

PRUDENTIAL BANCORP, INC.  
Form 10-Q  
August 14, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 000-55084

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

Pennsylvania  
(State or Other Jurisdiction of  
Incorporation or Organization)

46-2935427  
(I.R.S. Employer Identification No.)

1834 Oregon Avenue Philadelphia,  
Pennsylvania  
(Address of Principal Executive  
Offices)

19145  
Zip Code

(215) 755-1500  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

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(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Large accelerated  
filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of the latest practical date: as of August 1, 2014, 9,544,809 shares were issued and outstanding.

PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

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## PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	June 30, 2014	September 30, 2013
(Dollars in Thousands, Except Per Share Data)		
<b>ASSETS</b>		
Cash and amounts due from depository institutions	\$2,093	\$2,670
Interest-bearing deposits	27,588	156,314
Total cash and cash equivalents	29,681	158,984
Investment and mortgage-backed securities available for sale (amortized cost— June 30, 2014, \$57,509; September 30, 2013, \$43,744)	56,527	41,781
Investment and mortgage-backed securities held to maturity (fair value— June 30, 2014, \$81,691; September 30, 2013, \$80,582)	83,622	83,732
Loans receivable—net of allowance for loan losses (June 30, 2014, \$2,185; September 30, 2013, \$2,353)	321,679	306,517
Accrued interest receivable	1,825	1,791
Real estate owned	460	406
Federal Home Loan Bank stock—at cost	1,221	1,181
Office properties and equipment—net	1,374	1,525
Bank owned life insurance	12,288	7,119
Prepaid expenses and other assets	2,366	3,555
Deferred tax asset-net	902	1,306
<b>TOTAL ASSETS</b>	<b>\$511,945</b>	<b>\$607,897</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY

## LIABILITIES:

## Deposits:

Noninterest-bearing	\$2,806	\$3,474
Interest-bearing	374,096	539,274
Total deposits	376,902	542,748
Advances from Federal Home Loan Bank	340	340
Accrued interest payable	1,054	1,666
Advances from borrowers for taxes and insurance	2,369	1,480
Accounts payable and accrued expenses	1,824	1,751

Total liabilities	382,489	547,985
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## STOCKHOLDERS' EQUITY:

Preferred stock, \$.01 par value, 10,000,000 shares authorized, none issued	-	-
Common stock, \$.01 par value, 40,000,000 shares authorized; 9,544,809 issued and outstanding at June 30, 2014 and 11,862,693 issued and 9,646,184 outstanding at	95	118

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September 30, 2013

Additional paid-in capital	94,319	55,297
Unearned ESOP shares	(5,396 )	(2,565 )
Treasury stock, at cost: 2,398,509 shares at September 30, 2013	-	(31,625 )
Retained earnings	41,087	39,979
Accumulated other comprehensive loss	(649 )	(1,292 )
Total stockholders' equity	129,456	59,912
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$511,945</b>	<b>\$607,897</b>

See notes to unaudited consolidated financial statements.

## PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
	(Dollars in Thousands, Except Per Share Data)			
<b>INTEREST INCOME:</b>				
Interest on loans	\$ 3,184	\$ 3,134	\$ 9,489	\$ 9,522
Interest on mortgage-backed securities	378	405	1,054	1,583
Interest and dividends on investments	553	566	1,639	1,594
Interest on interest-bearing assets	21	21	108	77
<b>Total interest income</b>	<b>4,136</b>	<b>4,126</b>	<b>12,290</b>	<b>12,776</b>
<b>INTEREST EXPENSE:</b>				
Interest on deposits	826	1,037	2,583	3,396
<b>Total interest expense</b>	<b>826</b>	<b>1,037</b>	<b>2,583</b>	<b>3,396</b>
<b>NET INTEREST INCOME</b>	<b>3,310</b>	<b>3,089</b>	<b>9,707</b>	<b>9,380</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>3,310</b>	<b>3,089</b>	<b>9,707</b>	<b>9,380</b>
<b>NON-INTEREST INCOME:</b>				
Fees and other service charges	103	103	289	298
Gain on sale of securities available for sale, net	-	852	274	868
Total other-than-temporary impairment losses	(1 )	(8 )	(16 )	(33 )
Portion of loss recognized in other comprehensive income, before taxes	-	1	-	6
Net impairment losses recognized in earnings	(1 )	(7 )	(16 )	(27 )
Other	92	129	221	352
<b>Total non-interest income</b>	<b>194</b>	<b>1,077</b>	<b>768</b>	<b>1,491</b>
<b>NON-INTEREST EXPENSE:</b>				
Salaries and employee benefits	1,578	1,475	4,747	4,433
Data processing	103	106	323	329
Professional services	196	246	719	690

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Office occupancy	122	100	365	292
Depreciation	81	85	244	257
Payroll taxes	85	79	293	267
Director compensation	70	77	241	249
Deposit insurance	54	154	202	473
Real estate owned expense	87	56	151	442
Advertising	18	67	162	223
Other	362	272	1,066	944
Total non-interest expense	2,756	2,717	8,513	8,599
INCOME BEFORE INCOME TAXES	748	1,449	1,962	2,272
INCOME TAXES:				
Current expense (benefit)	321	43	496	(392 )
Deferred (benefit) expense	(94 )	721	72	1,693
Total income tax expense	227	764	568	1,301
NET INCOME	\$ 521	\$ 685	\$ 1,394	\$ 971
BASIC EARNINGS PER SHARE	\$ 0.06	\$ 0.08	\$ 0.15	\$ 0.11
DILUTED EARNINGS PER SHARE	\$ 0.06	\$ 0.07	\$ 0.15	\$ 0.11
DIVIDENDS PER SHARE	\$ 0.03	\$ 0.00	\$ 0.03	\$ 0.00

See notes to unaudited consolidated financial statements.



## PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three months ended June 30, 2014		Nine months ended June 30, 2014	
	2013		2013	
	(Dollars in Thousands)			
Net income	\$521	\$685	\$1,394	\$971
Unrealized holding gains (losses) on available-for-sale securities	932	(2,117 )	1,232	(2,683 )
Tax effect	(317 )	720	(419 )	914
Reclassification adjustment for net gains realized in net income	-	(852 )	(274 )	(868 )
Tax effect	-	290	93	295
Reclassification adjustment for other-than-temporary impairment losses on debt securities	1	7	16	27
Tax effect	-	(2 )	(5 )	(9 )
Total other comprehensive income (loss)	616	(1,954 )	643	(2,324 )
Comprehensive Income (Loss)	\$1,137	\$(1,269 )	\$2,037	\$(1,353 )

See notes to unaudited consolidated financial statements

## PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares (Dollars in Thousands, Except Per Share Data)	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
BALANCE, OCTOBER 1, 2013	\$ 118	\$ 55,297	\$ (2,565 )	\$ (31,625 )	\$ 39,979	\$ (1,292 )	\$ 59,912
Net income					1,394		1,394
Other comprehensive income						643	643
Dividends Paid (\$0.03 per share)					(286 )		(286 )
Second-step conversion offering	(23 )	38,725		31,625			70,327
Excess tax benefit from stock compensation plans		69					69
Stock option expense		116					116
Recognition and Retention Plan expense		107					107
Purchase of ESOP Shares (285,664 shares)			(3,089 )				(3,089 )
ESOP shares committed to be released (23,155 shares)		5	258				263

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BALANCE, June 30, 2014      \$ 95      \$ 94,319      \$ (5,396 )      \$ -      \$ 41,087      \$ (649 )      \$ 129,456

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares (Dollars in Thousands, Except Per Share Data)	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE, OCTOBER 1, 2012	\$ 126	\$ 54,610	\$ (2,787 )	\$ (31,625 )	\$ 38,224	\$ 1,283	\$ 59,831
Net income					971		971
Other comprehensive loss						(2,324 )	(2,324 )
Excess tax benefit from stock compensation plans		90					90
Stock option expense		186					186
Recognition and Retention Plan expense		270					270
ESOP shares committed to be released (16,018 shares)		(38 )	166				128
BALANCE, June 30, 2013	\$ 126	\$ 55,118	\$ (2,621 )	\$ (31,625 )	\$ 39,195	\$ (1,041 )	\$ 59,152

See notes to unaudited consolidated financial statements

## PRUDENTIAL BANCORP, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended June 30,	
	2014	2013
	(Dollars in Thousands)	
<b>OPERATING ACTIVITIES:</b>		
Net income	\$1,394	\$971
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	244	257
Net accretion of premiums/discounts	(264)	(508)
Net amortization (accretion) of deferred loan fees and costs	177	(22)
Impairment charge on investment and mortgage-backed securities	16	27
Share-based compensation expense	292	546
Gain on sale of investment and mortgage-backed securities	(274)	(868)
Loss on sale of real estate owned	-	46
Income from bank owned life insurance	(169)	(152)
Compensation expense of ESOP	263	128
Deferred income tax expense	72	1,693
Excess tax benefit related to stock compensation plans	(69)	(90)
Changes in assets and liabilities which used cash:		
Accrued interest receivable	(34)	(208)
Prepaid expenses and other assets	1,183	1,459
Accrued interest payable	(612)	(1,157)
Accounts payable and accrued expenses	73	(788)
Net cash (used) provided by operating activities	2,292	1,334
<b>INVESTING ACTIVITIES:</b>		
Purchase of investment and mortgage-backed securities held to maturity	(7,000)	(33,462)
Purchase of investment and mortgage-backed securities available for sale	(17,452)	(16,955)
Loans originated or acquired	(54,178)	(65,025)
Principal collected on loans	38,756	33,035
Principal payments received on investment and mortgage-backed securities:		
Held-to-maturity	7,142	11,798
Available-for-sale	2,856	21,215
Purchases of FHLB stock	(40)	-
Proceeds from redemption of FHLB stock	-	1,056
Proceeds from sale of investment and mortgage-backed securities	1,321	16,158
Purchase of bank owned life insurance	(5,000)	-
Proceeds from sale of loans	-	9,240
Proceeds from sale of real estate owned	29	1,226
Purchases of equipment	(93)	(80)
Net cash used in investing activities	(33,659)	(21,794)
<b>FINANCING ACTIVITIES:</b>		
Net (decrease) increase in demand deposits, NOW accounts, and savings accounts	(2,382)	2,900
Redemption of funds held in escrow relating to second-step conversion	(145,675)	-

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Net decrease in certificates of deposit	(17,789 )	(25,546 )
Repayment of advances from Federal Home Loan Bank	-	(143 )
Decrease in advances from borrowers for taxes and insurance	889	958
Cash dividends paid	(286 )	
Issuance of common stock relating to second-step conversion	38,702	-
Cancellation of treasury stock	31,625	-
Purchase of stock for ESOP	(3,089 )	-
Excess tax benefit related to stock compensation plans	69	90
Net cash used in financing activities	(97,936 )	(21,741 )