach applied to reported and estimated core earnings; and the pro forma price-to-assets approach, all of which are described in its report. RP Financial's appraisal report is filed as an exhibit to the registration statement that we have filed with the Securities and Exchange Commission. *See Where You Can Find More Information.* The market value ratios applied in the three methodologies were based upon the current market valuations of a peer group of companies considered by RP Financial to be comparable to us after completion of the merger and the offering, subject to valuation adjustments applied by RP Financial to account for differences between Beneficial Mutual Bancorp and the peer group. The peer group analysis conducted by RP Financial included a total of ten publicly-traded mutual holding company institutions with assets between \$750 million and \$8.3 billion. The peer group is comprised of the largest mutual holding company institutions that have been in public ownership for at least one year. In preparing its appraisal, RP Financial considered the fully converted pricing ratios of the peer group and placed the greatest emphasis on the price-to-earnings approach and price-to-tangible book value approach with lesser emphasis on the price-to-book value and price-to-assets approaches in estimating pro forma market value. The peer group included companies with:

average assets of \$2.8 billion;

average non-performing assets of 0.44% of total assets;

average loans of 69.0% of total assets;

average equity of 14.79% of total assets; and

average net income of 0.57% of average assets.

On the basis of the analysis in its report, RP Financial has advised us that, in its opinion, as of February 23, 2007, our estimated pro forma market value on a fully converted basis, including shares issued in the merger with FMS Financial and issued to The Beneficial Foundation, was within the valuation range of \$560,871,940 and \$728,758,900 with a midpoint of \$644,031,030.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table presents a summary of selected pricing ratios for Beneficial Mutual Bancorp on a fully-converted basis, for the peer group companies on a fully-converted basis and for all publicly traded thrifts. Compared to the average pricing ratios of the peer group, Beneficial Mutual Bancorp's pro forma pricing ratios at the midpoint of the offering range indicated a premium of 6.2% on a price-to-earnings basis and a discount of 11.7% on a price-to-tangible book value basis.

	Price to Earnings Multiple (1)	Price to Book Value Ratio (2)	Price to Tangible Book Value Ratio (2)
Beneficial Mutual Bancorp (pro forma):			
Minimum	32.04x	74.25%	91.37%
Midpoint	34.63x	77.88%	93.95%
Maximum	36.96x	80.98%	96.08%
Maximum, as adjusted	39.26x	83.88%	98.02%
Peer Group (on a fully-converted basis):			
Average	32.61x	103.72%	106.37%
Median	32.94x	102.10%	103.60%
All fully-converted, publicly-traded thrifts:			
Average	19.51x	150.95%	170.33%
Median	16.77x	138.52%	161.35%

(1) Ratios are based on earnings for the 12 months ended December 31, 2006 and share prices as of February 23, 2007.

(2) Ratios are based on book value as of December 31, 2006 and share prices as of February 23, 2007.

Our board of directors reviewed RP Financial's appraisal report, including the methodology and the assumptions used by RP Financial, and determined that the valuation range was reasonable and adequate. Our board of directors determined that up to 33,028,390 shares of our common stock should be issued in connection with the merger, contributed to The Beneficial Foundation and sold in the offering at a purchase price of \$10.00 per share. This would result in 45.32% of Beneficial Mutual Bancorp's common stock being issued publicly following the offering and merger. This percentage may change slightly to conform with certain aspects of the merger agreement and the fixed number of shares being issued to The Beneficial Foundation. In addition, in the event less stock is sold in the offering, the percentage of stock that would be publicly issued following the offering would increase. See *Pro Forma Data Analysis of Pro Forma Outstanding Shares of Beneficial Mutual Bancorp Common Stock*. RP Financial's valuation range yielded an offering range of \$151,725,000 to \$205,275,000, with a midpoint of \$178,500,000. Dividing these dollar amounts by the purchase price resulted in an offering range of between 15,172,500 and 20,527,500 shares, with a midpoint of 17,850,000 shares. The purchase price of \$10.00 per share was determined by us, taking into account, among other factors, the requirement under Office of Thrift Supervision regulations that the common stock be offered in a manner that will achieve the widest distribution of the stock and desired liquidity in the common stock after the offering.

Since the outcome of the offering relates in large measure to market conditions at the time of sale, it is not possible for us to determine the exact number of shares that we will issue at this time. The offering range may be amended, with the approval of the Office of Thrift Supervision, if necessitated by developments following the date of the appraisal in, among other things, market conditions, our financial condition or operating results, regulatory guidelines or national or local economic conditions.

If, upon completion of the subscription offering, a number of shares are subscribed for that is, when combined with the shares to be issued in connection with the merger, at least the minimum number of shares, RP Financial, after taking into account factors similar to those involved in its prior appraisal, will determine its estimate of our pro forma market value as of the close of the subscription offering. If, as a result of regulatory considerations, demand for the shares or changes in market conditions, RP Financial determines that our pro forma

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

market value has increased, we may sell up to 23,606,625 shares without any further notice to you. In the event we sell up to 23,606,625 shares in the offering, we would be required to increase the number of shares we exchange for FMS Financial stock under the merger agreement to 11,883,350 shares.

No shares will be sold unless RP Financial confirms that, to the best of its knowledge and judgment, nothing of a material nature has occurred that would cause it to conclude that the actual total purchase price of the shares on an aggregate basis was materially incompatible with its appraisal. If, however, the facts do not justify that statement, the offering may be canceled, a new offering range and price per share set and new subscription, community and syndicated community offerings held. Under those circumstances, all funds would be promptly returned and all subscribers would be given the opportunity to place a new order. If the offering is terminated all subscriptions will be cancelled and subscription funds will be returned promptly with interest, and holds on funds authorized for withdrawal from deposit accounts will be released or reduced. If RP Financial establishes a new valuation range, it must be approved by the Office of Thrift Supervision.

In formulating its appraisal, RP Financial relied upon the truthfulness, accuracy and completeness of all documents we furnished to it. RP Financial also considered financial and other information from regulatory agencies, other financial institutions, and other public sources, as appropriate. While RP Financial believes this information to be reliable, RP Financial does not guarantee the accuracy or completeness of the information and did not independently verify the consolidated financial statements and other data provided by us or independently value our assets or liabilities. **The appraisal is not intended to be, and must not be interpreted as, a recommendation of any kind as to the advisability of purchasing shares of common stock. Moreover, because the appraisal must be based on many factors that change periodically, there is no assurance that purchasers of shares in the offering will be able to sell shares after the offering at prices at or above the purchase price.**

Copies of the appraisal report of RP Financial, including any amendments to the report, and the detailed memorandum of the appraiser setting forth the method and assumptions for such appraisal are available for inspection at our main office and the other locations specified under *Where You Can Find More Information*.

Delivery of Certificates

Certificates representing the common stock sold in the offering will be mailed by our transfer agent to the persons whose subscriptions or orders are filled at the addresses of such persons appearing on the stock order form as soon as practicable following completion of the offering. We will hold certificates returned as undeliverable until claimed by the persons legally entitled to the certificates or otherwise disposed of in accordance with applicable law. Until certificates for common stock are available and delivered to subscribers, subscribers may not be able to sell their shares, even though trading of the common stock may have commenced.

Restrictions on Repurchase of Stock

Under Office of Thrift Supervision regulations, for a period of one year from the date of the completion of the offering we may not repurchase any of our common stock from any person, except (1) in an offer made to all stockholders to repurchase the common stock on a pro rata basis, approved by the Office of Thrift Supervision, (2) the repurchase of qualifying shares of a director, or (3) repurchases to fund restricted stock plans or tax-qualified employee stock benefit plans. Where extraordinary circumstances exist, the Office of Thrift Supervision may approve the open market repurchase of up to 5% of our common stock during the first year following the offering. To receive such approval, we must establish compelling and valid business purposes for the repurchase to the satisfaction of the Office of Thrift Supervision. Furthermore, repurchases of any common stock are prohibited if they would cause Beneficial Mutual Savings Bank's regulatory capital to be reduced below the amount required under the regulatory capital requirements imposed by the Office of Thrift Supervision.

Restrictions on Transfer of Shares After the Reorganization Applicable to Officers and Directors

Common stock purchased in the offering will be freely transferable, except for shares purchased by our directors and executive officers. Purchases by directors and officers will be for investment purposes only and not for resale.

Shares of common stock purchased by our directors and executive officers and their associates may not be sold for a period of one year following the offering, except upon the death of the stockholder or unless approved by the Office of Thrift Supervision. Shares purchased by these persons in the open market after the offering will be free of this restriction. Shares of common stock issued to directors and executive officers will bear a legend giving appropriate notice of the restriction and, in addition, we will give appropriate instructions to our transfer agent with respect to the restriction on transfers. Any shares issued to directors and executive officers as a stock dividend, stock split or otherwise with respect to restricted common stock will be similarly restricted.

Persons affiliated with us, including our directors and executive officers, received subscription rights based only on their deposits with Beneficial Mutual Savings Bank as account holders. While this aspect of the offering makes it difficult, if not impossible, for insiders to purchase stock for the explicit purpose of meeting the minimum of the offering, any purchases made by persons affiliated with us for the explicit purpose of meeting the minimum of the offering must be made for investment purposes only, and not with a view towards redistribution. Furthermore, as set forth above, Office of Thrift Supervision regulations restrict sales of common stock purchased in the offering by directors and executive officers for a period of one year following the offering.

Purchases of outstanding shares of our common stock by directors, officers, or any person who becomes an executive officer or director after adoption of the plan of stock issuance, and their associates, during the three-year period following the offering may be made only through a broker or dealer registered with the Securities and Exchange Commission, except with the prior written approval of the Office of Thrift Supervision. This restriction does not apply, however, to negotiated transactions involving more than 1% of our outstanding common stock or to the purchase of stock under stock benefit plans.

We have filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933 for the registration of the common stock to be issued in the offering. This registration does not cover the resale of the shares. Shares of common stock purchased by persons who are not affiliates of us may be resold without registration. Shares purchased by an affiliate of us will have resale restrictions under Rule 144 of the Securities Act. If we meet the current public information requirements of Rule 144, each affiliate of ours who complies with the other conditions of Rule 144, including those that require the affiliate's sale to be aggregated with those of certain other persons, would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of 1% of our outstanding shares or the average weekly volume of trading in the shares during the preceding four calendar weeks. We may make future provision to permit affiliates to have their shares registered for sale under the Securities Act under certain circumstances.

Material Income Tax Consequences

In connection with the stock offering we have received an opinion of counsel with respect to federal tax laws that no gain or loss will be recognized by account holders receiving subscription rights, except to the extent, if any, that subscription rights are deemed to have fair market value on the date such rights are issued. We believe that the tax opinion summarized below addresses all material federal income tax consequences that are generally applicable to persons receiving subscription rights.

Muldoon Murphy & Aguggia LLP has issued an opinion to us that, for federal income tax purposes:

it is more likely than not that the fair market value of the non-transferable subscription rights to purchase shares of common stock of Beneficial Mutual Bancorp to be issued to eligible account holders, supplemental eligible account holders and other depositors is zero and, accordingly, that

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

no income will be realized by eligible account holders, supplemental eligible account holders and other depositors upon the issuance to them of the subscription rights or upon the exercise of the subscription rights;

it is more likely than not that the tax basis to the holders of shares of common stock purchased in the stock offering pursuant to the exercise of the subscription rights will be the amount paid therefor, and that the holding period for such shares of common stock will begin on the date of completion of the stock offering; and

the holding period for shares of common stock purchased in the community offering or syndicated community offering will begin on the day after the date of the purchase.

The statements set forth in the first and second bullet points above are based on the position that the subscription rights do not have any market value at the time of distribution or at the time they are exercised. Whether subscription rights have a market value for federal income tax purposes is a question of fact, depending upon all relevant facts and circumstances. According to our counsel, the Internal Revenue Service will not issue rulings on whether subscription rights have a market value. Counsel has also advised us that they are unaware of any instance in which the Internal Revenue Service has taken the position that nontransferable subscription rights have a market value. Counsel also noted that the subscription rights will be granted at no cost to the recipients, will be nontransferable and of short duration, and will afford the recipients the right only to purchase our common stock at a price equal to its estimated fair market value, which will be the same price as the purchase price for the unsubscribed shares of common stock.

Unlike a private letter ruling issued by the Internal Revenue Service, an opinion of counsel is not binding on the Internal Revenue Service and the Internal Revenue Service could disagree with the conclusions reached in the opinion. If there is a disagreement, no assurance can be given that the conclusions reached in an opinion of counsel would be sustained by a court if contested by the Internal Revenue Service.

The opinion of Muldoon Murphy & Aguggia LLP is filed as an exhibit to the registration statement that we have filed with the Securities and Exchange Commission. See *Where You Can Find More Information*.

Interpretation, Amendment and Termination

To the extent permitted by law, all interpretations by us of the plan of stock issuance will be final; however, such interpretations have no binding effect on the Office of Thrift Supervision. The plan of stock issuance provides that, if deemed necessary or desirable, we may substantively amend the plan of stock issuance as a result of comments from regulatory authorities or otherwise.

Completion of the offering requires the sale of all shares of the common stock within 90 days following approval of the plan of stock issuance by the Office of Thrift Supervision, unless an extension is granted by the Office of Thrift Supervision. If this condition is not satisfied, the plan of stock issuance will be terminated and we will continue our business as a wholly owned subsidiary of Beneficial Savings Bank MHC. We may terminate the plan of stock issuance at any time. See *The Acquisition of FMS Financial Terminating the Merger Agreement*.

The Beneficial Foundation

General

In furtherance of our commitment to our local community, the plan of stock issuance provides that we will establish a charitable foundation in connection with the offering. We have established The Beneficial Foundation as a nonstock Pennsylvania corporation to serve as the charitable foundation. The foundation will be funded with up to \$500,000 in cash and 950,000 shares of Beneficial Mutual Bancorp common stock. By further enhancing our visibility and reputation in our local community, we believe that the foundation will enhance the long-term value of our community banking franchise. We believe the offering presents us with a unique opportunity to provide a substantial and continuing benefit to our community and to receive the associated tax benefits.

Purpose of the Charitable Foundation

We emphasize community lending and community activities. The Beneficial Foundation is being formed to complement, not to replace, our existing community activities. Although we intend to continue to emphasize community lending and community activities following the offering, such activities are not our sole corporate purpose. The Beneficial Foundation will be dedicated completely to community activities and the promotion of charitable causes, and may be able to support such activities in manners that are not presently available to us. We believe that The Beneficial Foundation will enable us to assist the communities within our market areas in areas beyond community development and lending and may enhance our current activities under the Community Reinvestment Act.

We further believe that the funding of The Beneficial Foundation with our common stock will allow our community to share in our potential growth and success long after the offering. The Beneficial Foundation will accomplish that goal by providing for continued ties between our community and us, thereby forming a partnership within the communities in which we operate.

The contribution to The Beneficial Foundation is intended to complement our traditional community lending and charitable activities. For the years ended December 31, 2006 and December 31, 2005, we contributed \$552,809 and \$501,784 respectively, to community organizations. We expect to continue making charitable contributions and donations within our community. In connection with the closing of the offering, we intend to contribute \$500,000 in cash and 950,000 shares of our common stock to The Beneficial Foundation.

Structure of the Charitable Foundation

The Beneficial Foundation will be incorporated under Pennsylvania law as a non-stock corporation. The Articles of Incorporation of The Beneficial Foundation will provide that The Beneficial Foundation is organized exclusively for charitable purposes as set forth in Section 501(c)(3) of the Internal Revenue Code. The Articles of Incorporation will further provide that no part of the net earnings of the foundation will inure to the benefit of, or be distributable to, its directors or officers.

The directors of The Beneficial Foundation will be elected by the existing board of directors of The Beneficial Foundation. We have selected four of our employees, one of whom is also a director, one of our independent directors, and one employee of FMS Financial to serve on the initial board of directors of the foundation. The employees who will serve as directors of the foundation are James J. Connor, Cheryl Giles, Loretta T. Ross and Gerard P. Cuddy, who is also a director. Elizabeth H. Gemmill, an independent director of Beneficial Mutual Bancorp and James E. Igo, a current employee of FMS Financial, will also serve as directors of the foundation. We also will select one additional person to serve on the foundation's board of directors who will not be one of our officers or directors. As required by Office of Thrift Supervision regulations, this other director will have experience with local charitable organizations and grant making. While there are no plans to change the size of the initial board of directors during the year following the completion of the offering, following the first anniversary of the offering, the foundation may alter the size and composition of its board of directors. However, for five years after the offering, one seat on the foundation's board of directors will be reserved for a person from our local community who has experience with local community charitable organizations and grant making and who is not one of our officers, directors or employees, and one seat on the foundation's board of directors will be reserved for one

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

of our directors. It is currently not anticipated that directors of the foundation will receive compensation for their service.

The board of directors of The Beneficial Foundation will be responsible for establishing its grant and donation policies, consistent with the purposes for which it was established. As directors of a non-profit corporation, directors of The Beneficial Foundation will always be bound by their fiduciary duty to advance the foundation's charitable goals, to protect its assets and to act in a manner consistent with the charitable purposes for which the foundation is established. The directors of The Beneficial Foundation also will be responsible for directing the activities of the foundation, including the management and voting of our common stock held by the foundation. However, as required by Office of Thrift Supervision regulations, all shares of common stock held by The Beneficial Foundation must be voted in the same ratio as all other shares of the common stock on all proposals considered by our stockholders.

The Beneficial Foundation's place of business will be located at our administrative offices. The board of directors of The Beneficial Foundation will appoint such officers and employees as may be necessary to manage its operations. To the extent applicable, we will comply with the affiliates restrictions set forth in Sections 23A and 23B of the Federal Reserve Act and the Office of Thrift Supervision regulations governing transactions between us and the foundation.

The Beneficial Foundation will receive working capital from: (1) any cash on hand and any dividends that may be paid on our common stock in the future; (2) within the limits of applicable federal and state laws, loans collateralized by the common stock; or (3) the proceeds of the sale of any of the common stock in the open market from time to time. As a private foundation under Section 501(c)(3) of the Internal Revenue Code, The Beneficial Foundation will be required to distribute annually in grants or donations a minimum of 5% of the average fair market value of its net investment assets. One of the conditions imposed on the gift of common stock by us is that the amount of common stock that may be sold by The Beneficial Foundation in any one year shall not exceed 5% of the average market value of the assets held by The Beneficial Foundation, except where the board of directors of the foundation determines that the failure to sell an amount of common stock greater than such amount would result in a long-term reduction of the value of its assets and/or would otherwise jeopardize its capacity to carry out its charitable purposes.

Tax Considerations

Our independent tax advisor has advised us that an organization created for the above purposes should qualify as a Section 501(c)(3) exempt organization under the Internal Revenue Code and should be classified as a private foundation. The Beneficial Foundation will submit a timely request to the Internal Revenue Service to be recognized as an exempt organization. As long as The Beneficial Foundation files its application for tax-exempt status within 15 months from the date of its organization, and provided the Internal Revenue Service approves the application, its effective date as a Section 501(c)(3) organization will be the date of its organization. Our independent tax advisor, however, has not rendered any advice on whether The Beneficial Foundation's tax exempt status will be affected by the regulatory requirement that all shares of our common stock held by The Beneficial Foundation must be voted in the same ratio as all other outstanding shares of common stock on all proposals considered by our stockholders.

We are authorized under federal law to make charitable contributions. We believe that the offering presents a unique opportunity to establish and fund a charitable foundation given the substantial amount of additional capital being raised. In making such a determination, we considered the dilutive impact of the contribution of common stock to The Beneficial Foundation on the amount of common stock to be sold in the offering. See *Capitalization*, *Regulatory Capital Compliance*, and *Comparison of Independent Valuation and Pro Forma Financial Information With and Without the Foundation*. The amount of the contribution will not adversely impact our financial condition. We therefore believe that the amount of the charitable contribution is reasonable given our pro forma capital position and does not raise safety and soundness concerns.

We have received an opinion from our independent tax advisor that our contribution of our stock and cash to The Beneficial Foundation should not constitute an act of self-dealing and that we should be entitled to a deduction under federal law in the amount of the fair market value of the stock at the time of the contribution, less

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

the nominal amount that The Beneficial Foundation is required to pay us for such stock, plus the amount of cash contributed. Under the Internal Revenue Code, we are permitted to deduct only an amount equal to 10% of our annual taxable income in any one year. We are permitted under the Internal Revenue Code to carry the excess contribution over the five year period following the contribution to The Beneficial Foundation. We estimate that we will have sufficient income in the year in which the contribution is made and for the five-year period thereafter so that substantially all of the contribution should be deductible under federal law over the six-year period. Pennsylvania law does not provide a similar deduction. However, we do not have any assurance that the Internal Revenue Service will grant tax-exempt status to the foundation. Furthermore, even if the contribution is deductible under federal law, we may not have sufficient earnings to be able to use the deduction in full. We do not expect to make any further contributions to The Beneficial Foundation within the first five years following the initial contribution, unless such contributions would be deductible under the Internal Revenue Code. Any such decisions would be based on an assessment of, among other factors, our financial condition at that time, the interests of our stockholders and depositors, and the financial condition and operations of the foundation.

Although we have received an opinion from our independent tax advisor that we should be entitled to a deduction under federal law for the charitable contribution, there can be no assurances that the Internal Revenue Service will recognize The Beneficial Foundation as a Section 501(c)(3) exempt organization or that the deduction will be permitted. In such event, our contribution to The Beneficial Foundation would be expensed without tax benefit, resulting in a reduction in earnings in the year in which the Internal Revenue Service makes such a determination. See *Risk Factors Risks Related to This Offering*.

As a private foundation, earnings and gains, if any, from the sale of common stock or other assets are exempt from federal and state income taxation. However, investment income, such as interest, dividends and capital gains, is generally taxed at a rate of 2.0%. The Beneficial Foundation will be required to file an annual return with the Internal Revenue Service within four and one-half months after the close of its fiscal year. The Beneficial Foundation will be required to make its annual return available for public inspection. The annual return for a private foundation includes, among other things, an itemized list of all grants made or approved, showing the amount of each grant, the recipient, any relationship between a grant recipient and the foundation's managers and a concise statement of the purpose of each grant.

Regulatory Conditions Imposed on the Charitable Foundation

Office of Thrift Supervision regulations impose the following conditions on the establishment of The Beneficial Foundation:

the Office of Thrift Supervision may examine the foundation at the foundation's expense;

the foundation must comply with all supervisory directives imposed by the Office of Thrift Supervision;

the foundation must provide annually to the Office of Thrift Supervision a copy of the annual report that the foundation submits to the Internal Revenue Service;

the foundation must operate according to written policies adopted by its board of directors, including a conflict of interest policy;

the foundation may not engage in self-dealing and must comply with all laws necessary to maintain its tax-exempt status under the Internal Revenue Code; and

the foundation must vote its shares in the same ratio as all of the other shares voted on each proposal considered by our stockholders.

In addition, within six months of completing the reorganization, The Beneficial Foundation must submit to the Office of Thrift Supervision a three-year operating plan.

**Restrictions on Acquisition of Beneficial Mutual Bancorp,
Beneficial Savings Bank MHC and
Beneficial Mutual Savings Bank**

General

Certain provisions in the charter and bylaws of Beneficial Mutual Bancorp may have antitakeover effects. In addition, regulatory restrictions may make it more difficult for persons or companies to acquire control of us.

Mutual Holding Company Structure

Beneficial Savings Bank MHC will own a majority of the outstanding common stock of Beneficial Mutual Bancorp after the offering and, through its board of directors, will be able to exercise voting control over most matters put to a vote of stockholders. For example, Beneficial Savings Bank MHC may exercise its voting control to prevent a sale or merger transaction or to defeat a stockholder nominee for election to the board of directors of Beneficial Mutual Bancorp. It will not be possible for another entity to acquire Beneficial Mutual Bancorp without the consent of Beneficial Savings Bank MHC. Beneficial Savings Bank MHC, as long as it remains in the mutual form of organization, will control a majority of the voting stock of Beneficial Mutual Bancorp.

Charter and Bylaws of Beneficial Mutual Bancorp

Although our board of directors is not aware of any effort that might be made to obtain control of us after the offering, the board of directors believed it appropriate to adopt certain provisions permitted by federal regulations that may have the effect of deterring a future takeover attempt that is not approved by our board of directors. The following description of these provisions is only a summary and does not provide all of the information contained in our charter and bylaws. See *Where You Can Find More Information* as to where to obtain a copy of these documents.

Beneficial Ownership Limitation. Our charter provides that for a period of five years from the date of the consummation of the initial stock offering of Beneficial Mutual Bancorp, no person other than Beneficial Savings Bank MHC may acquire directly or indirectly the beneficial ownership of more than 10% of any class of an equity security of Beneficial Mutual Bancorp. In the event a person acquires shares in violation of this provision, all shares beneficially owned by such person in excess of 10% will be considered *excess shares* and will not be counted as shares entitled to vote or counted as voting shares in connection with any matters submitted to the stockholders for a vote. This provision does not apply to a transaction in which Beneficial Mutual Bancorp fully converts from the mutual holding company form of organization.

Board of Directors.

Classified Board. Our board of directors is divided into three classes as nearly as equal in number as possible. The stockholders elect one class of directors each year for a term of three years. The classified board makes it more difficult and time consuming for a stockholder group to fully use its voting power to gain control of the board of directors without the consent of the incumbent board of directors of Beneficial Mutual Bancorp.

Filling of Vacancies; Removal. The bylaws provide that any vacancy occurring in the board of directors, including a vacancy created by an increase in the number of directors, may be filled by a vote of a majority of the remaining directors although less than a quorum of the board of directors then in office. A person elected to fill a vacancy on the board of directors will serve until the next election of directors by the stockholders. Our bylaws provide that a director may be removed from the board of directors prior to the expiration of his or her term only for cause and only upon the vote of a majority of the outstanding shares of voting stock. These provisions make it more difficult for stockholders to remove directors and replace them with their own nominees.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Elimination of Cumulative Voting. The charter of Beneficial Mutual Bancorp provides that no shares will be entitled to cumulative voting. The elimination of cumulative voting makes it more difficult for a stockholder group to elect a director nominee.

Qualification. The bylaws provide that no person will be eligible to serve on the board of directors who (1) is under indictment for, or has ever been convicted of, a criminal offense involving dishonesty or breach of trust and the penalty for such offense could be imprisonment for more than one year, or (2) is a person against whom a banking agency has, within the past ten years, issued a cease and desist order for conduct involving dishonesty or breach of trust and that order is final and not subject to appeal, or (3) has been found either by a regulatory agency whose decision is final and not subject to appeal or by a court to have (i) breached a fiduciary duty involving personal profit or (ii) committed a willful violation of any law, rule or regulation governing banking, securities, commodities or insurance, or any final cease and desist order issued by a banking, securities, commodities or insurance regulatory agency.

Stockholder Action by Written Consent; Special Meetings of Stockholders. Our stockholders must act only through an annual or special meeting or by unanimous written consent. The bylaws provide that the president, a majority of the board of directors or holders of 10% or more of our outstanding shares may request the calling of a special meeting. The provisions of our charter and bylaws limiting stockholder action by written consent and calling of special meetings of stockholders may have the effect of delaying consideration of a stockholder proposal until the next annual meeting, unless a special meeting is called in accordance with the provisions of the bylaws. These provisions also would prevent the holders of a majority of common stock from unilaterally using the written consent procedure to take stockholder action.

Advance Notice Provisions for Stockholder Nominations and Proposals. Our bylaws establish an advance notice procedure for stockholders to nominate directors or bring other business before an annual meeting of stockholders. Advance notice of nominations or proposed business by stockholders gives the board of directors time to consider the qualifications of the proposed nominees, the merits of the proposals and, to the extent deemed necessary or desirable by the board of directors, to inform stockholders and make recommendations about those matters.

Stockholder Nominations. A person may not be nominated for election as a director unless that person is nominated by or at the direction of the board of directors or by a stockholder who has given appropriate notice to Beneficial Mutual Bancorp before the meeting. Stockholder nominations must be in writing and delivered to the Secretary of Beneficial Mutual Bancorp at least 30 days prior to the date of the annual meeting, provided however, that in the event that less than 40 days notice or prior public disclosure of the date of the meeting is given or made, notice by a stockholder of his or her intention to nominate a director must be received not later than the close of business on the 10th day following the day on which notice of the date of the annual meeting was mailed or such public disclosure of the annual meeting was made.

Stockholder Proposals. A stockholder may not bring new business before an annual meeting unless the stockholder has given Beneficial Mutual Bancorp appropriate notice of its intention to bring that business before the meeting. A stockholder may propose new business at an annual meeting; however, such business must be stated in writing and filed with Beneficial Mutual Bancorp's Secretary at least 30 days before the date of the annual meeting, provided however, that when public notice of the date of the annual meeting is less than 40 days, notice by the stockholder of a proposal must not be received later than the close of business on the 10th day following the day on which notice of the date of the annual meeting was made to the public. Additionally, if such proposal is not presented, in writing, to Beneficial Mutual Bancorp's Secretary at least 30 days prior to such meeting, such nomination or proposal shall be laid over for action at an adjourned, special or annual meeting taking place 30 days or more thereafter. A stockholder who desires to raise new business must provide certain information to Beneficial Mutual Bancorp concerning the nature of the new business, the stockholder and the stockholder's interest in the business matter.

Authorized but Unissued Shares of Capital Stock. Following the offering, we will have authorized but unissued shares of common and preferred stock. Our charter authorizes the board of directors to establish one or more series of preferred stock and, for any series of preferred stock, to determine the terms and rights of the series, including voting rights, conversion rates, and liquidation preferences. Although such shares of

common and preferred stock could be issued by the board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, it is anticipated that such uses will be unlikely given that Beneficial Savings Bank MHC must always own a majority of our common stock.

Regulatory Restrictions

Office of Thrift Supervision Regulations. Office of Thrift Supervision regulations provide that for a period of three years following the date of the completion of the offering, no person, acting singly or together with associates in a group of persons acting in concert, may directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of a class of our equity securities without the prior written approval of the Office of Thrift Supervision. Where any person acquires beneficial ownership of more than 10% of a class of our equity securities without the prior written approval of the Office of Thrift Supervision, the securities beneficially owned by such person in excess of 10% may not be voted by any person or counted as voting shares in connection with any matter submitted to the stockholders for a vote, and will not be counted as outstanding for purposes of determining the affirmative vote necessary to approve any matter submitted to the stockholders for a vote.

Restrictions on Remutualization Transactions. Current Office of Thrift Supervision regulations permit a mutual holding company to be acquired by a mutual institution in a remutualization transaction. However, in June 2003 the Office of Thrift Supervision issued a policy statement indicating that it views remutualization transactions as raising significant issues concerning disparate treatment of minority stockholders and mutual members of the target entity and raising issues concerning the effect on the mutual members of the acquiring entity. Under certain circumstances, the Office of Thrift Supervision intends to give these issues special scrutiny and reject applications providing for the remutualization of a mutual holding company unless the applicant can clearly demonstrate that the Office of Thrift Supervision's concerns are not warranted in the particular case. The Office of Thrift Supervision will require empirical data that demonstrates that the minority stockholders are receiving a reasonable value in proportion to their interest in the company. If any of the pricing parameters specified by the Office of Thrift Supervision are exceeded, the Office of Thrift Supervision will consider requiring that the transaction be approved by a majority of the votes eligible to be cast by the members of the acquiring mutual and the target mutual holding company without the use of running proxies.

Since the Office of Thrift Supervision policy on remutualization transactions was issued, there has been only one such transaction announced. It is likely that the pricing parameters imposed by the Office of Thrift Supervision policy will make remutualization transactions less attractive to mutual holding companies.

Change in Bank Control Act. The acquisition of 10% or more of our outstanding common stock may trigger the provisions of the Change in Bank Control Act. The Office of Thrift Supervision has also adopted a regulation under the Change in Bank Control Act which generally requires persons who at any time intend to acquire control of a federally chartered savings association or its holding company to provide 60 days prior written notice and certain financial and other information to the Office of Thrift Supervision.

The 60-day notice period does not commence until the information is deemed to be substantially complete. Control for these purposes exists in situations in which the acquiring party has voting control of at least 25% of any class of our voting stock or the power to direct our management or policies. However, under Office of Thrift Supervision regulations, control is presumed to exist where the acquiring party has voting control of at least 10% of any class of our voting securities if specified control factors are present. The statute and underlying regulations authorize the Office of Thrift Supervision to disapprove a proposed acquisition on certain specified grounds.

Description of Beneficial Mutual Bancorp Capital Stock

The common stock of Beneficial Mutual Bancorp represents nonwithdrawable capital, is not an account of any type, and is not insured by the Federal Deposit Insurance Corporation or any other government agency.

General

Beneficial Mutual Bancorp is currently authorized to issue 100,000 shares of common stock. Following completion of the offering and merger, Beneficial Mutual Bancorp will be authorized to issue four hundred (400) million shares, of which three hundred (300) million shares shall be common stock having a par value of \$0.01 per share and one hundred (100) million shares shall be preferred stock having a par value of \$.01 per share. Each share of Beneficial Mutual Bancorp's common stock has the same relative rights as, and is identical in all respects with, each other share of common stock. Upon payment of the purchase price for the common stock, as required by the plan of stock issuance, all stock will be duly authorized, fully paid and nonassessable. Beneficial Mutual Bancorp will not issue any shares of preferred stock in the offering.

Common Stock

Dividends. Beneficial Mutual Bancorp can pay dividends if, as and when declared by its board of directors. The payment of dividends by Beneficial Mutual Bancorp is limited by law and applicable regulation. See *Our Dividend Policy*. The holders of common stock of Beneficial Mutual Bancorp will be entitled to receive and share equally in dividends declared by the board of directors of Beneficial Mutual Bancorp. If Beneficial Mutual Bancorp issues preferred stock, the holders of the preferred stock may have a priority over the holders of the common stock with respect to dividends.

Voting Rights. After the offering, the holders of common stock of Beneficial Mutual Bancorp will possess exclusive voting rights in Beneficial Mutual Bancorp. They will elect Beneficial Mutual Bancorp's board of directors and act on other matters as are required to be presented to them under federal law or as are otherwise presented to them by the board of directors. Except as discussed in *Restrictions on Acquisition of Beneficial Mutual Bancorp and Beneficial Mutual Savings Bank*, each holder of common stock will be entitled to one vote per share and will not have any right to cumulate votes in the election of directors. If Beneficial Mutual Bancorp issues preferred stock, holders of Beneficial Mutual Bancorp preferred stock may also possess voting rights.

Liquidation. If there is any liquidation, dissolution or winding up of Beneficial Mutual Savings Bank, Beneficial Mutual Bancorp, as the sole holder of Beneficial Mutual Savings Bank's capital stock, would be entitled to receive all of Beneficial Mutual Savings Bank's assets available for distribution after payment or provision for payment of all debts and liabilities of Beneficial Mutual Savings Bank, including all deposit accounts and accrued interest. Upon liquidation, dissolution or winding up of Beneficial Mutual Bancorp, the holders of its common stock would be entitled to receive all of the assets of Beneficial Mutual Bancorp available for distribution after payment or provision for payment of all its debts and liabilities. If Beneficial Mutual Bancorp issues preferred stock, the preferred stock holders may have a priority over the holders of the common stock upon liquidation or dissolution.

Preemptive Rights; Redemption. Holders of the common stock of Beneficial Mutual Bancorp will not be entitled to preemptive rights with respect to any shares that may be issued. The common stock cannot be redeemed.

Preferred Stock

Beneficial Mutual Bancorp will not issue any preferred stock in the offering and it has no current plans to issue any preferred stock after the offering. Preferred stock may be issued with designations, powers, preferences and rights as the board of directors may from time to time determine. The board of directors can, without stockholder approval, issue preferred stock with voting, dividend, liquidation and conversion rights that could dilute

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

the voting strength of the holders of the common stock and may assist management in impeding an unfriendly takeover or attempted change in control.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be Registrar and Transfer Company, Cranford New Jersey.

Registration Requirements

We have registered our common stock with the Securities and Exchange Commission under Section 12(g) of the Securities Exchange Act of 1934, as amended, and will not deregister our common stock for a period of at least three years following the offering. As a result of registration, the proxy and tender offer rules, insider trading reporting and restrictions, annual and periodic reporting and other requirements of that statute will apply.

Legal and Tax Opinions

The legality of our common stock has been passed upon for us by Muldoon Murphy & Aguggia LLP, Washington, D.C. The federal tax consequences of the stock offering have been opined upon by Muldoon Murphy & Aguggia LLP. Muldoon Murphy & Aguggia LLP has consented to the references to its opinions in this prospectus. Certain legal matters will be passed upon for Sandler O'Neill by Luse Gorman Pomerenk & Schick, P.C.

Experts

The consolidated financial statements of Beneficial Mutual Bancorp as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006, included in this prospectus and elsewhere in the registration statement have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement (which report expresses an unqualified opinion on the financial statements and includes an explanatory paragraph related to the application of Statement of Financial Accounting Standards No. 158 on December 31, 2006), and has been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of FMS Financial and subsidiary as of December 31, 2006 and for the year then ended have been audited by Grant Thornton LLP, independent registered public accounting firm, as indicated in their report with respect thereto, which is included in this prospectus and registration statement in reliance upon the authority of said firm as experts in accounting and auditing in giving said report.

The financial statements of FMS Financial Corporation as of December 31, 2005 and for each of the two years in the period ended December 31, 2005 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independence registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

RP Financial has consented to the summary in this prospectus of its report to us setting forth its opinion as to our estimated pro forma market value and to the use of its name and statements with respect to it appearing in this prospectus.

Change in FMS Financial Accountants

On June 19, 2006, the Audit Committee of the board of directors of FMS Financial dismissed PricewaterhouseCoopers LLP as its independent registered public accounting firm.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

PricewaterhouseCoopers reports on FMS Financial's consolidated financial statements for the fiscal years ended December 31, 2005 and 2004, did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the fiscal years ended December 31, 2005 and 2004 and through June 19, 2006, there were no disagreements with PricewaterhouseCoopers on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of PricewaterhouseCoopers, would have caused them to make a reference thereto in their reports on the consolidated financial statements for such years. During the fiscal years ended December 31, 2005 and 2004 and through June 19, 2006 there were no reportable events described in Item 304(a) (1) (v) of Regulation S-K. FMS Financial has received a letter from PricewaterhouseCoopers stating that it agrees with the foregoing disclosure, which letter was filed as Exhibit 16 to the Form 8-K filed by FMS Financial with the Securities and Exchange Commission on June 23, 2006.

Effective June 19, 2006, the Audit Committee of FMS Financial's board of directors approved the engagement of Grant Thornton LLP as its independent registered public accounting firm. During the fiscal years ended December 31, 2005 and 2004 and through June 19, 2006, FMS Financial did not consult with Grant Thornton LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) or (ii) of Regulation S-K.

Where You Can Find More Information

We have filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, as amended, that registers the common stock offered in the stock offering. This prospectus forms a part of the registration statement. The registration statement, including the exhibits, contains additional relevant information about us and our common stock. The rules and regulations of the Securities and Exchange Commission allow us to omit certain information included in the registration statement from this prospectus. You may read and copy the registration statement at the Securities and Exchange Commission's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the Securities and Exchange Commission's public reference rooms. The registration statement also is available to the public from commercial document retrieval services and at the Internet World Wide Website maintained by the Securities and Exchange Commission at <http://www.sec.gov>.

Beneficial Mutual Bancorp has filed an application for approval of the plan of stock issuance with the Office of Thrift Supervision. This prospectus omits certain information contained in the application. The application may be inspected, without charge, at the offices of the Office of Thrift Supervision, 1700 G Street, NW, Washington, D.C. 20552 and at the offices of the Regional Director of the Office of Thrift Supervision at the Northeast Regional Office of the Office of Thrift Supervision, Harborside Financial Center Plaza Five, Suite 1600, Jersey City, New Jersey 07311.

A copy of the plan of stock issuance and each of Beneficial Mutual Savings Bank's and Beneficial Mutual Bancorp's charter and bylaws are available without charge from Beneficial Mutual Savings Bank.

The appraisal report of RP Financial has been filed as an exhibit to our registration statement and to our application to the Office of Thrift Supervision. Portions of the appraisal report were filed electronically with the Securities and Exchange Commission and are available on its website as described above. The entire appraisal report is available at the public reference room of the Securities and Exchange Commission and the offices of the Office of Thrift Supervision as described above.

**Index to Consolidated Financial Statements of
Beneficial Mutual Bancorp**

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Statements of Financial Condition as of December 31, 2006 and 2005</u>	F-2
<u>Consolidated Statements of Income for the Years Ended December 31, 2006, 2005 and 2004</u>	F-3
<u>Consolidated Statements of Changes in Retained Earnings for the Years Ended December 31, 2006, 2005 and 2004</u>	F-4
<u>Statements of Cash Flows for the Years Ended December 31, 2006, 2005 and 2004</u>	F-5
<u>Notes to Consolidated Financial Statements</u>	F-6

* * *

All schedules are omitted as the required information either is not applicable or is included in the consolidated financial statements or related notes.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

**Index to Consolidated Financial Statements of
FMS Financial**

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	F-27
<u>Report of Independent Registered Public Accounting Firm</u>	F-28
<u>Consolidated Statements of Financial Condition as of December 31, 2006 and 2005</u>	F-29
<u>Consolidated Statements of Operations for the Years Ended December 31, 2006, 2005 and 2004</u>	F-30
<u>Statements of Cash Flows for the Years Ended December 31, 2006, 2005 and 2004</u>	F-31
<u>Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2006, 2005 and 2004</u>	F-32
<u>Notes to Consolidated Financial Statements</u>	F-33

* * *

All schedules are omitted as the required information either is not applicable or is included in the consolidated financial statements or related notes.

Deloitte & Touche LLP
1700 Market Street
Philadelphia, PA 19103-3984
USA
Tel: +1 215 246 2300
Fax: +1 215 569 2441
www.deloitte.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Beneficial Mutual Bancorp, Inc. and Subsidiaries
Philadelphia, Pennsylvania

We have audited the accompanying consolidated statements of financial condition of Beneficial Mutual Bancorp, Inc. and Subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in retained earnings, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Beneficial Mutual Bancorp, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, on December 31, 2006, the Company adopted the provisions of the Statement of Financial Accounting Standards No. 158.

Philadelphia, Pennsylvania
March 12, 2007

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (dollars in thousands, except shares)

As of December 31, 2006 and 2005

	2006	2005
ASSETS		
CASH AND CASH EQUIVALENTS		
Cash and due from banks	\$ 20,320	\$ 27,766
Interest-bearing deposits	2,325	2,664
Federal funds sold	502	2,500
TOTAL CASH AND CASH EQUIVALENTS	23,147	32,930
INVESTMENT SECURITIES:		
Available for sale (amortized cost of \$335,265, 2006; \$345,964, 2005)	330,867	341,104
Held to maturity (estimated fair value of \$127,233, 2006; \$159,950, 2005)	130,357	163,320
Federal Home Loan Bank stock, at cost	15,544	18,337
Total investment securities	476,768	522,761
LOANS		
Allowance for loan losses	(17,368)	(17,096)
Net loans	1,671,457	1,716,057
ACCRUED INTEREST RECEIVABLE	11,565	10,028
BANK PREMISES AND EQUIPMENT, Net	33,168	31,466
OTHER ASSETS		
Bank owned life insurance	28,003	26,562
Goodwill and other intangibles	8,635	9,061
Other assets	47,476	43,529
Total other assets	84,114	79,152
TOTAL ASSETS	\$ 2,300,219	\$ 2,392,394
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES:		
Deposits:		
Non-interest bearing deposits	\$ 79,862	\$ 84,989
Interest bearing deposits	1,588,014	1,570,044
Total deposits	1,667,876	1,655,033
Borrowed funds	294,896	408,211
Other liabilities	57,032	50,778
Total liabilities	2,019,804	2,114,022
COMMITMENTS AND CONTINGENCIES (Note 15)		
RETAINED EARNINGS:		
Common Stock - \$1 par value 100,000 shares authorized; 100 shares issued and outstanding		
Retained earnings (partially restricted)	293,157	281,532
Accumulated other comprehensive loss	(12,742)	(3,160)
Total retained earnings	280,415	278,372

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 2,300,219	\$ 2,392,394
---	--------------	--------------

See accompanying notes to consolidated financial statements.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

CONSOLIDATED STATEMENTS OF INCOME (dollars in thousands)

For the Years Ended December 31, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
INTEREST INCOME:			
Interest and fees on loans:			
Personal	\$ 50,910	\$ 49,205	\$ 48,813
Business	36,080	25,857	17,184
Residential mortgages	17,153	17,146	16,435
	<u>104,143</u>	<u>92,208</u>	<u>82,432</u>
Total	104,143	92,208	82,432
Interest on federal funds sold	78	382	263
Interest and dividends on investment securities:			
Taxable	22,160	24,087	25,064
Tax-exempt	945	414	321
	<u>127,326</u>	<u>117,091</u>	<u>108,080</u>
Total interest income	127,326	117,091	108,080
INTEREST EXPENSE:			
Interest on deposits:			
Interest bearing checking accounts	1,747	1,085	715
Money market and savings deposits	8,898	8,215	7,625
Time deposits	33,974	23,575	17,248
	<u>44,619</u>	<u>32,875</u>	<u>25,588</u>
Total	44,619	32,875	25,588
Interest on borrowed funds	18,280	18,491	16,359
	<u>62,899</u>	<u>51,366</u>	<u>41,947</u>
Total interest expense	62,899	51,366	41,947
NET INTEREST INCOME	64,427	65,725	66,133
PROVISION FOR LOAN LOSSES	1,575	1,703	2,400
	<u>62,852</u>	<u>64,022</u>	<u>63,733</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	62,852	64,022	63,733
OTHER INCOME:			
Service charges and other income	7,910	7,415	4,071
Impairment charge on securities available for sale			(3,250)
Gains on sale of investment securities available for sale	672	1,070	1,262
Other	1,949	2,377	1,085
	<u>10,531</u>	<u>10,862</u>	<u>3,168</u>
Total other income	10,531	10,862	3,168
OPERATING EXPENSES:			
Salaries and employee benefits	34,412	32,589	28,318
Occupancy expense	7,566	7,339	6,301
Depreciation, amortization and maintenance	5,269	5,093	4,526
Advertising	2,049	1,994	1,881
Intangible amortization expense	426	408	
Other	9,714	9,533	9,547
	<u>59,436</u>	<u>56,956</u>	<u>50,573</u>
Total operating expenses	59,436	56,956	50,573
INCOME BEFORE INCOME TAXES	13,947	17,928	16,328
INCOME TAX EXPENSE	2,322	4,728	4,704

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

NET INCOME	\$ 11,625	\$ 13,200	\$ 11,624
------------	-----------	-----------	-----------

See accompanying notes to consolidated financial statements.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

CONSOLIDATED STATEMENTS OF CHANGES IN RETAINED EARNINGS (dollars in thousands)

For the Years Ended December 31, 2006, 2005 and 2004

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Retained Earnings	Comprehensive Income
BEGINNING BALANCE, JANUARY 1, 2004	\$ 255,790	\$ 2,524	\$ 258,314	
Comprehensive income:				
Net income	11,624		11,624	\$ 11,624
Other comprehensive income:				
Net unrealized holding loss on available for sale securities arising during the year (net of income tax benefit of \$600)				(1,115)
Reclassification adjustment for net losses included in net income (net of income tax benefit of \$696)				1,293
Total other comprehensive income		178	178	178
Comprehensive income				\$ 11,802
BALANCE, DECEMBER 31, 2004	267,414	2,702	270,116	
Comprehensive income:				
Net income	13,200		13,200	\$ 13,200
Other comprehensive income:				
Net unrealized holding loss on available for sale securities arising during the year (net of income tax benefit of \$2,781)				(5,166)
Reclassification adjustment for net gains included in net income (net of income tax of \$375)				(696)
Total other comprehensive loss		(5,862)	(5,862)	(5,862)
Other - increase due to merger with Northwood Savings	918		918	918
Comprehensive income				\$ 8,256
BALANCE, DECEMBER 31, 2005	281,532	(3,160)	278,372	
Comprehensive income:				
Net income	11,625		11,625	\$ 11,625
Other comprehensive income:				
Net unrealized holding gain on available for sale securities arising during the year (net of income tax of \$593)				1,101
Reclassification adjustment for net gains included in net income (net of income tax of \$235)				(436)
Total other comprehensive income		665	665	665
Comprehensive income				\$ 12,290
Adjustment to initially apply SFAS No. 158, net of tax		(10,247)	(10,247)	
BALANCE, DECEMBER 31, 2006	\$ 293,157	\$ (12,742)	\$ 280,415	

See accompanying notes to consolidated financial statements.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

CONSOLIDATED STATEMENTS OF CASH FLOWS (dollars in thousands)

For the Years Ended December 31, 2006, 2005 and 2004

	2006	2005	2004
OPERATING ACTIVITIES:			
Net income	\$ 11,625	\$ 13,200	\$ 11,624
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	1,575	1,703	2,400
Depreciation and amortization	3,520	3,522	3,062
Intangible amortization	426	408	0
Gain on sale of investments	(672)	(1,070)	(1,262)
Impairment charge on securities available for sale		0	3,250
Accretion of discount	(285)	(308)	(369)
Amortization of premium	417	671	1,022
Origination of loans held for sale	(8,869)	(7,933)	(17,188)
Proceeds from sales of loans	8,634	9,471	16,226
Deferred income taxes	(12,497)	(14,045)	(7,270)
Gain from sales of premises and equipment	(72)	(361)	0
Changes in assets and liabilities that provided (used) cash:			
Accrued interest receivable	(1,538)	(1,361)	(158)
Accrued interest payable	(51)	783	93
Income taxes payable	1,522	(887)	6,240
Other liabilities	(2,948)	5,752	3,048
Other assets	5,845	(2,659)	2,042
Net cash provided by operating activities	6,632	6,886	22,760
INVESTING ACTIVITIES:			
Cash paid in excess of cash equivalents for business acquired	(1,000)	(6,570)	0
Loans originated or acquired	(507,085)	(700,248)	(637,847)
Principal repayment on loans	550,048	544,164	559,473
Purchases of investment securities available for sale	(55,779)	(61,767)	(371,067)
Purchases of investment securities held to maturity	(474)	(555)	(10,952)
Proceeds from sales and maturities of investment securities available for sale	67,130	129,593	315,654
Proceeds from maturities, calls or repayments of investment securities held to maturity	33,162	42,345	69,472
Redemption of Federal Home Loan Bank stock	2,794	5,646	(1,380)
Net decrease/(increase) in other real estate owned	336	(207)	229
Purchases of premises and equipment	(5,429)	(5,936)	(8,480)
Proceeds from sale of premises and equipment	272	1,163	0
Net cash provided by (used in) investing activities	83,975	(52,372)	(84,898)
FINANCING ACTIVITIES:			
Net increase/(decrease) in borrowed funds	(113,315)	(3,621)	17,852
Net increase/(decrease) in checking, savings and demand accounts	(33,065)	(94,944)	61,495
Net increase/(decrease) in time deposits	45,990	144,623	(9,975)
Net cash (used in) provided by financing activities	(100,390)	46,058	69,372
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,783)	572	7,234
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,930	32,358	25,124
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 23,147	\$ 32,930	\$ 32,358

SUPPLEMENTAL DISCLOSURES OF CASH FLOW AND NON-CASH INFORMATION:

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Cash payments for interest	\$	62,950	\$	50,583	\$	41,854
Cash payments of income taxes		13,861		19,641		5,750
Transfers of loans to other real estate owned		339		450		141
See accompanying notes to consolidated financial statements.						

F - 5

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 and 2004
(All dollar amounts are presented in thousands, except per share data)**

1. NATURE OF OPERATIONS

Effective August 20, 2004, Beneficial Mutual Savings Bank (the Bank) restructured as part of a Plan of Reorganization from a Mutual Savings Bank to a Mutual Holding Company (Holding Company Plan). Pursuant to the Holding Company Plan, the Bank became a Pennsylvania-chartered stock savings bank, which is wholly owned by Beneficial Mutual Bancorp, Inc. (Bancorp or the Company), a federally chartered stock holding company. The Stock Holding Company is wholly owned by Beneficial Savings Bank MHC (MHC), a federally chartered mutual holding company. The Bank's depositors approved the Reorganization and all applicable regulatory approvals were received from the Pennsylvania Department of Banking (Department), the Federal Deposit Insurance Corporation (FDIC) and the Office of Thrift Supervision (OTS).

In connection with the Reorganization, the Stock Holding Company issued 100 shares, par value \$1.00 per share, to the MHC. The Stock Holding Company currently has 100,000 shares of common stock, par value \$1.00 per share, authorized.

The Bank offers a variety of consumer and commercial banking services to individuals, businesses, and nonprofit organizations through 39 offices throughout the Philadelphia metropolitan area. The Bank is supervised and regulated by the Department and the OTS regulates Beneficial Mutual Bancorp, Inc. The deposits of the Bank are insured by the Deposit Insurance Fund and are subject to regulation by the FDIC.

In December 2004, the Bank formed a new wholly owned subsidiary, Beneficial Insurance Services LLC (Beneficial Insurance). On January 14, 2005, Beneficial Insurance acquired the assets of Philadelphia-based insurance brokerage firm, Paul Hertel & Co. Inc., which provides property, casualty, life, health and benefits insurance services to individual and business customers. The acquisition was accounted for under the purchase method of accounting for business combinations in accordance with Statement of Financial Accounting Standards (SFAS) No. 141 Business Combinations. Consideration for the purchase consisted of cash, a portion of which was deferred. The transaction did not have a significant impact on the Bank's consolidated statement of financial condition or results of operations or cash flows. Therefore, proforma information regarding the acquisition is not included.

During 2005, Northwood Savings Bank was acquired in a mutual-to-mutual combination with MHC and subsidiaries in a transaction accounted for under the pooling of interests method. The assets and liabilities were merged into the Bank. Assets equaled \$8,778 and liabilities equaled \$7,913 and no consideration was paid. Due to immaterial impact, prior periods were not restated and the impact was adjusted through 2005.

Merger and Minority Stock Offering

On October 13, 2006, the MHC announced that they had signed a definitive merger agreement with FMS Financial Corporation, the parent of Farmers and Mechanics Bank (together, FMS). Under the terms of the agreement, approved by the Boards of Directors of both companies, Bancorp will conduct a minority stock offering to its depositors and the public and immediately thereafter will acquire FMS. Upon completion of the merger, Farmers and Mechanics Bank will be merged with and into the Bank.

FMS shareholders will receive \$28.00 per share, in the form of stock, cash or a combination of cash and stock, subject to the election and proration procedures set forth in the merger agreement. To the extent necessary to maintain the aggregate pro forma tangible book value of the shares, Bancorp common stock is to be issued in the merger at not less than \$65,609 and to fulfill the intention of Bancorp and of FMS that the transaction qualify as a tax-free transaction for both parties, the percentage of shares of FMS common stock to be exchanged for cash will not be less than 35 percent nor more than 42.5 percent and the percentage of shares of FMS common stock to be exchanged for shares of Bancorp common stock will not be less than 57.5 percent nor more than 65 percent. The aggregate transaction value is approximately \$183,000.

Following the completion of the minority stock offering and the merger, a majority of Bancorp's outstanding common stock will be held by its parent, MHC, and the remaining portion will be held by subscribers to Bancorp's minority stock offering and the former shareholders of FMS Financial Corporation. As such, Bancorp will remain in a mutual holding company structure.

Following completion of the offering and merger, the Stock Holding Company will be authorized to issue four hundred million shares, of which three hundred million shares shall be common stock having a par value of \$0.01 per share and of which one hundred million shall be preferred stock having a par value of \$0.01 per share. Each share of the Stock Holding Company's common stock has the same relative rights as, and is identical in all respects with, each other share of common stock.

In the event the Stock Holding Company pays dividends to its stockholders, it will also be required to pay dividends to the MHC, unless the MHC elects to waive the receipt of dividends.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The definitive merger agreement is subject to the approval of FMS shareholders and regulatory authorities, along with the completion of Bancorp's minority stock offering. During the fourth quarter of 2006, Bancorp adopted a Plan of Minority Stock Issuance. Management believes that both the minority stock issuance and the merger will close in July 2007.

F - 6

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The costs associated with the stock offering will be deferred and will be deducted from the proceeds upon sale of the stock. To date, no stock offering expenses have been expensed. At December 31, 2006, \$24 of costs had been incurred and deferred. If the stock offering is not completed, these costs will be expensed. The cost associated with the acquisition of FMS will be recorded as part of the purchase accounting entries and at December 31, 2006, \$391 of costs had been incurred and deferred. If the acquisition is not consummated, these costs will be expensed.

In March 2007, FMS announced the closing of eleven branch locations at an estimated net cost of \$1.5 million. The Company has entered into an agreement with FMS to indemnify FMS for any and all costs associated with the branch closures in the event that the proposed merger is not consummated.

The Company intends to establish a charitable foundation, named The Beneficial Foundation as part of the offering. The charitable foundation will be funded by a combination of Bancorp common stock and cash, subject to the completion of the initial public offering. The Beneficial Foundation will make charitable grants and donations and support projects located within the Company's market areas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and a variable interest entity (VIE) where the Company is the primary beneficiary. The financial statements include Beneficial Savings Bank and its wholly owned subsidiaries. The Bank's wholly owned subsidiaries are as follows: Beneficial Investment Center, LLC, which offers non-deposit products, Neumann Corporation, a Delaware corporation, which was formed for the purpose of managing certain investments, Beneficial Insurance Services, LLC, which was formed to provide insurance services to individual and business customers and BSB Union Corporation, a leasing company. All significant intercompany accounts and transactions have been eliminated. In addition, a VIE was consolidated in the financial statements. See Note 19 for further discussion. Under Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures about Segments of an Enterprise and Related Information , the Company determined it operates in one reporting segment which is community banking.

Certain reclassifications to prior period amounts have been reclassified to conform to current period presentation.

Use of Estimates in the Preparation of Financial Statements These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates include the allowance for loan losses, goodwill, other intangible assets and deferred tax asset valuation allowance. Actual results could differ from those estimates and assumptions.

Investment Securities - The Company classifies and accounts for debt and equity securities as follows:

Held to Maturity - Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and are recorded at amortized cost. Premiums are amortized and discounts are accreted using the interest method over the estimated remaining term of the underlying security.

Available for Sale - Debt securities that will be held for indefinite periods of time, including equity securities with readily determinable fair values, that may be sold in response to changes to market interest or prepayment rates, needs for liquidity, and changes in the availability of and the yield of alternative investments, are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported net of tax in other comprehensive income. Realized gains and losses on the sale of investment securities are recorded as of trade date, reported in the consolidated statement of income and determined using the adjusted cost of the specific security sold.

In accordance with Financial Accounting Standards Board (FASB) FASB Staff Position 115-1/124-1, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments , the Company evaluates its securities portfolio for other-than-temporary impairment throughout the year. Each investment, which has an indicative market value less than the book value is reviewed on a quarterly basis by management. Management considers at a minimum the following factors that, both individually or in combination, could indicate that the decline is other-than-temporary: (1) the length of time and the extent to which the fair value has been less than book value, (2) the financial condition and the near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Among the other factors that are considered in determining intent and ability is a review of capital adequacy, interest rate risk profile and liquidity position of the Company. Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. During 2004, the Company recorded an other-than-temporary impairment charge of \$3,250.

The unrealized losses associated with U.S. Treasury securities and agency debentures, and mortgage-backed securities, are not considered to be other-than-temporary because their unrealized losses are related to changes in interest rates and do not affect the credit

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

quality of the underlying collateral or issuer. The Company has the ability and intent to hold these securities for a period of time sufficient to recover all unrealized losses. Accordingly, the Company has not recognized any other-than-temporary impairment for these securities in 2006 and 2005.

F - 7

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The Company invests in Federal Home Loan Bank of Pittsburgh (FHLB) stock to support borrowing activities as detailed in Note 11. FHLB stock is issued only to FHLB member institutions and is redeemable only by another member institution or the FHLB at its \$100 per share par value. The Company reports its investment in FHLB stock at cost in the consolidated statements of financial condition.

Loans The portfolio consists of personal loans, business loans and residential mortgage loans. Personal loans consist primarily of home equity loans and automobile loans. Business loans include commercial real estate loans. The residential mortgage portfolio includes loans secured primarily by first liens on 1-4 family residential properties. Loan balances are stated at their principal balances, net of unamortized fees/costs.

Origination fees, net of certain direct origination costs, on real estate and business loans, as well as deferred commission expenses on indirect personal loans are deferred and the balance is amortized to income as a yield adjustment over the contractual life of the loans using the interest method.

Personal loans are typically charged off at 120 days delinquent. Business loans are placed on nonaccrual when the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Business loans are charged off when the loan is deemed uncollectible. Residential mortgage loans are typically placed on nonaccrual only when the loan becomes 90 days delinquent and not well secured and in the process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans placed on nonaccrual or charged off is charged to interest income. Payments received on nonaccrual loans are generally applied first to principal balances and then to interest income. Loans are returned to accrual status when all of the principal and interest amounts contractually due are reasonably assured of repayment within a reasonable time frame.

Allowance for Loan Losses The allowance for loan losses is determined by management based upon past experience, evaluation of estimated loss and impairment in the loan portfolio, current economic conditions and other pertinent factors. The allowance for loan losses is maintained at a level that management considers adequate to provide for estimated losses and impairment based upon an evaluation of known and inherent risk in the loan portfolio. Loan impairment is evaluated based on the fair value of collateral or estimated net realizable value. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluations.

The allowance for loan losses is established through a provision for loan losses charged to expense which is based upon past loan and loss experience and an evaluation of estimated losses in the current loan portfolio, including the evaluation of impaired loans.

Under SFAS No. 114, Accounting by Creditors for Impairment of a Loan- an amendment of FASB Statements No.5 and 15 , a loan is considered to be impaired when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan. An insignificant delay or insignificant shortfall in amount of payments does not necessarily result in the loan being identified as impaired. The measurement is based either on the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the collateral if the loan is collateral-dependent. Impairment losses are included in the provision for loan losses.

Mortgage Banking Activities - The Company originates mortgage loans held for investment and for sale. At origination, mortgage loans are identified as either held for sale or held for investment. Mortgage loans held for sale are carried at the lower of cost or forward committed contracts (which approximates market), determined on a net aggregate basis.

The Company originates mortgage loans for sale to institutional investors. In accordance with SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities , the cost of the loan sold is allocated between the servicing rights, the retained portion of the loan and the sold portion of the loan based on the relative fair values of each. The fair value of the loan servicing rights is determined by valuation techniques. The mortgage servicing rights are reviewed for impairment on a quarterly basis.

The servicing asset or liability is amortized in proportion to and over the period of, estimated net servicing income. At December 31, 2006 and 2005, mortgage servicing rights totaling \$468 and \$464, respectively, were included in Other Assets in the consolidated statements of financial condition.

At December 31, 2006 and 2005, loans serviced for others totaled \$71,724 and \$70,469, respectively. Servicing loans for others consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors, and processing foreclosures. Loan servicing income is recorded when earned and includes servicing fees from investors and certain charges collected from borrowers, such as late payment fees. The Company has fiduciary responsibility for related escrow and custodial funds aggregating approximately \$902 and \$899 at December 31, 2006 and 2005, respectively.

Bank Premises and Equipment Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using a straight-line method over the estimated useful lives of 10 to 40 years for buildings and 3 to 20 years for furniture, fixtures and equipment. Leasehold improvements are amortized using the straight-line method over the terms of the respective leases or the useful lives of the respective assets, whichever is less.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Real Estate Owned Real estate owned includes properties acquired by foreclosure or deed in-lieu of foreclosure and premises no longer used in operations. These assets are initially recorded at the lower of carrying value of the loan or estimated fair value less selling costs at the time of foreclosure and at the lower of the new cost basis or net realizable value thereafter. Losses arising from foreclosure transactions are charged against the allowance for loan losses. The amounts recoverable from real estate owned could differ materially from the amounts used in arriving at the net carrying value of the assets at the time of foreclosure because of future market factors beyond the control of the Company. Costs relating to the development and improvement of real estate owned properties are capitalized and those relating to holding the property are charged to expense.

Income Taxes - Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A deferred tax liability is recognized for temporary differences that will result in taxable amounts in future years. A deferred tax asset is recognized for temporary differences that will result in deductible amounts in future years and for carryforwards. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Bank Owned Life Insurance The Company has purchased life insurance policies on certain key officers and employees. These policies are recorded at their cash surrender value, or the amount that can be realized. Income from these policies and changes in the cash surrender value are recorded in Other Income in the consolidated statements of income.

Goodwill and Other Intangibles - Net assets of companies acquired in purchase transactions are recorded at fair value at the date of acquisition, as such, the historical cost basis of individual assets and liabilities are adjusted to reflect their fair value. Identified intangibles are amortized on an accelerated or straight-line basis over the period benefited. Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or if events or circumstances indicate a potential impairment, at the reporting unit level. The impairment test is performed in two phases. The first step of the Goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including Goodwill. If the fair value of the reporting unit exceeds its carrying amount, Goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting unit's Goodwill (as defined in SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142)) with the carrying amount of that Goodwill. An impairment loss is recorded to the extent that the carrying amount of Goodwill exceeds its implied fair value. In 2006, and 2005, Goodwill was tested for impairment and no impairment charges were recorded.

Other intangible assets subject to amortization are evaluated for impairment in accordance with SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets. An impairment loss will be recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. At December 31, 2006, intangible assets included customer relationships and other related intangibles that are amortized on a straight-line basis using estimated lives of 9 years for customer relationships and 2 to 4 years for other intangibles.

Cash Surrender Value of Life Insurance The Company funds the purchase of insurance policies on the lives of certain officers and employees of the Company. The Company has recognized any increase in cash surrender value of life insurance, net of insurance costs in the consolidated statements of income. The cash surrender value of the insurance policies is recorded in Other Assets in the consolidated statements of financial condition.

Comprehensive Income The Company presents as a component of comprehensive income amounts from transactions and other events currently excluded from the consolidated statements of income and recorded directly to retained earnings.

Benefit Plans The Company sponsors a noncontributory defined benefit pension plan that covers most of its employees. Additionally, the Company sponsors a nonqualified supplemental employee retirement plan for certain participants, a portion of which is in excess of limits imposed on qualified plans by federal tax law.

The Company also sponsors 401(k) savings plans, which are qualified defined contribution plans covering substantially all employees.

Postretirement Benefits - The Company currently provides certain postretirement benefits to qualified retired employees. These postretirement benefits principally pertain to health insurance coverage. The cost of such benefits is accrued during the years the employee provides service.

Accounting for Derivatives - The Company's derivative instruments outstanding during fiscal year end December 31, 2006 and 2005 include commitments to fund loans held for sale and forward loan sale arrangements. Currently, the Company does not have any embedded derivatives that require bifurcation and does not employ hedging activities.

Consolidation of Variable Interest Entities - At December 31, 2006 and 2005, the assets and liabilities of the Corporation's investment as a limited partner in a partnership that sponsors affordable housing projects utilizing low-income housing tax credits pursuant to Section

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

42 of the Internal Revenue Code (LIHTC investments) have been consolidated in accordance with FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 . The Company 's involvement in variable interest entities is further described in Note 19.

F - 9

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold.

Earnings Per Share The Company has 100 shares of common stock issued at December 31, 2006, 2005, and 2004. Earnings per share is not presented on the income statement because it is not meaningful. Earnings per share will be presented upon completion of the minority stock offering discussed in Note 1.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007 with early adoption permitted as of the beginning of a fiscal year that begins on or before November 15, 2007. Management is currently evaluating the effect of SFAS 159 on the Company's financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R), (SFAS 158) which requires the recognition of a plan's over-funded or under-funded status as an asset or liability with an offsetting adjustment to Accumulated Other Comprehensive Income (Loss) (AOCI). SFAS 158 requires the determination of the fair values of a plan's assets at a company's year-end and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of AOCI. This statement is effective as of December 31, 2006. If the provisions of SFAS 158 had been applied as of December 31, 2005, retained earnings would have been reduced by approximately \$10,193 before tax and approximately \$6,625 after tax. Additionally, the initial adoption of SFAS 158 did not have a significant impact on the Company's regulatory capital. For additional information on the Company's pension and postretirement plans, see Note 14 of the Consolidated Financial Statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. SFAS 157 retains the exchange price notion and clarifies that the exchange price is the price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. SFAS 157 is effective for the Company's financial statements for the year beginning on January 1, 2008, with earlier adoption permitted. Management is currently evaluating the effect of SFAS 157 on the Company's financial condition and results of operations.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 (SAB 108). SAB 108 expresses the SEC Staff's views regarding the process of quantifying financial statement misstatements. SAB 108 states that in evaluating the materiality of financial statement misstatements a corporation must quantify the impact of correcting misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. SAB 108 is effective January 1, 2007. Under certain circumstances, prior year financial statements will not have to be restated and the effects of initially applying SAB 108 on prior years will be recorded as a cumulative effect adjustment to beginning retained earnings, with disclosure of the items included in the cumulative effect. The adoption of SAB 108 is not expected to have an impact on the Company's financial condition and results of operations.

In June 2006, the FASB released FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns. The cumulative effect, if any, of applying FIN 48 will be recorded as an adjustment to the beginning balance of Retained Earnings. Management is currently evaluating the effect of FIN 48 but does not believe the adoption will have a material impact on the Company's financial condition and results of operations.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 133 and 140 (SFAS 156), which permits, but does not require, an entity to account for one or more classes of servicing rights (i.e., mortgage servicing rights, or MSRs) at fair value, with the changes in fair value recorded in the Consolidated Statement of Income. SFAS No. 156 is effective for years beginning after September 15, 2006. The adoption of this standard is not expected to have a material impact on the Company's financial condition and results of operations.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Instruments (SFAS 155), which permits, but does not require, fair value accounting for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation in accordance with SFAS 133. The statement also subjects beneficial interests issued by securitization vehicles to the requirements of SFAS 133. The statement is effective for years beginning after September 15, 2006. This standard is not expected to have a material impact on the Company's financial condition and results of operations.

3. CASH AND DUE FROM BANKS

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The Bank is required to maintain average reserve balances in accordance with federal requirements. Cash and due from banks in the consolidated statements of financial condition include \$2,572 and \$2,213 at December 31, 2006 and 2005, respectively, relating to this requirement.

Cash and due from banks also includes fiduciary funds of \$1,372 and \$1,326 at December 31, 2006 and 2005, respectively, relating to insurance services.

F - 10

4. INVESTMENT SECURITIES

The amortized cost and estimated fair value of investments in debt and equity securities at December 31, 2006 and 2005 are as follows:

	Available for Sale - 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities	\$ 6,453	\$ 1,252	\$ (66)	\$ 7,639
U.S. Government Sponsored Enterprise (GSE) and Agency Notes	72,644	6	(864)	71,786
GNMA guaranteed mortgage certificates	26,438	24	(114)	26,348
Collateralized mortgage obligations	144,339	118	(4,057)	140,400
Other mortgage-backed securities	53,759	203	(1,000)	52,962
Municipal and other bonds	31,632	192	(92)	31,732
Total	\$ 335,265	\$ 1,795	\$ (6,193)	\$ 330,867

F - 11

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Held to Maturity - 2006

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Sponsored Enterprise (GSE) and Agency Notes	\$ 27,499	\$ 0	\$ (619)	\$ 26,880
GNMA guaranteed mortgage certificates	912	0	(31)	881
Other mortgage-backed securities	101,946	352	(2,826)	99,472
Total	\$ 130,357	\$ 352	\$ (3,476)	\$ 127,233

Available for Sale - 2005

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities	\$ 13,066	\$ 1,260	\$ (207)	\$ 14,119
U.S. Government Sponsored Enterprise (GSE) and Agency Notes	54,507	1	(859)	53,649
GNMA guaranteed mortgage certificates	37,332	11	(371)	36,972
Collateralized mortgage obligations	156,196	112	(3,828)	152,480
Other mortgage-backed securities	54,988	179	(1,200)	53,967
Municipal and other bonds	29,875	193	(151)	29,917
Total	\$ 345,964	\$ 1,756	\$ (6,616)	\$ 341,104

Held to Maturity - 2005

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Sponsored Enterprise (GSE) and Agency Notes	\$ 37,494	\$ 0	\$ (944)	\$ 36,550
GNMA guaranteed mortgage certificates	1,300	6	(17)	1,289
Municipal and other bonds	1,769	0	(13)	1,756
Other mortgage-backed securities	122,757	547	(2,949)	120,355
Total	\$ 163,320	\$ 553	\$ (3,923)	\$ 159,950

The Company sold available for sale securities of \$8,669, \$32,014 and \$5,406 resulting in gross realized gains of \$833, \$1,172 and \$1,262 and gross realized losses of \$161, \$102 and \$0 in 2006, 2005 and 2004, respectively. The tax provision applicable to these net realized gains amounted to \$235, \$375 and \$442, respectively.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Investments that have been in a continuous unrealized loss position for periods of less than 12 months and 12 months or longer at December 31, 2006 and 2005 are summarized in the following table:

	2006					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Sponsored Enterprise (GSE) and Agency Notes	\$ 6,859	\$ 17	\$ 73,385	\$ 1,466	\$ 80,244	\$ 1,483
Other mortgage-backed securities	9,869	30	126,346	3,941	136,215	3,971
Municipal and other bonds	4,804	16	5,891	76	10,695	92
Collateralized mortgage obligations	0	0	116,164	4,057	116,164	4,057
Subtotal, debt securities	21,532	63	321,786	9,540	343,318	9,603
Equity securities	1,434	66	0	0	1,434	66
Total temporarily impaired securities	\$ 22,966	\$ 129	\$ 321,786	\$ 9,540	\$ 344,752	\$ 9,669

	2005					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Sponsored Enterprise (GSE) and Agency Notes	\$ 48,984	\$ 759	\$ 40,915	\$ 1,044	\$ 89,899	\$ 1,803
Other mortgage-backed securities	83,716	1,461	83,668	3,076	167,384	4,537
Municipal and other bonds	15,037	151	1,757	13	16,794	164
Collateralized mortgage obligations	76,385	1,738	59,113	2,090	135,498	3,828
Subtotal, debt securities	224,122	4,109	185,453	6,223	409,575	10,332
Equity securities	1,892	207	0	0	1,892	207
Total temporarily impaired securities	\$ 226,014	\$ 4,316	\$ 185,453	\$ 6,223	\$ 411,467	\$ 10,539

United States Government Sponsored Enterprise (GSE) and Agency Notes

The Company's investments in GSE Notes consist of debt obligations of the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), the Federal Home Loan Bank (FHLB), and the Federal Farm Credit Bank (FFCB). The Company's investments in Agency Notes consist of debt obligations of the Department of Housing and Urban Development (HUD). The decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2006.

Mortgage-Backed Securities

The Company's investments in mortgage-backed securities consist of GSE mortgage-backed securities and government agency mortgage-backed securities. The unrealized losses on the Company's investments in mortgage-backed securities were caused by interest rate increases. The contractual cash flows of those investments in GSE mortgage-backed securities are debt obligations of the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). The cash flows related to government agency mortgage-backed securities are direct obligations of the U.S. Government. The decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold those

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2006.

Municipal and other bonds

The Company's investments in this category are comprised of municipal bonds and corporate bonds. The municipal bonds consist of general obligation and revenue bonds of entities located in the state of Pennsylvania. These bonds are rated AAA by

F - 13

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

S&P and/or Aaa by Moody's. Other bonds consist of corporate bonds, which are rated investment grade at December 31, 2006. The unrealized losses on the Company's municipal and other bonds were caused by interest rates and not credit quality, and because the Company has the ability and intent to hold those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2006.

Collateralized Mortgage Obligations

The Company's investments in this category consist of collateralized mortgage obligations issued by FHLMC, FNMA, and whole loan mortgage-backed securities rated AAA by S&P. The decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2006.

Equity Securities

The Company's investments in equity securities consist of bank issued common stocks. The Company evaluated the near-term prospects of the issuers in relation to the severity and duration of the impairment. Based on that evaluation, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2006.

The amortized cost and estimated fair value of debt securities at December 31, 2006 and 2005, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	2006		2005	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Available for sale:				
Due in one year or less	\$ 18,966	\$ 18,964	\$ 8,740	\$ 8,729
Due after one year through five years	61,138	60,287	54,205	53,472
Due after five years through ten years	26,716	26,760	24,226	24,095
Due after ten years	141,795	137,907	153,407	149,749
Mortgage-backed securities	80,197	79,311	92,321	90,940
Total	\$ 328,812	\$ 323,229	\$ 332,899	\$ 326,985
Held to maturity:				
Due in one year or less	\$ 0	\$ 0	\$ 1,769	\$ 1,756
Due after one year through five years	27,499	26,880	32,498	31,655
Due after five years through ten years	0	0	4,996	4,895
Due after ten years	0	0	0	0
Mortgage-backed securities	102,858	100,353	124,057	121,644
Total	\$ 130,357	\$ 127,233	\$ 163,320	\$ 159,950

The Company pledges securities to secure its Treasury Tax and Loan account. At December 31, 2006, securities with an amortized cost of \$4,301 and an estimated fair value of \$4,172 were pledged. At December 31, 2005, securities with an amortized cost of \$5,059 and an estimated fair value of \$4,927 were pledged.

5. LOANS

The Company provides loans to borrowers throughout the continental United States. The majority of these loans are to borrowers located in the Mid-Atlantic region. The ultimate repayment of these loans is dependent to a certain degree on the economy of this region.

Major classifications of loans at December 31, 2006 and 2005 are summarized as follows:

	<u>2006</u>	<u>2005</u>
Real estate loans:		
One-to-four family	\$ 278,970	\$ 294,960
Commercial real estate	409,702	370,086
Residential construction	9,967	16,529
	<u>698,639</u>	<u>681,575</u>
Total real estate loans	698,639	681,575
Commercial business loans	98,612	66,818
Consumer loans:		
Home equity loans and lines of credit	384,370	394,432
Auto loans	232,675	271,209
Other consumer loans	265,878	308,605
	<u>882,923</u>	<u>974,246</u>
Total consumer loans	882,923	974,246
Total loans	<u>1,680,174</u>	<u>1,722,639</u>
Net deferred loan costs	8,651	10,514
Allowance for loan losses	(17,368)	(17,096)
	<u>\$ 1,671,457</u>	<u>\$ 1,716,057</u>
Loans, net	\$ 1,671,457	\$ 1,716,057

The activity in the allowance for loan losses for the years ended December 31, 2006, 2005 and 2004, is as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 17,096	\$ 17,141	\$ 16,944
Provision for loan loss	1,575	1,703	2,400
Charge-offs	(2,297)	(2,910)	(3,155)
Recoveries	994	1,162	952
	<u>\$ 17,368</u>	<u>\$ 17,096</u>	<u>\$ 17,141</u>
Balance, end of year	\$ 17,368	\$ 17,096	\$ 17,141

The provision for loan losses charged to expense is based upon past loan and loss experiences and an evaluation of estimated losses in the current loan and lease portfolio, including the evaluation of impaired loans. A loan is considered to be impaired when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan. An insignificant delay or insignificant shortfall in amount of payments does not necessarily result in a loan being identified as impaired. For this purpose, delays less than 90 days are considered to be insignificant. As of December 31, 2006 and 2005, 100% of the impaired loan balance was measured for impairment based on the fair value of the loans collateral. Impairment losses are included in the provision for loan losses. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment, except for those loans restructured under a troubled debt restructuring. Loans collectively evaluated for impairment include personal loans and most residential mortgage loans, and are not included in the data that follows. Average impaired loans were \$3,264 and \$18 during the years ended December 31, 2006 and 2005, respectively.

Nonperforming loans (which includes nonaccrual loans and loans past 90 days or more and still accruing) at December 31, 2006 and 2005 amounted to approximately \$8,151 and \$5,160, respectively.

Nonaccrual loans at December 31, 2006 and 2005 amounted to approximately \$534 and \$385, respectively.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Interest income on impaired loans other than nonaccrual loans is recognized on an accrual basis. Interest income on nonaccrual loans is recognized only as collected.

F - 15

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

In the ordinary course of business, the Company has granted loans to executive officers and directors and their affiliates amounting to \$592, \$833 and \$1,984 at December 31, 2006, 2005 and 2004, respectively. The amount of repayments during the years ended December 31, 2006, 2005 and 2004 totaled \$577, \$678 and \$377, respectively. There were \$336, \$0 and \$382 of new loans granted during fiscal years 2006, 2005 and 2004, respectively.

6. ACCRUED INTEREST RECEIVABLE

The following table provides selected information on accrued interest receivable at December 31, 2006 and 2005.

	2006		2005	
	Amount	% of Total	Amount	% of Total
Interest-Bearing Deposits	\$ 28	0.24%	\$ 20	0.20%
Investment Securities	2,646	22.88%	2,509	25.02%
Loans	8,891	76.88%	7,499	74.78%
Total Accrued Interest Receivable	\$ 11,565	100.00%	\$ 10,028	100.00%

7. PREMISES AND EQUIPMENT

Premises and equipment at December 31, 2006 and 2005 consist of the following:

	2006	2005
Land	\$ 3,764	\$ 2,035
Bank premises	18,366	15,793
Furniture, fixtures and equipment	21,123	20,705
Leasehold improvements	10,082	8,880
Construction in progress	1,778	5,158
Total	55,113	52,571
Accumulated depreciation and amortization	(21,945)	(21,105)
Total	\$ 33,168	\$ 31,466

Depreciation and amortization expense amounted to \$3,520, \$3,522 and \$3,062 for the years ended December 31, 2006, 2005 and 2004, respectively.

8. GOODWILL AND OTHER INTANGIBLES

On January 14, 2005, the Company acquired the assets and assumed the liabilities of Paul Hertel & Co., Inc., an insurance broker. As a result of the transaction, \$2,790 of other intangibles and \$6,679 of goodwill were recorded. For purposes of impairment testing, the goodwill and intangibles are to be assigned to a reporting unit and segment. Management views all of the Company's business, which includes the insurance agency activity, as one reporting unit.

The following table summarizes intangible assets at December 31, 2006 and 2005:

	2006	2005
Amortizing Intangibles:		
Customer relationships and other:		
Gross	\$ 2,790	\$ 2,790
Accumulated Amortization	(834)	(408)
Net	\$ 1,956	\$ 2,382

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table summarizes the changes in goodwill:

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	\$ 6,679	\$ 0
Goodwill acquired	0	6,679
Balance at end of year	<u>\$ 6,679</u>	<u>\$ 6,679</u>

9. OTHER ASSETS

The following table provides selected information on other assets at December 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Investments in affordable housing and other partnerships	\$ 5,004	\$ 5,271
Cash surrender value of life insurance	12,392	11,077
Prepaid assets	2,304	1,732
Net deferred tax asset	11,954	0
All other assets	15,822	25,449
Total other assets	<u>\$ 47,476</u>	<u>\$ 43,529</u>

10. DEPOSITS

At December 31, 2006 and 2005, the weighted average cost of deposits were 2.82% and 2.12%, respectively.

Time deposit accounts outstanding at December 31, 2006 and 2005, mature as follows:

	<u>2006</u>	<u>2005</u>
0 to 6 months	\$ 520,725	\$ 254,972
7 to 12 months	225,369	246,142
13 to 24 months	115,109	280,468
Over 25 months	32,703	66,333
	<u>\$ 893,906</u>	<u>\$ 847,915</u>

The aggregate amount of certificate accounts in denominations of \$100 or more totaled \$163,927 and \$140,666 at December 31, 2006 and 2005, respectively. Deposits in excess of \$100 are not federally insured.

Deposits consist of the following major classifications:

	<u>2006</u>	<u>% of total assets</u>	<u>2005</u>	<u>% of total assets</u>
Noninterest bearing deposits	\$ 79,862	3.47%	\$ 84,989	3.55%
Interest earning checking accounts	162,955	7.09%	170,712	7.14%
Money market accounts	281,044	12.22%	263,973	11.03%
Savings accounts	250,109	10.87%	287,444	12.02%
Time deposits	893,906	38.86%	847,915	35.44%
Total deposits	<u>\$ 1,667,876</u>	<u>72.51%</u>	<u>\$ 1,655,033</u>	<u>69.18%</u>

11. BORROWED FUNDS

A summary of borrowings is as follows:

	December 31,	
	2006	2005
Fed Funds purchased	\$ 7,250	\$ 0
FHLB advances	196,550	262,897
Repurchase agreements	88,600	92,918
FHLB overnight borrowings	0	49,900
Other	2,496	2,496
Total borrowings	\$ 294,896	\$ 408,211

Advances from the FHLB bear fixed interest rates with remaining periods until maturity, summarized as follows:

	December 31,	
	2006	2005
Due in one year or less	\$ 43,300	\$ 29,347
Due after one year through five years	118,250	188,550
Due after five years through ten years	35,000	45,000
Total	\$ 196,550	\$ 262,897

Included in the above FHLB Advance table at December 31, 2006 and 2005 are FHLB borrowings whereby the FHLB has the option at predetermined times to convert the fixed interest rate to an adjustable rate tied to the London Interbank Offered Rate (LIBOR). The Company then has the option to prepay these advances without penalty if the FHLB converts the interest rate. These advances are included in the periods in which they mature. At December 31, 2006, \$132,250 or 67% of the FHLB advances are convertible at the option of the FHLB of which \$127,250 are convertible in 2007.

FHLB of Pittsburgh advances are collateralized under a blanket collateral lien agreement.

The Company enters into sales of securities under agreements to repurchase. These agreements are recorded as financing transactions, and the obligation to repurchase is reflected as a liability in the consolidated statements of financial condition. The dollar amount of securities underlying the agreements remains recorded as an asset and carried in the Company's securities portfolio.

At December 31, 2006 and 2005, outstanding repurchase agreements were \$88,600 and \$92,918, respectively, with a weighted average maturity of 2.14 and 1.98 years, respectively and a weighted average cost of 4.93% and 4.43%, respectively. The average balance of repurchase agreements during the year ended December 31, 2006 and 2005 was \$101,883 and \$45,650, respectively. The maximum amount outstanding at any month end period during 2006 and 2005 was \$125,350 and \$92,918, respectively.

At December 31, 2006 and 2005, outstanding repurchase agreements were secured by GSE Notes and GSE Mortgage-Backed Securities. At December 31, 2006 and 2005, the market value of the securities held as collateral for repurchase agreements was \$93,558 and \$96,516, respectively.

12. REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of December 31, 2006 and 2005, the Bank met all capital adequacy requirements to which it was subject.

As of December 31, 2006 the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events that management believes have changed the Bank's categorization since the most recent notification from the FDIC.

F - 18

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The Bank's actual capital amounts and ratios (under rules established by the FDIC) are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
As of December 31, 2006:						
Tier 1 Capital (to average assets)	\$ 273,711	11.73%	\$ 70,027	3.00%	\$ 116,712	5.00%
Tier 1 Capital (to risk weighted assets)	273,711	17.66%	61,983	4.00%	92,974	6.00%
Total Capital (to risk weighted assets)	291,079	18.78%	123,965	8.00%	154,956	10.00%
As of December 31, 2005:						
Tier 1 Capital (to average assets)	\$ 269,364	11.37%	\$ 71,100	3.00%	\$ 118,500	5.00%
Tier 1 Capital (to risk weighted assets)	269,364	16.83%	64,033	4.00%	96,050	6.00%
Total Capital (to risk weighted assets)	286,711	17.91%	128,066	8.00%	160,084	10.00%

The Company's capital at December 31, 2006 and 2005 for financial statement purposes was greater than the Tier-1 Capital amounts by \$6,704 and \$9,061, respectively, due to the inclusion for regulatory capital purposes of unrealized losses on securities available for sale, the accumulated other comprehensive loss adjustment related to adopting SFAS No. 158 (see Note 14) and the exclusion of goodwill and other intangibles. The amounts in the above table are for the Bank only. See table below for a detailed reconciliation of regulatory capital to consolidated GAAP capital as it is presented in the consolidated statement of condition.

	2006		2005	
	Tier 1 Capital	Total Capital	Tier 1 Capital	Total Capital
As of December 31,	\$ 273,711	\$ 291,079	\$ 269,364	\$ 286,711
SFAS 158 Implementation	(10,247)	(10,247)	0	0
Unrealized Gain/(Loss) on available for sale securities - Bank only	(3,629)	(3,629)	(3,335)	(3,335)
Goodwill and other intangibles	8,635	8,635	9,061	9,061
Equity pertaining to Bancorp and other	11,945	11,945	3,282	3,031
Allowance for Loan Loss	0	(17,368)	0	(17,096)
GAAP Equity as of December 31,	\$ 280,415	\$ 280,415	\$ 278,372	\$ 278,372

13. INCOME TAXES

The Company files a consolidated federal income tax return. The Company uses the specific charge-off method for computing reserves for bad debts. Generally, this method allows the Company to deduct an annual addition to the reserve for bad debt equal to its net charge-offs.

The provision for income taxes for the years ended December 31, 2006, 2005 and 2004 includes the following:

	2006	2005	2004
Current federal taxes	\$ 14,773	\$ 17,539	\$ 11,162
Current state and local taxes	46	1,234	812
Deferred federal and state taxes	(12,497)	(14,045)	(7,270)
Total	\$ 2,322	\$ 4,728	\$ 4,704

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Items that gave rise to significant portions of the deferred tax accounts, calculated at 35%, at December 31, 2006 and 2005, are as follows:

	2006	2005
Deferred tax assets:		
Reserve for bad debts	\$ 5,668	\$ 5,573
Pension liabilities	6,485	1,840
Postretirement benefits	3,827	2,020
Available for sale securities	1,343	1,701
Other	1,133	1,917
	18,456	13,051
Deferred tax liabilities:		
Automobile leasing activities	4,440	16,427
Property	465	850
Goodwill	131	55
Other	1,466	1,422
	6,502	18,754
Net deferred tax asset (liability)	\$ 11,954	\$ (5,703)

A reconciliation of income tax computed at the statutory federal income tax rate to the expense included in the consolidated statements of income is as follows:

	2006		2005		2004	
Tax at statutory rate	\$ 4,881	35.0%	\$ 6,275	35.0%	\$ 5,715	35.0%
Increase (reduction) in taxes resulting from:						
Tax-exempt income	(957)	(6.9)	(698)	(3.9)	(624)	(3.8)
State and local income tax	30	0.2	802	4.5	527	3.2
Employee benefit programs	85	0.6	67	0.4	74	0.4
Federal income tax credits	(1,586)	(11.4)	(1,528)	(8.5)	(1,311)	(8.0)
Other	(131)	(0.9)	(190)	(1.1)	323	2.0
	2,322	16.6%	4,728	26.4%	4,704	28.8%

From time to time, the Company may be subject to examination by various tax authorities in jurisdictions in which the Company has its business operations. The Company regularly assesses the likelihood of additional assessments in each of the tax jurisdictions resulting from these examinations. Tax reserves have been established, which the Company believes to be adequate in relation to the potential for additional assessments. Once established, reserves are adjusted as information becomes available or when an event requiring a change to the reserve occurs. The resolution of tax matters could have a material impact on the Company's income tax provision.

Pursuant to SFAS 109, the Company is not required to provide deferred taxes on its tax loan loss reserve as of December 31, 1987. The amount of this reserve on which no deferred taxes have been provided is approximately \$2,300. This reserve could be recognized as taxable income and create a current and/or deferred tax liability using the income tax rates then in effect if one of the following occur: (1) the Company's retained earnings represented by this reserve are used for distributions in liquidation or for any other purpose other than to absorb losses from bad debts; (2) the company fails to qualify as a Bank, as provided by the Internal Revenue Code; or (3) there is a change in federal tax law.

The Company believes that it is more likely than not that the deferred tax assets will be realized through taxable earnings or alternative tax strategies.

14. BENEFIT PLANS

The Bank has a noncontributory defined benefit pension plan (Qualified Plan) covering most of its employees. Additionally, the Company sponsors nonqualified supplemental employee retirement plans for certain participants. The Bank also provides certain postretirement benefits to qualified retired employees. These postretirement benefits principally pertain to certain health insurance coverage. Information relating to these plans is included in the tables that follow.

On December 31, 2006, the Company adopted SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Post Retirement Plans*, which requires recognition of the funded status of these plans in the consolidated statement of financial condition. At December 31, 2006, the incremental effect of applying SFAS No. 158 on individual line items in the consolidated statement of financial condition is reflected in the following table:

	Before Application of Statement 158	Adjustments	After Application of Statement 158
Deferred Income Tax Asset	\$ 6,436	\$ 5,518	\$ 11,954
Total Assets	2,294,701	5,518	2,300,219
Liability for Pension Benefits	7,100	11,534	18,634
Liability for Postretirement Benefits	6,704	4,231	10,935
Total Liabilities	2,004,039	15,765	2,019,804
Accumulated Other Comprehensive Income	(2,495)	(10,247)	(12,742)
Total Retained Earnings	\$ 290,662	\$ (10,247)	\$ 280,415

The following tables present a reconciliation of beginning and ending balances of benefit obligations and assets at December 31, 2006 and 2005:

	Pension Benefits		Postretirement Benefits	
	2006	2005	2006	2005
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$ 52,816	\$ 50,499	\$ 9,486	\$ 9,377
Service cost	1,492	1,409	180	181
Interest cost	3,501	3,305	621	620
Participants contributions	0	0	7	4
Actuarial (gain)/loss	7,008	(729)	873	(381)
Benefits paid	(1,697)	(1,668)	(232)	(315)
Benefit obligation at end of year	\$ 63,120	\$ 52,816	\$ 10,935	\$ 9,486
Change in Assets				
Fair value of assets at beginning of year	\$ 40,676	\$ 40,757	\$ 0	\$ 0
Actual return on assets	4,998	1,371	0	0
Employer contribution	509	216	225	311
Participants contributions	0	0	7	4
Benefits paid	(1,697)	(1,668)	(232)	(315)
Fair value of assets at end of year	\$ 44,486	\$ 40,676	\$ 0	\$ 0

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Amounts recognized in other liabilities in the consolidated statements of financial condition at December 31, 2006:

	Pension Benefits	Postretirement Benefits
	\$ 18,634	\$ 10,935

Amounts recognized in accumulated other comprehensive income at December 31, 2006:

	Pension Benefits	Postretirement Benefits
Net loss	\$ 7,380	\$ 1,241
Prior service cost	117	658
Transition obligation	0	851

The Company's total accumulated pension benefit obligations at December 31, 2006 and December 31, 2005 were \$46,746 and \$39,590, respectively.

Significant assumptions as of December 31, 2006, 2005 and 2004 are as follows:

	Pension Benefits			Postretirement Benefits		
	2006	2005	2004	2006	2005	2004
Discount rate for periodic pension cost	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%
Discount rate for benefit obligation	6.00%	6.75%	6.75%	6.00%	6.75%	6.75%
Rate of increase in compensation levels and social security wage base	5.50%	5.50%	5.50%			
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%			

The components of net pension cost are as follows:

	Pension Benefits			Postretirement Benefits		
	2006	2005	2004	2006	2005	2004
Component of Net Periodic Benefit Cost						
Service cost	\$ 1,491	\$ 1,409	\$ 1,260	\$ 180	\$ 181	\$ 173
Interest cost	3,501	3,305	3,143	621	620	591
Expected return on assets	(3,186)	(3,193)	(2,974)	0	0	0
Amortization of transition obligation				164	164	164
Amortization of prior service cost	36	36	36	188	188	188
Recognized net actuarial loss	111	91	76	0	34	20
Net periodic pension cost	\$ 1,953	\$ 1,648	\$ 1,541	\$ 1,153	\$ 1,187	\$ 1,136

For benefit obligation measurement purposes, the annual rate of increase in the per capita cost of postretirement health care costs was as follows:

Before age 65: 2006, rates decrease from 11.0 percent to 6.0 percent for 2011 and remain level thereafter. For 2005, rates decrease from 12.0 percent to an ultimate rate of 6.0 percent for 2011 and remain level thereafter. For 2004, rates decrease from 7.5 percent to an ultimate rate of 6.0 percent for 2007 and remain level thereafter.

After age 65: 2006, rates decrease from 13.0 percent to 6.0 percent for 2013 and remain level thereafter. For 2005, rates decrease from 10.0 percent to an ultimate rate of 6.0 percent for 2011 and remain level thereafter. For 2004, rates decrease from 6.9 percent to an ultimate rate of 6.0 percent for 2007 and remain level thereafter.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The impact of a 1.0% increase and decrease in assumed health care cost trend for each future year would be as follows:

	1.0 % Increase	1.0 % Decrease
Accumulated postretirement benefit obligation	\$ 315	\$ (300)
Service and interest cost	26	(24)

The estimated net loss and prior service costs for the pension benefits that will be amortized from accumulated other comprehensive income into net periodic pension costs over the next fiscal year are \$474 and \$36, respectively. The estimated transition, net loss and prior service cost for postretirement benefits that will be amortized from accumulated other comprehensive income into periodic pension cost over the next fiscal year are \$163, \$58 and \$188, respectively.

Future benefit payments for all plans are estimated to be paid as follows:

Pension Benefits		Postretirement Benefits	
2007	\$ 2,077	2007	\$ 290
2008	2,237	2008	354
2009	2,346	2009	402
2010	2,504	2010	472
2011	2,648	2011	539
2012-2016	16,395	2012-2016	3,651

The Qualified Plan's weighted-average asset allocations at December 31, 2006 and 2005, by asset category are as follows:

	Plan Assets at December 31,		Target Asset Allocation
	2006	2005	
Equity securities	72%	74%	70%
Cash and fixed income securities	28%	26%	30%
Total	100%	100%	

The Qualified Plan invests in various securities including U.S. government securities, corporate debt instruments, mortgage-backed securities, common stocks and mutual funds. Plan assets are managed in accordance with investment guidelines approved by the Board of Directors. Expected future rates of return are determined by management based on factors such as asset allocation and actual returns over time.

The Company's funding policy is to contribute annually an amount, as determined by consulting actuaries and approved by the Board of Directors, which can be deducted for federal income tax purposes. In 2006 and 2005, \$293 and \$0, respectively, was contributed to the Plan under the Bank's funding policy. For 2007, the Bank expects to contribute \$509 to the Plan.

The Company also maintains contributory savings plans (401(k) plans) covering substantially all of its employees. The Company may make contributions out of current or retained earnings. The Company made contributions of \$339, \$196 and \$140 in 2006, 2005 and 2004, respectively.

During 2005, the Company adopted FASB Staff Position FAS 106-2 relating to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the Act). The Act established a prescription drug benefit under Medicare, known as Medicare Part D and a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The benefit obligation was measured at December 31, 2005 to reflect the effects of the Act, which resulted in a reduction of the Company's benefit obligation of \$867.

15. COMMITMENTS AND CONTINGENCIES

The Company leases a number of offices in its regular operations. Rental expense under such leases aggregated \$4,123, \$3,976 and \$3,568 for the years ended December 31, 2006, 2005 and 2004, respectively. At December 31, 2006, the Company was committed under noncancelable operating lease agreements for minimum rental payments to lessors as follows:

2007	\$	4,247
2008		4,250
2009		3,784
2010		3,661
2011		1,389
Thereafter		8,540
		8,540
	\$	25,871

In the normal course of business, there are various outstanding commitments and contingent liabilities, such as commitments to extend credit, which are not reflected in the consolidated financial statements. The Company does not anticipate losses as a result of these transactions.

At December 31, 2006, the Company had outstanding commitments to purchase or make loans aggregating approximately \$55,077, of which \$54,966 are adjustable rate and \$111 are fixed rate. The rate for the fixed rate outstanding loan commitment was 6.75%. At December 31, 2006 the Company had commitments to customers on available lines of credit of approximately \$58,275, of which \$58,255 are adjustable rate and \$20 are fixed rate. The rate for the fixed rate line of credit was 4.73%. Commitments are issued in accordance with the same policies and underwriting procedures as settled loans.

At December 31, 2006 and 2005, the Company had outstanding commitments to purchase or make loans aggregating approximately \$55,077 and \$43,680, respectively and commitments to customers on available lines of credit of \$58,275 and \$40,460, respectively. Commitments are issued in accordance with the same policies and underwriting procedures as settled loans.

At December 31, 2006, the Company had an unfunded investment commitment to a limited partnership that sponsors affordable housing projects. The Company's future equity contributions are \$1,090 in 2007, \$707 in 2008, \$234 in 2009, \$498 in 2010 and \$21 in 2011.

16. INTEREST RATE RISK

Interest rate risk refers to potential changes in net income and the economic value of equity resulting from changes in interest rates, product spreads and mismatches in the repricing between interest rate sensitive assets and liabilities. The goal of the Company's interest rate risk management is to monitor, limit and control the effects of these changes on the Company's earnings and economic value.

The Company also monitors interest rate risk by utilizing a model that analyzes net income at risk and economic value of equity. The economic value of equity analysis measures the effect on the balance sheet of instantaneous, parallel and permanent 200 basis point shifts in interest rate risks in either direction. The net income at risk analysis simulates the effect on the income statement of gradual increases and decreases in market rates over the next twelve months. These results are compared to the results obtained in a flat interest rate scenario. The Company's interest rate risk policy indicates that the level of interest rate risk is unacceptable if the immediate 200 basis point change would result in the loss of 30% or more of the economic value of equity or the gradual change in interest rates results in a loss of 20% or more of the value of forecasted net income.

At December 31, 2006 and 2005, the Company had average interest-earning assets of approximately \$2,247,436 and \$2,266,758, respectively, having a weighted average yield of 5.67% and 5.17%, respectively, and average interest-bearing liabilities of approximately \$1,956,747 and \$1,974,481, respectively with a weighted average cost of 3.21% and 2.60%, respectively. The Company's assets that earned interest at fixed and variable interest rates were funded primarily with liabilities that have interest rates that are fixed.

The results at December 31, 2006 and 2005 indicate an acceptable level of risk. The net interest income at risk results indicate a slightly liability sensitive profile, which provides net interest margin benefits and a decline in risk in declining rate scenarios. The economic value at risk remains limited in magnitude and indicates potential moderate exposures in increasing rate environments.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative instruments outstanding at December 31, 2006 include commitments to fund loans available-for-sale and forward loan sale agreements. The Company originates single-family residential loans for sale pursuant to a program with FNMA. At the time the interest rate is locked in by the borrower, the Company concurrently enters into a forward loan sale agreement with respect to the sale of such loan at a set price in an effort to manage the interest rate risk inherent in the locked loan commitment. Any change in

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

the fair value of the loan commitment after the borrower locks in the interest rate is substantially offset by the corresponding
F - 24

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

change in the fair value of the forward loan sale agreement related to such loan. The period from the time the borrower locks in the interest rate to the time the Bank funds the loan and sells it to FNMA is generally within 60 days.

At December 31, 2006 and 2005, the Company had \$29 and \$100, respectively, of loan commitments outstanding related to loans being originated for sale of which all were subject to interest rate locks. Also, at December 31, 2006 and 2005, the Bank had entered into \$28 and \$99, respectively, of forward loan sale agreements related to loan commitments with interest rate locks. The Company concluded that the fair value of these derivative instruments involving loan commitments was not material to the consolidated statements of the financial condition and operations of the Company as of and for the years ended December 31, 2006 and 2005.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	2006		2005	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	\$ 23,147	\$ 23,147	\$ 32,930	\$ 32,930
Investment securities	476,768	473,644	522,761	519,392
Loans - net	1,671,457	1,646,826	1,716,057	1,713,848
Liabilities:				
Checking deposits	242,817	242,817	255,701	255,701
Money market and savings accounts	531,153	531,153	551,417	551,417
Time deposits	893,906	898,368	847,915	851,623
Borrowed funds	294,896	294,230	408,211	410,701

Cash and Cash Equivalents- For cash and cash equivalents, the carrying amount is a reasonable estimate of fair value.

Investments - The fair value of investment securities, mortgage-backed securities and collateralized mortgage obligations is based on quoted market prices, dealer quotes, and prices obtained from independent pricing services. The fair value of Federal Home Loan Bank stock is not determinable since there is no active market for the stock.

Loans Receivable - The fair value of loans is estimated based on the present value using approximate current entry-value interest rates applicable to each category of such financial instruments.

Checking and Money Market Deposits, Savings Accounts, and Time Deposits - The fair value of checking and money market deposits and savings accounts is the amount reported in the consolidated financial statements. The fair value of time deposits is based on a present value estimate using rates currently offered for deposits of similar remaining maturity.

Borrowed Funds - The fair value of borrowed funds is based on a present value estimate using rates currently offered.

Commitments to Extend Credit and Letters of Credit - The majority of the Company's commitments to extend credit and letters of credit carry current market interest rates if converted to loans. Because commitments to extend credit and letters of credit are generally unassignable by either the Company or the borrower, they only have value to the Company and the borrower. The estimated fair value approximates the recorded deferred fee amounts, which are not significant.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2006 and 2005. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since December 31, 2006 and 2005, and therefore, current estimates of fair value may differ significantly from the amounts presented herein.

19. Variable Interest Entities

The Company is involved with various entities in the normal course of business that may be deemed to be Variable Interest Entities (VIE). The Company has consolidated one VIE effective in 2005 for which the Company was determined to be the primary beneficiary.

At December 31, 2006 and 2005, the aggregate assets and liabilities of the VIE that the Company consolidated in the financial statements are as follows:

Consolidated VIEs-Primary Beneficiary

	Aggregate Assets	Aggregate Liabilities
	<u> </u>	<u> </u>
December 31, 2006		
Affordable housing projects	\$ 7,910	\$ 2,924
December 31, 2005		
Affordable housing projects	\$ 8,166	\$ 3,174

The Company makes certain equity investments in various limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit pursuant to Section 42 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital, to facilitate affordable housing project offerings and to assist the Company in achieving goals associated with the Community Reinvestment Act. The primary activities of the limited partnerships include the identification, development and operation of housing that is leased to qualifying residential tenants. Generally, these types of investments are funded through a combination of debt and equity. The Company consolidated one partnership in 2006 and 2005 for which it owns the majority of limited partnership interest. As a limited partner, the Company's credit and investment are protected from any liabilities that occur within the low income housing operations.

The Company also holds interests in other VIEs that have not been consolidated because the Company is not considered the primary beneficiary. The Company's total investment in these VIEs is \$3,815 and \$3,959 as of 2006 and 2005, respectively, which are accounted for under the equity or cost methods of accounting as applicable to the individual investments. These investments were included in Other Assets in the consolidated statements of financial condition.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
FMS Financial Corporation

We have audited the accompanying consolidated statement of financial condition of FMS Financial Corporation and Subsidiary (the Company) as of December 31, 2006 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FMS Financial Corporation and Subsidiary as of December 31, 2006 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company has adopted Financial Accounting Standards Board Statement (FASB) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R) in 2006*.

Philadelphia, PA
March 12, 2007

F - 27

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Center
300 Madison Avenue
New York, NY 10017
Telephone (646) 471 3000
Facsimile (813) 286 6000

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of FMS Financial Corporation:

In our opinion, the accompanying consolidated statement of financial condition and the related consolidated statements of operations, changes in stockholders' equity, and cash flows present fairly, in all material respects, the financial position of FMS Financial Corporation and its subsidiaries (the Company) at December 31, 2005, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, N.Y.
March 24, 2006

**FMS FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

December 31,	2006	2005
ASSETS		
Cash and amounts due from depository institutions	\$ 55,269,961	\$ 54,544,693
Interest-bearing deposits	1,052,911	27,874
Short term funds	53,438,325	39,268,382
Total cash and cash equivalents	109,761,197	93,840,949
Investment securities held to maturity	428,441,417	483,536,309
Investment securities available for sale	146,005,715	155,632,095
Total investment securities	574,447,132	639,168,404
Loans, net	450,099,184	442,571,357
Accrued interest receivable	6,372,354	6,224,371
Federal Home Loan Bank stock	6,313,520	8,248,420
Office properties and equipment, net	33,738,928	34,801,087
Deferred income taxes	4,094,838	2,607,641
Core deposit intangible	1,159,614	1,875,822
Prepaid expenses and other assets	2,125,656	1,925,324
TOTAL ASSETS	\$ 1,188,112,423	\$ 1,231,263,375
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Interest-bearing deposits	\$ 738,896,140	\$ 759,991,442
Noninterest-bearing deposits	194,206,626	187,075,982
Total deposits	933,102,766	947,067,424
Securities sold under agreements to repurchase	115,000,000	175,000,000
FMS Statutory Trust I and II debentures	51,548,000	25,774,000
Advances by borrowers for taxes and insurance	2,086,128	2,132,320
Accrued interest payable	1,467,745	1,378,353
Dividends payable	195,849	195,486
Other liabilities	6,351,377	4,633,516
Total liabilities	1,109,751,865	1,156,181,099
Commitments and contingencies (Note 17)		
Stockholders Equity:		
Preferred stock - \$.10 par value 5,000,000 shares authorized; none issued		
Common stock - \$.10 par value 10,000,000 shares authorized; shares issued 8,022,892 and 8,006,392 and shares outstanding 6,529,313 and 6,515,110 as of December 31, 2006 and 2005, respectively	802,289	800,639
Additional paid-in capital	8,930,731	8,767,381
Accumulated other comprehensive loss- net of deferred income taxes	(2,485,410)	(1,099,630)
Retained earnings	82,120,391	77,583,683
Less: Treasury stock (1,493,579 and 1,491,282 shares, at cost, as of December 31, 2006 and 2005 respectively)	(11,007,443)	(10,969,797)
Total stockholders equity	78,360,558	75,082,276
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 1,188,112,423	\$ 1,231,263,375

See notes to consolidated financial statements.

**FMS FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS**

Years Ended December 31,	2006	2005	2004
INTEREST INCOME:			
Interest income on:			
Loans	\$ 27,801,801	\$ 25,906,502	\$ 24,634,462
Mortgage-backed securities	12,559,180	14,629,526	17,388,728
Investments			
Taxable	20,254,674	17,192,737	13,758,077
Tax exempt	377,265	177,550	38,143
Total interest income	60,992,920	57,906,315	55,819,410
INTEREST EXPENSE:			
Interest expense on:			
Deposits	16,083,899	11,418,289	7,754,391
Borrowings	7,753,044	8,293,015	9,290,862
Long-term debt	3,577,511	1,826,092	1,368,591
Total interest expense	27,414,454	21,537,396	18,413,844
NET INTEREST INCOME	33,578,466	36,368,919	37,405,566
PROVISION FOR LOAN LOSSES	330,000	360,000	330,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	33,248,466	36,008,919	37,075,566
NON-INTEREST INCOME:			
Service charges on accounts	5,811,341	5,274,330	5,197,949
Gain (Loss) on sale/disposal of fixed assets	837,335	(6,769)	46,080
Gain on sale of investment securities	364,621		682,880
Other income	150,118	155,667	132,779
Total non-interest income	7,163,415	5,423,228	6,059,688
NON-INTEREST EXPENSE:			
Salaries and employee benefits	19,027,244	18,012,670	16,877,722
Occupancy and equipment	6,103,445	5,587,270	5,383,883
Purchased services	2,869,212	2,810,218	2,850,118
Professional fees	770,702	754,127	662,180
Amortization of core deposit intangible	716,208	716,208	716,208
Office supplies	618,608	669,130	573,447
Other expenses	609,707	632,481	588,887
Telecommunications	555,701	456,107	303,586
Advertising	455,268	429,263	429,093
Total non-interest expense	31,726,095	30,067,474	28,385,124
INCOME BEFORE INCOME TAXES	8,685,786	11,364,673	14,750,130
INCOME TAXES	3,366,746	4,646,441	5,981,901
NET INCOME	\$ 5,319,040	\$ 6,718,232	\$ 8,768,229
BASIC EARNINGS PER COMMON SHARE	\$ 0.82	\$ 1.03	\$ 1.35

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

DILUTED EARNINGS PER COMMON SHARE	\$	0.81	\$	1.03	\$	1.34
DIVIDENDS DECLARED PER COMMON SHARE	\$	0.12	\$	0.12	\$	0.12

See notes to consolidated financial statements.

F - 30

**FMS FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31,	2006	2005	2004
OPERATING ACTIVITIES:			
Net income	\$ 5,319,040	\$ 6,718,232	\$ 8,768,229
Adjustments to reconcile net income to net cash by provided operating activities:			
Provision for loan losses	330,000	360,000	330,000
Amortization and accretion of premiums and discounts on investments, net	309,693	1,751,762	4,382,268
Amortization and accretion of other fees and costs	763,006	807,312	769,567
Depreciation	2,003,485	2,007,918	1,965,197
Realized (gains) and losses on:			
Sale of loans			(229)
Sale and disposal of fixed assets	(837,335)	6,769	(46,080)
Sale of investment securities	(364,621)		(682,880)
Sale of real estate owned	455		(654)
(Increase) Decrease in accrued interest receivable	(147,983)	97,736	(1,118,359)
(Increase) Decrease in prepaid expenses and other assets	(200,332)	510,056	(347,619)
Increase (Decrease) in accrued interest payable	89,392	131,692	(72,840)
(Decrease) Increase in other liabilities	562,791	1,833,368	(21,078)
Benefit for deferred income taxes	(1,487,197)	(457,199)	(106,533)
Net cash provided by operating activities	<u>6,340,394</u>	<u>13,767,646</u>	<u>13,818,989</u>
INVESTING ACTIVITIES:			
Proceeds from sale of:			
Education loans			60,279
Real estate owned	157,761		48,948
Office property and equipment	1,640,592	3,111	238,871
Investment securities	12,206,808		22,870,336
Principal collected and proceeds from maturities of investment securities held to maturity	59,104,971	266,172,752	250,288,555
Principal collected and proceeds from maturities of investment securities available for sale	19,248,254	112,499,244	71,614,876
Principal collected on loans, net	97,047,011	93,277,149	110,121,450
Loans originated or acquired	(105,109,852)	(117,423,133)	(126,679,593)
Purchase of investment securities and mortgage-backed securities held to maturity	(16,014,543)	(226,985,664)	(232,157,961)
Purchase of investment securities and mortgage-backed securities available for sale	(10,000,000)	(128,868,417)	(88,703,074)
Redemption of Federal Home Loan Bank stock	1,934,900	2,001,700	1,559,500
Purchase of office property and equipment	(1,744,583)	(6,071,651)	(1,476,146)
Net cash provided (used) by investing activities	<u>58,471,319</u>	<u>(5,394,909)</u>	<u>7,786,041</u>
FINANCING ACTIVITIES:			
Net (decrease) increase in demand deposits and savings accounts	(33,865,777)	4,417,156	65,584,898
Net increase (decrease) in time deposits	19,901,119	1,143,448	(17,084,576)
Net decrease in FHLB advances		(10,000,000)	(1,191,047)
Repayment of securities sold under agreement to repurchase, net	(60,000,000)	(20,000,000)	(30,000,000)
Net proceeds from issuance of trust capital securities	25,774,000		
(Decrease) Increase in advances from borrowers for taxes and insurance	(46,192)	(68,037)	57,858
Purchase of treasury stock	(37,646)	(34,798)	
Dividends paid on common stock	(781,969)	(780,298)	(779,240)
Net proceeds from issuance of common stock	165,000	213,385	49,796

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Net cash (used) provided by financing activities	(48,891,465)	(25,109,144)	16,637,689
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,920,248	(16,736,407)	38,242,719
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	93,840,949	110,577,356	72,334,637
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 109,761,197	\$ 93,840,949	\$ 110,577,356

Supplemental Disclosures:

Cash paid for:

Interest on deposits, advances, and other borrowings	27,325,062	21,405,704	18,486,684
Income taxes	3,538,800	4,727,200	5,450,000

Non-cash investing and financing activities:

Dividends declared and not paid at year end	195,849	195,486	195,063
Non-monetary transfers from loans to real estate owned through foreclosure	158,216		

See notes to consolidated financial statements.

**FMS FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

	Common shares outstanding	Common stock	Paid-in capital	Accumulated comprehensive income (loss)	Retained earnings	Treasury Stock	Total Stockholders Equity
Balances at December 31, 2003	6,485,877	\$ 797,506	\$ 8,507,333	\$ 802,239	\$ 63,657,664	\$ (10,934,999)	\$ 62,829,743
Net Income					8,768,229		8,768,229
Other comprehensive loss, net of tax benefit of \$331,228							
Unrealized loss on securities available for sale				(531,455)			(531,455)
Total comprehensive income							8,236,774
Dividends declared					(779,694)		(779,694)
Exercise of stock options	16,233	1,623	48,173				49,796
Balances at December 31, 2004	6,502,110	799,129	8,555,506	270,784	71,646,199	(10,934,999)	70,336,619
Net Income					6,718,232		6,718,232
Other comprehensive loss, net of tax benefit of \$946,428							
Unrealized loss on securities available for sale				(1,370,414)			(1,370,414)
Total comprehensive income							5,347,818
Dividends declared					(780,748)		(780,748)
Exercise of stock options	15,100	1,510	211,875				213,385
Purchase of common stock	(2,100)					(34,798)	(34,798)
Balances at December 31, 2005	6,515,110	800,639	8,767,381	(1,099,630)	77,583,683	(10,969,797)	75,082,276
Net Income					5,319,040		5,319,040
Other comprehensive loss, Unrealized loss on securities available for sale, net of tax benefit of \$94,246				(136,465)			(136,465)
Total comprehensive income							5,182,575
Adjustment to initially apply SFAS 158, net of tax benefit of \$862,799				(1,249,315)			(1,249,315)
Dividends declared					(782,332)		(782,332)
Exercise of stock options	16,500	1,650	163,350				165,000
Purchase of common stock	(2,297)					(37,646)	(37,646)
Balances at December 31, 2006	6,529,313	\$ 802,289	\$ 8,930,731	\$ (2,485,410)	\$ 82,120,391	\$ (11,007,443)	\$ 78,360,558

See notes to consolidated financial statements.

FMS FINANCIAL CORPORATION AND SUBIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

FMS Financial Corporation, a New Jersey corporation, headquartered in Burlington, New Jersey, is the holding company for Farmers & Mechanics Bank (Bank). The Bank's principal business is attracting customer deposits from the general public through its forty-two branches and investing these deposits, together with funds generated from operations, primarily in residential and commercial mortgage loans, consumer, commercial business and construction loans and U.S. Government agency notes and mortgage-related securities.

Principles of Consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America. The consolidated financial statements include the accounts of FMS Financial Corporation (Corporation) and Farmers & Mechanics Bank. Material intercompany accounts and transactions have been eliminated from the consolidated financial statements.

Regulatory Authorities

The regulatory agency overseeing savings institutions is the Office of Thrift Supervision (OTS) and the deposits of the Bank are insured by the Federal Deposit Insurance Corporation (FDIC).

At periodic intervals, both the OTS and the FDIC routinely examine the Corporation as part of their legally prescribed oversight of the savings and loan industry. Based on these examinations, the regulators can direct that the Corporation's financial statements be adjusted in accordance with their findings. In addition, the Corporation is subject to regulations of the Securities and Exchange Commission (SEC).

Cash and Cash Equivalents

Cash and cash equivalents include cash and interest-bearing amounts due from depository institutions and short-term funds. Interest-bearing deposits are deposits with banks that have an original maturity of 90 days or less. Short-term funds are money market funds and federal funds sold. Generally, federal funds are purchased and sold for one-day periods. Cash and cash equivalents exclude reverse repurchase agreements, which are generally classified as investments held to maturity. The Bank is required to maintain certain average reserve balances as established by the Federal Reserve Bank. The amount of those balances for the reserve computation periods, which include December 31, 2006 and 2005, were \$24.2 million and \$21.8 million, respectively. These requirements were satisfied through the balance of vault cash and a balance at the Federal Home Loan Bank.

Investments and Mortgage-Backed Securities

Investments classified as available for sale are reported at the current market value with net unrealized gains and losses, net of applicable tax effects, added to or deducted from the Corporation's total stockholders' equity and comprehensive income until realized. Gains and losses on the sale of investment securities are recognized utilizing the specific identification method.

Investment and mortgage-backed securities classified as held to maturity are recorded at cost, adjusted for amortization of premiums or accretion of discounts. Premiums and discounts are amortized using a method which in total approximates the interest method. The Corporation has the intent and ability to hold these securities to maturity.

Securities Purchased under Agreements to Resell

The Bank invests excess funds in securities purchased under agreements to resell (reverse repurchase agreements). Generally, the maturity date of the reverse repurchase agreement is less than 90 days. Due to the short-term nature of the agreement, the Bank does not take possession of the securities; instead, the securities are held in safekeeping by the Bank's agent. The carrying value of the agreements approximates fair market value because of the short maturity of the investment.

Loans, net

Loans are reported at principal outstanding balance net of deferred loan origination costs and the allowance for loan losses. The Bank recognizes interest income on loans when earned. All loans which are 90 days delinquent as to principal and/or interest are placed on a non-accrual status and all previously accrued interest is reversed. Such interest ultimately collected is recorded as income in the period of recovery. Loans classified as impaired or trouble debt restructured, excluding loans classified as non-accrual, accrue interest daily under their original or modified terms.

Allowance for Loan Losses

In accordance with SFAS No. 5 Accounting for Contingencies, an allowance for loan losses is maintained at a level that management considers adequate to provide for probable losses inherent in the portfolio based upon the portfolio's past loss experience, current economic conditions and other relevant factors. When collection of a loan's principal balance or portion thereof is considered doubtful, management charges the allowance for loan losses based on their assessment of the loan's underlying collateral, if collateral dependent, or present value of estimated future cash flows. While management uses the best information available to make evaluations about the adequacy of the allowance for loan losses, future adjustments to the allowance may be necessary if conditions differ substantially from the assumptions used in making the evaluations.

In accordance with SFAS No. 114 Accounting by Creditors for Impairment of a Loan-an amendment of FASB No. 5 and 15, the Bank considers a loan impaired, based on current information and events, if it is probable that the Bank will be unable to collect the scheduled payments on principal or interest when due according to the contractual terms of the loan agreement. Loans are measured based on the loans underlying collateral, if collateral dependent, or present value of estimated future cash flows. Loans continue to be classified as impaired unless they are brought fully current and the collection of scheduled interest and principal is considered probable.

Real Estate Owned

Real estate owned consists of properties acquired by, or in-lieu of, foreclosure. These assets are carried at the lower of cost or estimated fair value at the time the loan is foreclosed less estimated cost to sell. The amounts recoverable from real estate owned could differ materially from the amounts used in arriving at the net carrying value of the assets because of future market factors beyond the control of the Bank. Costs to improve the property are capitalized, whereas costs of holding the property are charged to expense.

Office Properties and Equipment

Office properties and equipment are recorded at cost. Depreciation is computed using the straight-line method over the expected useful lives of the assets as follows: buildings and improvements range from 10 to 30 years, furniture, fixtures, and equipment range from 3 to 10 years, computers are 3 years and leasehold improvements are over the shorter of the useful life or the term of the lease. The costs of maintenance and repairs are expensed as they are incurred. Renewal and improvement costs are capitalized. In accordance with SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets, long-lived assets are evaluated for impairment by management on an ongoing basis. Impairment may occur whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Deferred Loan Fees

All loan fees and related direct loan origination costs are deferred. Deferred loan fees and costs are capitalized and amortized as a yield adjustment over the contractual life of the loan using the interest method. Amortization of deferred loan fees cease while a loan is on non-accrual status.

Core Deposit Intangible

Core deposit intangible assets of \$3.6 million are amortized over their useful life of five years using the straight-line method. Accumulated amortization was \$2.4 million and \$1.7 million as of December 31, 2006 and 2005, respectively. Amortization expense for each of the years ending December 31, 2006, 2005 and 2004 was \$716 thousand. Amortization expense is expected to be \$716 thousand and \$443 thousand for the years ended December 31, 2007 and 2008, respectively. Intangibles are tested for impairment annually. There has been no impairment recorded.

Income Taxes

The Corporation computes its taxable income for both financial reporting and federal and state tax purposes on the accrual basis. Income taxes for financial reporting purposes are recorded in accordance with SFAS No. 109, *Accounting for Income Taxes*. The asset and liability approach underlying SFAS No. 109 requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of the Company's assets and liabilities. These differences between pretax accounting income and taxable income for return purposes consist primarily of the calculations for loan loss allowance, real estate losses, depreciation, recognition of income and expenses associated with loan origination, profit recognition on discounted mortgages and securities income. Management believes the existing net deductible temporary differences which give rise to the net deferred income tax assets are realizable on a more likely than not basis.

Securities Sold under Agreements to Repurchase

Securities sold under agreements to repurchase are treated as debt and are reflected as a liability in the Consolidated Statements of Financial Condition. The book value of securities pledged to secure the repurchase agreements remain in the securities portfolio.

Advertising Costs

Advertising costs are expensed as incurred.

Segment Reporting

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for the way business enterprises report information about operating segments in annual financial statements. The Bank has one operating segment and, accordingly, has one reportable segment, *Community Banking*. All of the Bank's activities are interrelated, and each activity is dependent and assessed based on how each of the Bank supports the others. For example, commercial lending is dependent upon the ability of the Bank to fund itself with retail deposits and other borrowings and to manage interest rate and credit risk. This situation is also similar for consumer, residential, and multi-family/non-residential mortgage lending. Accordingly, all significant operating decisions are based upon analysis of the Bank as one operating segment.

Reclassifications

Certain items in the 2005 and 2004 consolidated financial statements have been reclassified to conform with the presentation in the 2006 consolidated financial statements. There was no impact on net income or stockholders' equity for the reclassifications.

Reclassification of Consolidated Statements of Changes in Stockholders' Equity

The Corporation reclassified the \$1.4 million adjustment to initially apply SFAS No. 158 from the 2006 total comprehensive income as reported in FMS Financial Corporation 2006 Form 10-K into a separate adjustment of accumulated comprehensive loss as reported in FMS Financial Corporation Form 2006 10-K/A. There was no impact on net income or total stockholders' equity for the reclassification.

Earnings Per Share

Statement of Financial Accounting Standards No. 128 (SFAS No. 128), Earnings per Share (EPS), requires the dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The Corporation has presented both basic and diluted earnings per share in the consolidated statements of operations. The reconciliation of the outstanding shares is presented in the earnings per share footnote.

Repurchase Plan

The Corporation announced a Stock Repurchase Plan on September 28, 2005. The Board of Directors of the Corporation authorized the repurchase of up to 200,000 shares of common stock in the open market. The timing of shares repurchased will depend on a number of factors including, without limitation, price, corporate and regulatory requirements and market conditions. The stock repurchase program does not have an expiration date and may be limited or terminated without prior notice.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123R, Share-Based Payment (SFAS 123R). This statement is a revision of SFAS 123, Accounting for Stock-Based Compensation, and supersedes APR Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The adoption of this standard had no effect on the Company's consolidated financial statements as no stock options have been issued since 1998 and all outstanding stock options are fully vested.

In May 2005, the FASB issued Statement No. 154 (SFAS 154), Accounting Changes and Error Corrections. SFAS 154 applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement when the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application of changes in accounting principle to prior periods' financial statements unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, with early adoption permitted. The Corporation's adoption of SFAS 154 did not have a material impact on the Company's consolidated financial statements.

In November 2005, the FASB issued FASB Staff Position (FSP) SFAS 115-1 and 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. This FSP nullifies certain requirements of EITF-03-01 on this topic and provides additional guidance on when an investment in a debt or equity security should be considered impaired and when that impairment should be considered other-than-temporary and recognized as a loss in earnings. Specifically, the guidance clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other-than-temporary, even if a decision to sell has not been made. The FSP also required certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. FSP SFAS 115-1 and 124-1 was effective for reporting periods beginning after December 15, 2005. Adoption of the FSP did not have a material impact on the Company's consolidated financial statements.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

In March 2006, the FASB issued Statement No. 156 (SFAS 156), Accounting for Servicing of Financial Assets . SFAS 156 amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS 156 permits, but does not require, an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities. SFAS 156 is effective for fiscal years beginning after September 15, 2006 and will not have a material impact on the Company's consolidated financial statements.

In July 2006, FASB issued FASB Interpretation (FIN 48), Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109, Accounting for Income Taxes . FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with Statement of SFAS No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and is currently under evaluation by the Company and is not expected to have a material impact on the Company's consolidated financial statements.

In September 2006, FASB issued Statement No. 157 (SFAS 157), Fair Value Measurements . SFAS 157 defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. This Statement does not require any new fair value measurements; however, it may change current practices related to the definition of fair value, the methods used to measure fair value and expanded disclosures about fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years and is not expected to have a material impact on the Company's consolidated financial statements.

In September 2006, FASB Issued Statement No. 158 (SFAS 158), Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R) . SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. The Company adopted this Statement effective December 31, 2006. The impact on the Company's consolidated financial statement was to recognize and record a liability of \$2.1 million for the underfunded pension and postretirement costs at December 31, 2006.

In September 2006, the SEC staff issued Staff Accounting Bulletin No.108 (SAB 108) Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements . SAB 108 was issued to provide consistency among registrants in the quantification of financial statement misstatements. SAB 108 established an approach that requires quantification of financial statement misstatements based on the effects of the misstatement on each of the Company's financial statements and the related disclosures. SAB 108 allows registrants to initially apply the approach either by (1) retroactively adjusting prior financial statements as if the approach had always been used or (2) recording the cumulative effect of initially applying the approach as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with the related offset recorded to the opening balance of retained earnings. Use of the cumulative effect transition requires full disclosure as to the nature and amount of each individual error being corrected. SAB 108 was adopted by the Company during 2006 and did not have a material impact on the Company's consolidated financial statements.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

In February 2007, FASB Issued Statement No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB No. 115 . SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for the beginning of the first fiscal year that begins after November 15, 2007. Management is currently evaluating the impact on the Company s consolidated financial statements.

Merger Announced

FMS Financial Corporation announced on October 13, 2006 that it has agreed to merge with Philadelphia based Beneficial Mutual Savings Bank (Beneficial). Under the terms of the merger agreement, Beneficial will conduct a minority stock offering to its depositors, our shareholders and the public and immediately thereafter will acquire FMS Financial Corporation. Upon completion of the merger, Farmers & Mechanics Bank will be merged with and into Beneficial Mutual Savings Bank. The merger, which is expected to close mid-year 2007, will significantly expand the network of neighborhood branches and ATM locations available to our customers across the greater Delaware Valley area.

The completion of the merger is subject to the approval of the Office of Thrift Supervision, Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking. Beneficial Mutual Bancorp, Inc. will file a registration statement, which will include a prospectus for the minority stock offering and a proxy statement/prospectus to be mailed to shareholders of FMS in connection with the solicitation of their approval of the merger agreement and their merger, and other relevant documents with the Securities and Exchange Commission and the Office of Thrift Supervision with respect to the minority stock offering and the merger.

2. EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted earnings per share for the years ended December 31, 2006, 2005 and 2004.

	For the year ended December 31,		
	2006	2005	2004
<u>Basic Earnings per share:</u>			
Net income available to common shareholders	\$ 5,319,040	\$ 6,718,232	\$ 8,768,229
Average common shares outstanding	6,517,747	6,504,143	6,495,218
Net income per common share	\$ 0.82	\$ 1.03	\$ 1.35
<u>Diluted Earnings per share:</u>			
Net income available to common shareholders on a diluted basis	\$ 5,319,040	\$ 6,718,232	\$ 8,768,229
Average common shares outstanding	6,517,747	6,504,143	6,495,218
Additional shares considered in diluted computation assuming exercise of stock options	9,185	16,495	34,251
Adjusted weighted average common shares outstanding	6,526,932	6,520,638	6,529,469
Net income per common share	\$ 0.81	\$ 1.03	\$ 1.34

F - 38

3. INVESTMENT SECURITIES HELD TO MATURITY

A comparison of amortized cost and estimated market value of investment securities held to maturity at December 31, 2006 and 2005 are as follows:

December 31, 2006				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Gov t agencies	\$ 197,325,677	\$	\$ (2,778,005)	\$ 194,547,672
Agency MBS s	118,913,950	538,065	(1,472,350)	117,979,665
CMO S	60,057,762		(1,903,220)	58,154,542
Pass through certificates	45,553,222	4,323	(1,204,033)	44,353,512
Municipal bonds	6,590,806	1,136		6,591,942
Total	\$ 428,441,417	\$ 543,524	\$ (7,357,608)	\$ 421,627,333

December 31, 2005				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Gov t agencies	\$ 192,328,423	\$ 20,699	\$ (2,164,668)	\$ 190,184,454
Agency MBS s	157,095,589	1,310,736	(1,790,650)	156,615,675
CMO S	71,621,287		(1,973,989)	69,647,298
Pass through certificates	51,100,285	9,879	(1,250,682)	49,859,482
Municipal bonds	11,390,725	2,302		11,393,027
Total	\$ 483,536,309	\$ 1,343,616	\$ (7,179,989)	\$ 477,699,936

Investments in CMO s are issued by Fannie Mae (FNMA), Freddie Mac (FHLMC) and private label non-agencies, issued by major financial institutions, which are rated AAA or AA. During 2006, the Bank sold \$11.8 million of MBS s held to maturity, which resulted in a realized gain of \$365 thousand. The sale of these securities qualified as maturities in accordance with FASB No. 115 Accounting for Certain Investments in Debt and Equity Securities , as the Bank had already collected a substantial portion (in excess of 85%) of the principal due of the scheduled payments and prepayments. The Bank has the intent and ability to hold these securities to maturity. The amortized cost and estimated market value of investments held to maturity at December 31, 2006, by contractual maturity, are shown in the following table. Expected maturities may differ as borrowers have the right to call or prepay certain obligations.

December 31, 2006			
	Amortized Cost	Estimated Market Value	
Due one year or less	\$ 16,490,167	\$ 16,400,156	
Due one to five years	40,176,616	39,526,711	
Due five to ten years	87,122,082	85,674,523	
Due after ten years	284,652,552	280,025,943	
	\$ 428,441,417	\$ 421,627,333	

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

4. INVESTMENT SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated market value of investment securities available for sale at December 31, 2006 and 2005 are as follows:

December 31, 2006				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Gov't agencies	\$ 65,398,776	\$	\$ (917,439)	\$ 64,481,337
Agency MBS's	44,251,261	54,318	(499,770)	43,805,809
Pass through certificates	19,586,361		(288,237)	19,298,124
CMO's	18,859,081		(438,636)	18,420,445
Total	\$ 148,095,479	\$ 54,318	\$ (2,144,082)	\$ 146,005,715

December 31, 2005				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Gov't agencies	\$ 60,411,063	\$	\$ (829,667)	\$ 59,581,396
Agency MBS's	52,082,272	79,909	(519,495)	51,642,686
Pass through certificates	22,647,193	2,042	(231,589)	22,417,646
CMO's	22,350,620		(360,253)	21,990,367
Total	\$ 157,491,148	\$ 81,951	\$ (1,941,004)	\$ 155,632,095

Investments in CMO's are issued by Fannie Mae (FNMA), Freddie Mac (FHLMC) and private label non-agencies, issued by major financial institutions, which are rated AAA or AA. The amortized cost and estimated market value of investments available for sale at December 31, 2006, by contractual maturity, are shown in the following table. Expected maturities may differ as borrowers have the right to call or prepay certain obligations.

December 31, 2006		
	Amortized Cost	Estimated Market Value
Due one year or less	\$	\$
Due one to five years	37,924,492	37,528,226
Due five to ten years	19,087,756	18,703,043
Due after ten years	91,083,231	89,774,446
	\$ 148,095,479	\$ 146,005,715

There were no sales of investment securities available for sale during 2006 or 2005. During 2004, the Bank sold \$17.0 million of MBSs, CMOs and equity securities available for sale, which resulted in a realized gain of \$683 thousand.

The following table presents the gross unrealized losses and fair value of the Bank's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the individual securities have been in continuous unrealized position at December 31, 2006. The unrealized losses are due to changes in market value stemming from changes in the general level of interest rates and are considered to be temporary.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

December 31, 2006

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment Securities Available for Sale:						
U.S. Gov t agencies	\$ 4,950,000	\$ (50,000)	\$ 59,531,337	\$ (867,439)	\$ 64,481,337	\$ (917,439)
Agency MBS s	7,976,824	(27,402)	29,261,754	(472,368)	37,238,578	(499,770)
Pass through certificates	3,708,209	(63,448)	15,589,915	(224,789)	19,298,124	(288,237)
CMO s			18,420,445	(438,636)	18,420,445	(438,636)
Total Investment Securities Available for Sale	\$ 16,635,033	\$ (140,850)	\$ 122,803,451	\$ (2,003,232)	\$ 139,438,484	\$ (2,144,082)
Investment Securities Held to Maturity:						
U.S. Gov t agencies	\$ 14,832,850	\$ (110,666)	\$ 179,714,822	\$ (2,667,339)	\$ 194,547,672	\$ (2,778,005)
Agency MBS s	4,948,808	(16,494)	74,259,528	(1,455,856)	79,208,336	(1,472,350)
Pass through certificates	249,692	(1,101)	43,498,235	(1,202,932)	43,747,927	(1,204,033)
CMO s	1,188,885	(1,443)	56,965,657	(1,901,777)	58,154,542	(1,903,220)
Total Investment Securities Held to Maturity	\$ 21,220,235	\$ (129,704)	\$ 354,438,242	\$ (7,227,904)	\$ 375,658,477	\$ (7,357,608)
Total	\$ 37,855,268	\$ (270,554)	\$ 477,241,693	\$ (9,231,136)	\$ 515,096,961	\$ (9,501,690)

5. LOANS, NET

Loans, net at December 31, 2006 and 2005 consist of the following:

	December 31,	
	2006	2005
Mortgage Loans	\$ 288,052,449	\$ 286,476,251
Construction Loans	3,759,783	1,774,630
Commercial Construction	2,955,926	6,942,091
Consumer Loans	2,250,836	2,355,697
Commercial Real Estate	132,217,307	127,704,281
Commercial Business	26,276,040	22,550,190
Subtotal	455,512,341	447,803,140
Less:		
Deferred loan fees	22,587	168,998
Allowance for possible loan losses	5,390,570	5,062,785
Total loans, net	\$ 450,099,184	\$ 442,571,357

At December 31, 2006 and 2005 the recorded investment in loans for which impairment had been recognized in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan, amended by SFAS No. 118, Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures, totaled \$2.9 million and \$1.8 million, respectively. At December 31, 2006, impaired loans of \$985 thousand related to loans that were individually measured for impairment with a valuation allowance of \$414 thousand and \$1.9 million of loans that were collectively measured for impairment with a valuation allowance of \$210 thousand. At December 31, 2005, impaired loans of \$985

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

thousand related to loans that were individually measured for impairment with a valuation allowance of \$414 thousand and \$794 thousand of loans that were collectively measured for impairment

F - 41

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

with a valuation allowance of \$16 thousand. For the years ended December 31, 2006 and 2005, the average recorded investment in impaired loans was approximately \$2.1 million and \$2.2 million, respectively. During the years ended December 31, 2006 and 2005, the Corporation recognized \$186 thousand and \$231 thousand, respectively, of interest on impaired loans.

The principal amount of non-accrual loans at December 31, 2006 and 2005 was \$2.9 million and \$1.8 million, respectively. Interest income on non-accrual loans that would have been recorded in 2006 under the original terms of such loans was \$184 thousand, and the interest income actually recognized in 2006 for such loans was \$142 thousand. Interest income on non-accrual loans that would have been recorded in 2005 under the original terms of such loans was \$133 thousand, and the actual interest income recognized in 2005 for such loans was \$101 thousand.

Loans pledged as collateral for advances and lines of credit from the Federal Home Loan Bank totaled \$82.6 million and \$41.4 million, at December 31, 2006 and 2005, respectively.

The Bank originates and purchases both adjustable and fixed interest rate loans. At December 31, 2006, the composition of these loans is as follows:

(In Thousands)	Maturing during 2007	Maturing from 2008 through 2011	Maturing after 2011	Total
Mortgage Loans	\$ 2,603	\$ 12,551	\$ 272,898	\$ 288,052
Construction Loans	3,760	0	0	3,760
Commercial Construction	2,493	463	0	2,956
Consumer Loans	876	785	590	2,251
Commercial Real Estate	5,095	7,759	119,363	132,217
Commercial Business	13,635	6,692	5,949	26,276
Total	\$ 28,462	\$ 28,250	\$ 398,800	\$ 455,512
Interest sensitivity on the above loans:				
Loans with predetermined rates	\$ 14,678	\$ 25,689	\$ 282,424	\$ 322,791
Loans with adjustable or floating rates	13,784	2,561	116,376	132,721
Total	\$ 28,462	\$ 28,250	\$ 398,800	\$ 455,512

Changes in the allowance for loan losses are as follows:

	Years ended December 31,		
	2006	2005	2004
Balance at beginning of year	\$ 5,062,785	\$ 4,719,192	\$ 4,407,552
Provision charged to operations	330,000	360,000	330,000
Charge-offs	(9,311)	(58,587)	(22,860)
Recoveries	7,096	42,180	4,500
Balance at end of year	\$ 5,390,570	\$ 5,062,785	\$ 4,719,192

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

6. **ACCRUED INTEREST RECEIVABLE**

Accrued interest receivable at December 31, 2006 and 2005 are summarized by major classification, as follows:

	December 31,	
	2006	2005
Accrued interest on loans	\$ 2,016,923	\$ 1,833,297
Accrued interest on investment securities held to maturity	3,231,833	3,361,066
Accrued interest on investment securities available for sale	1,123,598	1,030,008
Total accrued interest receivable	\$ 6,372,354	\$ 6,224,371

7. **OFFICE PROPERTIES AND EQUIPMENT, NET**

Office properties and equipment at December 31, 2006 and 2005 are summarized by major classification, as follows:

	December 31,	
	2006	2005
Land, buildings and improvements	\$ 39,892,255	\$ 39,687,711
Furniture and equipment	8,319,452	7,945,004
Computers	6,438,325	6,318,293
Total	54,650,032	53,951,008
Less accumulated depreciation	(20,911,104)	(19,149,921)
Office properties and equipment, net	\$ 33,738,928	\$ 34,801,087

Depreciation expense totaled \$2.0 million for the years ended December 31, 2006, 2005 and 2004.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

8. DEPOSITS

Deposits at December 31, 2006 and 2005 consisted of the following major classifications and weighted average interest rates:

December 31, 2006			
	Weighted Average Rate	Amount	Percent of Total
Non-interest checking	0.00%	\$ 194,206,626	20.81%
Checking accounts	2.93%	217,387,796	23.30%
Savings accounts	0.61%	175,056,992	18.76%
Money market accounts	1.22%	114,658,464	12.29%
Time deposits	3.31%	231,792,888	24.84%
Total	1.73%	\$ 933,102,766	100.00%

December 31, 2005			
	Weighted Average Rate	Amount	Percent of Total
Non-interest checking	0.00%	\$ 187,075,982	19.75%
Checking accounts	1.88%	226,271,954	23.89%
Savings accounts	0.59%	188,866,936	19.94%
Money market accounts	0.89%	132,960,782	14.04%
Time deposits	2.34%	211,891,770	22.38%
Total	1.21%	\$ 947,067,424	100.00%

The aggregate amount of time deposits in excess of \$100 thousand totaled \$43.9 million at December 31, 2006. Generally, deposits greater than \$100 thousand are not federally insured. Deposits from related parties, including directors and named executive officers, totaled \$1.7 million and \$1.2 million at December 31, 2006 and 2005, respectively. A summary of time deposits by maturity at December 31, 2006 is as follows:

Years ended December 31,	Amount
2007	\$ 180,369,639
2008	27,257,113
2009	10,771,793
2010	5,661,231
2011	7,719,241
Thereafter	13,871
Total	\$ 231,792,888

A summary of interest expense on deposits is as follows:

	Years ended December 31,		
	2006	2005	2004
Checking accounts	\$ 6,293,415	\$ 4,124,244	\$ 1,717,164
Savings accounts	1,137,763	1,149,484	1,070,861
Money market accounts	1,547,516	1,266,737	1,001,238
Time deposits	7,105,205	4,877,824	3,965,128

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

Total interest expense	\$	16,083,899	\$	11,418,289	\$	7,754,391
------------------------	----	-------------------	----	------------	----	-----------

F - 44

9. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

At December 31, 2006, the Bank had securities sold under the agreements to repurchase (repurchase agreements) in the aggregate amount of \$115.0 million. The re-purchase agreements are collateralized by U.S. Government agency notes, MBSs, CMOs and loans with a market value of \$119.4 million. Accrued interest payable totaled \$600 thousand and \$1.0 million, at December 31, 2006 and 2005, respectively.

Year ended December 31, 2006

Counter party	Amount	Weighted Average Rate	Maturity Date	Call Feature
FHLB	\$ 20,000,000	5.72%	12/19/07	03/19/07
FHLB	20,000,000	5.95%	08/30/10	03/01/07
FHLB	20,000,000	5.54%	10/18/10	01/17/07
FHLB	20,000,000	4.85%	12/20/10	03/20/07
FHLB	20,000,000	5.22%	12/20/10	03/20/07
FHLB	5,000,000	3.73%	01/05/16	01/05/07
Merrill Lynch	10,000,000	3.90%	01/06/16	01/06/08
Total	\$ 115,000,000	5.24%		

Year ended December 31, 2005

Counter party	Amount	Weighted Average Rate	Maturity Date	Call Feature
FHLB	\$ 20,000,000	5.72%	12/19/07	03/19/06
FHLB	20,000,000	5.13%	01/14/08	01/14/06
FHLB	20,000,000	5.95%	08/30/10	03/01/06
FHLB	20,000,000	5.54%	10/18/10	01/18/06
FHLB	20,000,000	4.85%	12/20/10	03/20/06
FHLB	20,000,000	5.22%	12/20/10	03/20/06
FHLB	10,000,000	4.18%	02/28/11	02/28/06
FHLB	15,000,000	3.84%	04/06/11	01/06/06
Merrill Lynch	10,000,000	3.81%	11/02/15	11/02/06
Merrill Lynch	10,000,000	3.89%	11/04/15	11/04/06
Merrill Lynch	10,000,000	3.91%	11/08/15	11/08/06
Total	\$ 175,000,000	4.93%		

10. ACCRUED INTEREST PAYABLE

Accrued interest payable at December 31, 2006 and 2005 are summarized by major classification, as follows:

	December 31,	
	2006	2005
Accrued interest on deposits	\$ 758,371	\$ 324,676
Accrued interest on repurchase agreements	600,025	1,024,636
Accrued interest on FMS Statutory Trust I and II	109,349	29,041
Total accrued interest payable	\$ 1,467,745	\$ 1,378,353

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

11. INCOME TAXES

The Corporation's provision for income taxes differs from that computed by applying the statutory federal income tax rate to income taxes as follows:

	December 31,					
	2006		2005		2004	
	Amount	Percent	Amount	Percent	Amount	Percent
Tax at Federal tax rate:	\$ 2,953,167	34.00%	\$ 3,863,989	34.00%	\$ 5,162,546	35.00%
Increase (decrease) from:						
State income taxes, net of federal income tax benefit	624,702	7.19	813,465	7.16	925,297	6.27
Tax exempt interest income	(96,203)	(1.11)	(45,275)	(.40)	(10,680)	(.07)
Other	(114,920)	(1.32)	14,262	.13	(95,262)	(.65)
Total	\$ 3,366,746	38.76%	\$ 4,646,441	40.89%	\$ 5,981,901	40.55%

The temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows:

	December 31	
	2006	2005
Deferred income tax assets:		
Allowance for possible loan losses	\$ 2,202,048	\$ 2,068,148
Compensation and pension asset	167,931	82,876
Amortization of deposit premiums	789,262	635,674
Pension and postretirement benefits	1,067,049	204,250
Accrued expenses	168,888	137,566
Other	32,412	24,461
Gross deferred tax assets	\$ 4,427,590	\$ 3,152,975
Deferred income tax liabilities:		
Prepaid deposit insurance premium	\$ 13,129	\$ 13,129
Depreciation	(102,697)	168,544
Deferred loan fees - net	422,320	363,661
Gross deferred tax liabilities	\$ 332,752	\$ 545,334
Deferred income tax asset, net	\$ 4,094,838	\$ 2,607,641

There was no change in the valuation allowance for the year ended December 31, 2006, 2005 and 2004.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following represents the components of income tax expense for the years ended December 31, 2006, 2005 and 2004, respectively.

	December 31,		
	2006	2005	2004
Current Federal tax provision	\$ 2,975,624	\$ 3,831,359	\$ 4,645,184
Current State tax provision	1,015,520	1,272,280	1,443,252
Total Current provision	\$ 3,991,144	\$ 5,103,639	\$ 6,088,436
Deferred Federal tax provision (benefit)	\$ (555,395)	\$ (417,440)	\$ (86,817)
Deferred State tax provision (benefit)	(69,003)	(39,758)	(19,718)
Total deferred provision (benefit)	(624,398)	(457,198)	(106,535)
Total	\$ 3,366,746	\$ 4,646,441	\$ 5,981,901

12. LEASES

The Bank leases eleven branch locations, which expire over the next 13 years. These leases generally provide for the payment of taxes and maintenance by the lessee. Most of these operating leases provide the Bank with the option to renew the lease after the initial lease term. Future minimum rental payments under existing leases as of December 31, 2006 are as follows:

Year ending December 31,	Amount
2007	\$ 375,505
2008	305,974
2009	250,850
2010	216,325
2011 and beyond	609,317
Total	\$ 1,757,971

The leases contain cost of living adjustments based on changes in the consumer price index. The minimum lease payments shown above include base rentals exclusive of any future adjustments. Total rent expense for all operating leases amounted to \$442 thousand, \$363 thousand and \$329 thousand for fiscal years 2006, 2005 and 2004, respectively.

13. STOCKHOLDERS EQUITY

On December 14, 1988, the Bank converted to a state chartered stock savings bank and simultaneously formed FMS Financial Corporation. At the time of conversion, eligible deposit account holders were granted priority in the unlikely event of a future liquidation of the Bank. Retained earnings have been restricted and a special reserve was established for these deposits. This special reserve has been decreased to the extent that the balances of eligible account holders were reduced at annual determination dates. The Bank converted its charter to that of a Federal savings bank on October 15, 1993.

The ability of the Corporation to pay dividends to stockholders is directly dependent upon the ability of the Bank to pay dividends to the Corporation. OTS regulations restrict the ability of the Bank to pay dividends to the Corporation if such dividends reduce the net worth of the Bank below the amount required in the special reserve account and based on the Bank's net income and capital position.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The Bank is considered well capitalized by OTS regulation at December 31, 2006 and 2005. The following table presents the capital ratios of the Bank at December 31, 2006 and 2005.

	Actual		Minimum Capital Requirement		Minimum to be well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2006						
(thousands)						
Tier 1 (Core) Capital:	\$ 94,800	7.98%	\$ 47,511	4.0%	\$ 59,389	5.0%
Risk-Based Capital:	\$ 99,777	19.27%	\$ 41,416	8.0%	\$ 51,770	10.0%
Tier 1 Risked-Based Capital:	\$ 94,800	18.31%	\$ 20,708	4.0%	\$ 31,062	6.0%
Tangible Capital:	\$ 94,800	7.98%	\$ 17,817	1.5%	\$ 24,377	2.0%
December 31, 2005						
(thousands)						
Tier 1 (Core) Capital:	\$ 89,616	7.29%	\$ 49,170	4.0%	\$ 61,463	5.0%
Risk-Based Capital:	\$ 94,265	18.13%	\$ 41,572	8.0%	\$ 51,966	10.0%
Tier 1 Risked-Based Capital:	\$ 89,616	17.24%	\$ 20,794	4.0%	\$ 31,191	6.0%
Tangible Capital:	\$ 89,616	7.29%	\$ 18,442	1.5%	\$ 24,589	2.0%

A reconciliation of the Bank's GAAP capital to the regulatory capital amounts is provided in the following table:

	December 31, 2006	December 31, 2005
Bank GAAP Capital	\$ 94,220,043	\$ 91,137,726
Accumulated other comprehensive loss	2,485,410	1,099,630
Less:		
Subsidiary investments not includable	(745,645)	(745,645)
Core deposit intangible	(1,159,614)	(1,875,822)
Tier 1, Tier 1 Risk-Based and Tangible Capital	\$ 94,800,194	\$ 89,615,889
General valuation allowance	4,977,001	4,649,217
Risk-Based Capital	\$ 99,777,195	\$ 94,265,106

14. RETIREMENT PLANS

The Bank has a defined benefit pension plan for active employees. The Bank also provides certain health care and life insurance benefits to certain retired employees.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

As of December 31, 2006, the Corporation adopted SFAS 158, Employers Accounting for Defined Benefit and Other Postretirement Plans, which requires recognition of the funded status of these plans in the consolidated statement of financial condition. At December 31, 2006, the incremental effect of applying SFAS 158 on individual line items in the Consolidated Statement of Financial Condition are as follows:

Consolidated Statement of Financial Condition- Line Items	Before Application of SFAS 158	Adjustments	After Application of SFAS 158
Deferred income taxes	\$ 3,232,039	\$ 862,799	\$ 4,094,838
Total assets	\$ 1,187,249,624	\$ 862,799	\$ 1,188,112,423
Pension benefit liability	\$ 319,092	\$ 1,968,131	\$ 2,287,223
Postretirement liability	\$ 500,000	\$ 143,983	\$ 643,983
Other liabilities (includes pension benefit & postretirement liability shown above)	\$ 4,239,263	\$ 2,112,114	\$ 6,351,377
Total liabilities	\$ 1,107,639,751	\$ 2,112,114	\$ 1,109,751,865
Accumulated other comprehensive loss-net of deferred income taxes	\$ (1,236,095)	\$ (1,249,315)	\$ (2,485,410)
Total stockholders' equity	\$ 79,609,873	\$ (1,249,315)	\$ 78,360,558
Total liabilities and stockholders' equity	\$ 1,187,249,624	\$ 862,799	\$ 1,188,112,423

Amounts recognized in accumulated other comprehensive income at December 31, 2006 are as follows:

	Pension Plan	Post-retirement Plan
Net loss	\$ 515,113	\$ 143,983
Prior service cost	1,453,018	

The estimated net loss, net prior service cost, and net transition obligation for the pension benefits that will be amortized from accumulated other comprehensive income into net periodic pension costs over the next fiscal year are \$0, \$98 thousand and \$0, respectively. It is estimated that there will not be any net loss, net prior service cost or net transition obligation for the post-retirement benefits that will be amortized from accumulated other comprehensive income into periodic post-retirement benefit costs over the next fiscal year.

Net pension expense was \$1.0 million, \$1.0 million and \$822 thousand for years ended December 31, 2006, 2005 and 2004, respectively. The components of net pension cost are as follows:

	Years ended December 31,		
	2006	2005	2004
Service cost	\$ 1,025,847	\$ 947,524	\$ 871,039
Interest cost	744,708	742,271	563,963
Return on assets	(1,537,656)	(487,280)	(659,381)
Net amortization and deferral	786,636	(191,135)	46,634
Net periodic pension cost	\$ 1,019,535	\$ 1,011,380	\$ 822,255

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table presents a reconciliation of the funded status of the defined benefit pension plan at December 31, 2006 and 2005:

	December 31,	
	2006	2005
Accumulated benefit obligation		
Projected benefit obligation	\$ 16,100,982	\$ 13,952,999
Fair value of plan assets	13,813,759	12,146,662
Unfunded of plan assets over projected benefit obligation	2,287,223	1,806,337
Unrecognized net loss		(21,883)
Unrecognized prior service cost		(1,551,445)
Accrued pension cost included in the consolidated balance sheet	\$ 2,287,223	\$ 233,009

The following table presents a reconciliation of beginning and ending balances of benefit obligations and plan assets:

	December 31,	
	2006	2005
Change in Projected Benefit Obligation		
Projected benefit obligation at beginning of year	\$ 13,952,889	\$ 10,844,831
Service cost	1,025,847	947,524
Interest cost	744,708	742,271
Actuarial loss	1,211,309	1,570,235
Benefits paid	(833,771)	(151,972)
Projected benefit obligation at end of year	16,100,982	13,952,889
Change in Plan Assets		
Fair value of plan assets at beginning of year	12,146,662	10,712,030
Actual return of plan assets	1,537,656	487,280
Employer contribution	963,212	1,099,324
Benefits paid	(833,771)	(151,972)
Fair value of plan assets at end of year	\$ 13,813,759	\$ 12,146,662

Actuarial assumptions used in determining pension amounts are as follows:

	Years ended December 31,		
	2006	2005	2004
Discount rate for periodic pension cost	5.50%	6.00%	6.00%
Discount rate for benefit obligation	5.50%	5.50%	6.00%
Rate of increase in compensation levels and social security wage base	4.00%	4.00%	4.00%
Expected long-term rate of return on plan assets	7.00%	7.00%	7.00%

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

In accordance with the provisions to the Statement of Financial Accounting Standards No. 132 (revised) Employer's Disclosure about Pension and Other Postretirement Benefits disclosures have been increased to include investment strategy, asset allocation mix, contributions, measurement dates and accumulated benefit obligation levels for pension plans.

The Pension Investment Committee of the Corporation in conjunction with the Board of Directors oversees the investment of the plan assets. During 2006, the committee conducted a review of the portfolio structure and the strategic asset allocation including the relationship of plan assets to plan liabilities. The goals of the asset investment strategy are to:

* Maximize the return on assets, over the long-term, by investing primarily in equities. The inclusion of additional asset classes with differing rates of return, volatility and correlation are utilized to reduce risk by providing diversification relative to equities.

* Diversify investments within asset classes to maximize preservation of principal and minimize over-exposure to any one investment, thereby minimizing the impact of losses in single investments.

* Provide a total return that, over the long-term, provides sufficient assets to fund its liabilities subject to an appropriate level of risk, contributions and pension expense.

The plan asset allocation percentage and market values at December 31, 2006 are as follows:

	Market Value	% of Assets
Cash	\$ 831,635	6.0%
Equity securities	12,931,179	93.6%
Preferred stock securities	30,438	0.2%
Closed-end funds	20,507	0.2%
	\$ 13,813,759	100.00%

The Bank regularly monitors our pension asset allocation. Senior management review performance results at least quarterly. As of December 31, 2006, our target asset allocation was 94% U.S. common stock equities, 0.2% preferred stock equities, 0.2% mutual funds and 5.5% in cash and cash equivalents.

Funding policy for the qualified plan is to make annual contributions that satisfy the minimum funding requirements of Employee Retirement Income Security Act 1974 (ERISA) but that do not exceed the maximum deductible limits of the Internal Revenue Code. The contributions to the pension plan are determined each year as a result of an actuarial valuation of the plan. In 2006 and 2005, \$955 thousand and \$1.0 million, respectively were contributed by the Corporation to meet the pension funding requirements. The contribution to the pension plan for 2007 is expected to be approximately \$779 thousand. The pension plan will maintain compliance with the ERISA as amended, and any applicable regulations and laws. Total pension benefits expected to be paid in each year from 2007 through 2011 are \$287 thousand, \$349 thousand, \$408 thousand, \$439 thousand, and \$477 thousand, respectively. The aggregate expected benefits to be paid in the five years from 2012 through 2016 are \$3.0 million.

The Bank also maintains a 401(k) plan, which is a defined contribution plan established in 2003. All employees are eligible to participate in this plan after completing one year of service and are age twenty one or older. The Bank's contribution equals the first 3% of the employee's contributions and match 50% above 3% up to 7% of their compensation for the plan year. Participant's are vested in their and the Bank's contribution immediately. Plan expense, included in salaries and employee benefits was \$285 thousand, \$302 thousand and \$281 thousand for the years ended December 31, 2006, 2005 and 2004.

In addition to providing retirement plan benefits, the Bank provides certain health care and life insurance benefits to certain retired employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 106, Employer Accounting for Postretirement Benefits other than Pensions (SFAS No. 106) the expected cost of such benefits must be actuarially determined and accrued ratably from the date of hire to the date the employee is fully eligible to receive benefits. The accumulated postretirement benefit obligations are not funded but are reflected in the statement of financial condition in other liabilities.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The net periodic postretirement benefit costs include the following components:

	December 31,		
	2006	2005	2004
Interest cost	\$ 24,520	\$ 25,163	\$ 51,547
Amortization of prior service cost	(7,064)	(11,339)	(11,339)
Amortization of loss	(3,860)	19,517	15,776
Net periodic post-retirement benefit cost	\$ 13,596	\$ 33,341	\$ 55,984

The assumed discount rate used in the calculation for net periodic postretirement benefit costs was 5.50% for 2006 and 2005. The assumed health care cost trend rate for 2006 was 10.0% and was graded down in 0.5% increments per year to an ultimate rate of 5.0% per year. The impact of a 1.0% increase and decreases in the assumed health care cost trend for each future year would be as follows:

	December 31, 2006	
	1.0% Increase	1.0% Decrease
Accumulated postretirement obligation	\$ 47,674	\$ 42,860
Service and interest Cost	\$ 2,485	\$ 2,234

The following table summarizes the amounts recognized in the Bank's balance sheet:

	December 31,	
	2006	2005
Accumulated post-retirement benefit obligation	\$ (643,983)	\$ (480,053)
Unrecognized prior service cost		(7,063)
Unrecognized net gain		(70,969)
Accrued post-retirement benefit cost	\$ (643,983)	\$ (558,085)

The assumed discount rate used in the calculation for the accumulated postretirement benefit obligations was 5.50% as of December 31, 2006 and 2005.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

The following table presents a reconciliation of beginning and ending balance of benefit obligations and plan assets:

Change in Projected Benefit Obligation	December 31,	
	2006	2005
Projected benefit obligation at beginning of year	\$ 480,053	\$ 744,827
Service cost	\$	\$
Interest cost	\$ 24,520	\$ 25,163
Actuarial loss (gain)	\$ 207,892	\$ (246,625)
Benefits paid	\$ (68,482)	\$ (43,312)
Projected benefit obligation at end of year	\$ 643,983	\$ 480,053
Change in Plan Assets		
Fair value of plan assets at beginning of year	\$	\$
Actual return of plan assets	\$	\$
Employer contribution	\$ 68,482	\$ 43,312
Benefits paid	\$ (68,482)	\$ (43,312)
Fair value of plan assets at end of year	\$	\$

The expected cost of postretirement benefits in each year from 2007 through 2011 are \$71 thousand, \$72 thousand, \$71 thousand, \$70 thousand and \$68 thousand, respectively. The aggregate expected benefits to be paid in the five years from 2012 through 2016 are \$293 thousand.

15. LONG-TERM DEBT

The Corporation established FMS Statutory Trust I (Trust I) in March 2002. The trust issued \$25.0 million of floating rate capital securities to institutional investors and \$774 thousand of common securities to the Corporation. The proceeds of these were used by the Trust to purchase subordinated debentures issued by the Corporation. The Corporation used the debenture proceeds to pay down the \$10.0 million of 10% subordinated debentures, expansion of the Bank's operations and general corporate purposes. The Trust's capital securities are fully guaranteed by the Corporation's debentures. The interest rates reset every three months to LIBOR plus 360 basis points and will not exceed 11.0% through the first five years from issuance. As of December 31, 2006 and 2005, the interest rate was 8.97% and 8.12%, respectively. The debentures are redeemable at the Corporation's option any time after March 2007. The redemption of the debentures would result in the mandatory redemption of the Trust's capital and common securities at par.

The Corporation established FMS Statutory Trust II (Trust II) in June 2006. The trust issued \$25.0 million of floating rate capital securities to institutional investors and \$774 thousand of common securities to the Corporation. The proceeds of these were used by the Trust for general corporate purposes. The Trust's capital securities are fully guaranteed by the Corporation's debentures. The interest rates reset every three months to LIBOR plus 158 basis points. As of December 31, 2006 the interest rate was 6.94%. The debentures are redeemable at the Corporation's option any time after June 2011. The redemption of the debentures would result in the mandatory redemption of the Trust's capital and common securities at par.

As a result of the deconsolidation of the Trust under FIN 46R as of December 31, 2003, the Corporation recognized in its Consolidated Statement of Financial Condition its investment in FMS Statutory Trust I and II, which is presented in other assets and the subordinated debenture liability owed to the Trust. The deconsolidation of the Trust did not have any other impact in the consolidated financial statements.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The disclosure of the fair value of all financial instruments is required, whether or not recognized on the balance sheet, for which it is practical to estimate fair value. In cases where quoted market prices are not available, fair values are based on assumptions including future cash flows and discount rates. Accordingly, the fair value estimates cannot be substantiated, may not be realized, and do not represent the underlying value of the Corporation.

The Corporation uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents: The carrying value is a reasonable estimate of fair value.

Investment securities held to maturity and securities available for sale: Fair value is equal to quoted market prices.

FHLB Stock: The stock of FHLB is issued only to FHLB member institutions and is redeemable only by another member institution or the FHLB at its \$100 per share par value.

Loans: For variable rate loans that reprice frequently and with no significant change in credit risk, fair value is the carrying value. For other categories of loans such as fixed rate residential mortgages, commercial and consumer loans, fair value is estimated based on discounting the estimated future cash flows using the current rates at which similar loans would be made to borrowers with similar collateral and credit ratings and for similar remaining maturities.

Deposits: For checking, savings and money market accounts, fair value is the amount payable on demand at the reporting date. For time deposits, fair value is estimated using the rates currently offered for deposits with similar remaining maturities.

Securities sold under agreements to repurchase: For investment securities with a quoted market price, fair value is equal to quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

FMS Statutory Trust I and II debentures: Fair value is estimated using quoted market prices for similar securities.

Commitments to extend credit and standby letters of credit: For commitments and standby letters of credit expiring within 90 days or with a variable rate, the settlement amount is a reasonable estimate of fair value. For commitments and standby letters of credit expiring beyond 90 days or with a fixed rate, the fair value is the present value of the obligations based on current loan rates.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

At December 31, 2006 and December 31, 2005, the carrying amount and the estimated market value of Corporation's financial instruments are as follows:

	December 31, 2006		December 31, 2005	
	Carrying Amount	Estimated Market Value	Carrying Amount	Estimated Market Value
Financial assets:				
Cash and cash equivalents	\$ 109,761,197	\$ 109,761,197	\$ 93,840,949	\$ 93,840,949
Investment securities held to maturity and investment securities available for sale	\$ 574,447,132	\$ 567,633,048	\$ 639,168,404	\$ 633,332,032
FHLB Stock	\$ 6,313,520	\$ 6,313,520	\$ 8,248,420	\$ 8,248,420
Loans, net of unearned income	\$ 455,489,754	\$ 449,681,000	\$ 447,634,142	\$ 445,616,000
Less: Allowance for loan losses	\$ (5,390,570)	\$ (5,390,570)	\$ (5,062,785)	\$ (5,062,785)
Loans, net	\$ 450,099,184	\$ 444,290,430	\$ 442,571,357	\$ 440,553,215
Financial liabilities:				
Deposits				
Checking, passbook, and money market accounts	\$ 701,309,878	\$ 701,309,878	\$ 735,175,654	\$ 735,175,655
Certificates	\$ 231,792,888	\$ 230,923,000	\$ 211,891,770	\$ 210,789,000
Securities sold under agreements to repurchase	\$ 115,000,000	\$ 116,690,444	\$ 175,000,000	\$ 178,419,000
Trust capital securities-FMS Statutory Trust I and II	\$ 51,548,000	\$ 51,403,666	\$ 25,774,000	\$ 26,670,935
Off-balance sheet financial instruments:				
Commitments to extend credit	\$ 35,547,494	\$ 35,547,494	\$ 54,113,170	\$ 54,113,170
Standby letters of credit	\$ 6,568,883	\$ 6,568,883	\$ 6,905,486	\$ 6,905,486

17. COMMITMENTS AND CONTINGENCIES

The Bank has outstanding loan commitments of \$35.5 million as of December 31, 2006. Of these commitments outstanding, the breakdown between fixed and variable rate loans is as follows:

	December 31, 2006			
	Fixed Rate	Variable Rate	Total	Interest Rate Range-Fixed Rate Commitments
Commitments to:				
fund loans	\$ 2,445,572	\$ 3,571,000	\$ 6,016,572	6.125%-7.50%
Unused lines:				
Construction	1,722,940	3,901,232	5,624,172	5.75%-8.75%
Equity line of credit loans		23,906,750	23,906,750	
Total	\$ 4,168,512	\$ 31,378,982	\$ 35,547,494	5.75%-8.75%

In addition to outstanding loan commitments, the Bank as of December 31, 2006, issued \$6.6 million in standby letters of credit to guarantee performance of bank customers to third parties.

Commitments and standby letters of credit are issued in accordance with the same loan policies and underwriting standards, including collateral as settled loans. Since some commitments and standby letters of credit are expected to expire without being drawn down, these amounts do not necessarily represent future cash requirements.

18. LITIGATION

In the normal course of business, the Corporation is subjected to various legal proceedings. There were no significant pending legal proceedings at December 31, 2006, which are expected to have a material impact on the Corporation's financial position or results of operations.

19. LOANS TO EXECUTIVE OFFICERS AND DIRECTORS

Regulation O provides that all loans to executive officers and directors be made on substantially the same terms and conditions as are available to the general public. However, executive officers are permitted to participate in rate discount programs available to all employees. The rate discounts are available to employees as long as they are employed at the Bank. If employment is terminated, the rate discount ceases from the date of termination. At December 31, 2006 and 2005, loans made to directors and executive officers whose indebtedness exceeded \$60 thousand amounted to \$3.3 million and \$5.2 million, respectively. During 2006, new loans to these individuals totaled \$722 thousand and repayments totaled \$2.6 million.

20. STOCK OPTIONS

The Corporation has established a stock compensation plan (the Plan) for executive officers and other selected employees of the Corporation. The Plan consists of incentive stock options intended to qualify under Section 422A of the Internal Revenue Code of 1986. These stock options may be surrendered and stock appreciation rights may be granted in their place, with the approval of the Corporation.

The option price per share for options granted may not be less than the fair market value of the common stock on the date of grant. All stock options are dilutive and included in the calculation of earnings per share. All stock options have been adjusted for all stock splits. At December 31, 2006, the option exercise prices were \$10.00. Options are fully vested at the date of grant and must be exercised within ten years. There were no options granted during 2006, 2005 and 2004.

The following table summarizes information about stock options outstanding at December 31, 2006.

Exercise Price	Outstanding Options	Average Life *	Exercisable Options
\$ 10.00	17,500	1.8	17,500

* Average contractual life in years

A summary of the status of the Corporation's Stock Option Plan as of December 31, 2006, 2005 and 2004 and changes during the years ending on those dates is presented below.

	Years Ended December 31,					
	2006		2005		2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at the beginning of the year	36,500	\$ 10.00	65,600	\$ 8.31	75,250	\$ 8.06
Options exercised	(16,500)	10.00	(15,100)	5.90	(4,650)	7.49
Options surrendered	(2,500)	10.00	(14,000)	6.50	(5,000)	5.33
Outstanding at the end of the year	17,500	\$ 10.00	36,500	\$ 10.00	65,600	\$ 8.31

21. RISKS AND UNCERTAINTIES

Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Significant estimates are made by management in determining the allowance for loan losses, pension benefit obligations, postretirement benefits, income taxes, and carrying values of real estate owned.

The earnings of the Corporation depend on the earnings of the Bank. The earnings of the Bank depend primarily upon the level of net interest income, which is the difference between interest earned on its interest-earning assets, such as loans and investments and the interest paid on its interest-bearing liabilities, such as deposits and borrowings. Accordingly, the operations of the Bank are subject to risks and uncertainties surrounding its exposure to changes in the interest rate environment.

Consideration is given to a variety of factors in establishing the estimate for allowance for loan losses including current economic conditions, diversification of the loan portfolio, delinquency statistics, results of loan reviews, borrowers' perceived financial and managerial strengths, the adequacy of underlying collateral, if collateral dependent, or present value of future cash flows and other relevant factors. Since the allowance for loan losses and carrying value of real estate assets and real estate held for development is dependent, to a great extent, on the general economy and other conditions that may be beyond the Bank's control, it is at least reasonably possible that the estimates of the allowance for loan losses and the carrying values of the real estate assets could differ materially in the near term.

The Bank sponsors pension and other retirement plans. The Bank's external actuarial consultants use certain statistical factors to estimate the future benefit obligations. The assumptions used could differ materially from actual results and may impact the amount of pension expense recorded by the Bank.

The Bank is self insured for a portion of its current years' losses related to its medical programs. In estimating the Bank's self-insurance accruals, the Bank utilizes estimates of expected losses, which are based on statistical analysis of historical data. These assumptions are closely monitored and adjusted when warranted by changing circumstances. Should a greater amount of claims occur compared to what was estimated or medical costs increase beyond what was expected, accruals might not be sufficient, and additional expenses may be recorded. Medical costs are anticipated to increase very modestly in fiscal year 2007.

The Bank is subject to claims and lawsuits in the ordinary course of its business. A determination of the amount accrued, if any, for these contingencies is made after analysis of each matter. The Bank continually evaluates such accruals and may increase or decrease accrued amounts, as we deem appropriate.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

22. PARENT COMPANY FINANCIAL INFORMATION

The financial statements for FMS Financial Corporation are as follows:

FMS Financial Corporation Statements of Financial Condition	December 31,	
	2006	2005
Assets:		
Cash and cash equivalents	\$ 1,502,610	\$ 1,337,624
Investment in subsidiary	95,768,042	91,911,725
Intercompany receivable, net	32,151,523	7,172,564
FMS Statutory Trust 1 issue costs, net	78,582	484,467
Other	712,999	174,423
Total Assets	\$ 130,213,756	\$ 101,080,803
Liabilities:		
FMS Statutory Trust I and II debentures	\$ 51,548,000	\$ 25,774,000
Dividends payable	195,849	195,486
Accrued interest payable	109,349	29,041
Total Liabilities	51,853,198	25,998,527
Stockholders Equity:		
Preferred stock - \$.10 par value 5,000,000 shares authorized; none issued		
Common stock - \$.10 par value 10,000,000 shares authorized; shares issued 8,022,892 and 8,006,392 and shares outstanding 6,529,313 and 6,515,110 as of December 31, 2006 and 2005, respectively	802,289	800,639
Paid-in capital in excess of par	8,930,731	8,767,381
Accumulated comprehensive loss - net of deferred income taxes	(2,485,410)	(1,099,630)
Retained earnings	82,120,391	77,583,683
Less: Treasury Stock (1,493,579 and 1,491,282 shares, at cost at December 31, 2006 and 2005, respectively)	(11,007,443)	(10,969,797)
Total Stockholders Equity	78,360,558	75,082,276
Total Liabilities and Stockholders Equity	\$ 130,213,756	\$ 101,080,803

These statements should be read in conjunction with the other notes related to the consolidated financial statements.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

FMS Financial Corporation Statements of Operations	December 31,		
	2006	2005	2004
Interest income	\$ 2,559	\$	\$
Intercompany interest income	1,478,959	414,140	320,582
Interest expense	(3,566,290)	(1,834,528)	(1,368,591)
Other expense	(12,284)		
Dividends from subsidiary	2,400,000	1,200,000	2,400,000
Equity in undistributed income of subsidiary	4,303,097	6,442,469	7,056,742
Income before taxes	4,606,041	6,222,081	8,408,733
Income tax benefit	712,999	496,151	359,496
Net Income	\$ 5,319,040	\$ 6,718,232	\$ 8,768,229

These statements should be read in conjunction with the other notes related to the consolidated financial statements.

FMS Financial Corporation Statements of Cash Flows	December 31,		
	2006	2005	2004
Operating Activities			
Net income	\$ 5,319,040	\$ 6,718,232	\$ 8,768,229
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of the subsidiary	(4,303,097)	(6,442,469)	(7,056,742)
Amortization of issue costs	405,885	77,844	77,843
Increase in interest payable	80,308	7,050	4,915
Increase in intercompany receivable, net	(24,978,959)	(414,140)	(1,320,582)
Other	(538,576)	513,708	(359,496)
Net cash provided by operating activities	(24,015,399)	460,225	114,167
Financing Activities			
Purchase of treasury stock	(37,646)	(34,798)	
Proceeds from issuance of trust capital securities	25,000,000		
Investment in subsidiary	(165,000)	(213,385)	(49,796)
Cash dividends paid on common stock	(781,969)	(780,298)	(779,240)
Proceeds from issuance of stock	165,000	213,385	49,796
Net cash provided (used) by financing activities	24,180,385	(815,096)	(779,240)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	164,986	(354,871)	(665,073)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,337,624	1,692,495	2,357,568
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,502,610	\$ 1,337,624	\$ 1,692,495

These statements should be read in conjunction with the other notes related to the consolidated financial statements.

Edgar Filing: Beneficial Mutual Bancorp Inc - Form 424B3

23. CONSOLIDATED SUMMARY OF QUARTERLY EARNINGS (UNAUDITED)

The following table presents summarized quarterly data for 2006 and 2005:

2006	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Year
(In Thousands, except per amounts)					
Total interest income	\$ 15,177	\$ 15,294	\$ 15,436	\$ 15,086	\$ 60,993
Total interest expense	6,345	6,710	7,129	7,231	27,415
Net interest income	8,832	8,584	8,307	7,855	33,578
Provision for loan losses	90	90	90	60	330
Net interest income after provision for loan losses	8,742	8,494	8,217	7,795	33,248
Total non-interest income	1,398	1,922	1,793	2,051	7,164
Total non-interest expense	7,944	7,945	8,027	7,810	31,726
Income before income taxes	2,196	2,471	1,983	2,036	8,686
Federal and state income taxes	862	961	736	808	3,367
Net income	\$ 1,334	\$ 1,510	\$ 1,247	\$ 1,228	\$ 5,319
Basic earnings per common share	\$ 0.20	\$ 0.23	\$ 0.19	\$ 0.20	\$ 0.82
Diluted earnings per common share	\$ 0.20	\$ 0.23	\$ 0.19	\$ 0.19	\$ 0.81
2005	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Year
(In Thousands, except per share amounts)					
Total interest income	\$ 14,017	\$ 14,327	\$ 14,598	\$ 14,964	\$ 57,906
Total interest expense	4,967	5,134	5,420	6,016	21,537
Net interest income	9,050	9,193	9,178	8,948	36,369
Provision for loan losses	90	90	90	90	360
Net interest income after provision for loan losses	8,960	9,103	9,088	8,858	36,009
Total non-interest income	1,308	1,416	1,373	1,326	5,423
Total non-interest expense	7,382	7,395	7,585	7,705	30,067
Income before income taxes	2,886	3,124	2,876	2,479	11,365
Federal and state income taxes	1,185	1,282	1,170	1,010	4,647
Net income	\$ 1,701	\$ 1,842	\$ 1,706	\$ 1,469	\$ 6,718
Basic earnings per common share	\$ 0.26	\$ 0.28	\$ 0.26	\$ 0.23	\$ 1.03
Diluted earnings per common share	\$ 0.26	\$ 0.28	\$ 0.26	\$ 0.23	\$ 1.03

24. SUBSEQUENT EVENT (Unaudited)

On March 7, 2007, the Company announced that it intends to close eleven New Jersey branch locations of its wholly-owned bank subsidiary, Farmers & Mechanics Bank, including all seven Wal-Mart branch locations, at an estimated net cost of approximately \$1.5 million or \$.23 per share, substantially all of which is expected to be incurred and recorded during the quarter ending June 30, 2007. The costs associated with the branch closings consist primarily of employee costs, fixed assets and early lease cancellation fees as all of the Wal-Mart branches are operated under long-term leases. The Company also announced that it had entered into an agreement with Beneficial Mutual Saving Bank

Beneficial to indemnify the Company for any and all costs associated with the branch closures in the event that the proposed merger with Beneficial is not consummated for any reason.

[This Page Intentionally Left Blank]

[This Page Intentionally Left Blank]

[This Page Intentionally Left Blank]

You should rely only on the information contained in this prospectus. Neither Beneficial Mutual Savings Bank nor Beneficial Mutual Bancorp has authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered by this prospectus to any person or in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make an offer or solicitation in those jurisdictions. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

(Holding Company for Beneficial Mutual Savings Bank)

20,527,500 Shares
(Anticipated Maximum, Subject to Increase)

COMMON STOCK

Prospectus

May 15, 2007

Until July 6, 2007, or 25 days after commencement of the syndicated community offering, if any, whichever is later, all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a prospectus when acting as underwriters and with respect to their unsold allotments of subscriptions.
